

ATMOS PIPELINE TEXAS
COMMENTS TO SENATE COMMITTEES
FEBRUARY 15, 2011
RICHARD A. ERSKINE

Introduction and Background

- Richard A. Erskine, President of Atmos Pipeline-Texas (APT)
- APT operates approximately 6000 miles of pipeline and 5 storage facilities
- APT provides firm transportation and storage service for residential and commercial (R&C) customers (city gate service) to Atmos Energy Mid-Tex Division, CoServ Gas, West Texas Gas and Rising Star. These are APT's only firm shippers.
- APT also provides interruptible transportation service to industrial, electric generation (EG) and other shippers.
- The APT system was designed to serve its firm R&C gas customers and has structured its contracts and curtailment procedures accordingly. In carrying out this function, I consider our performance, and that of the gas industry, during the recent severe weather to be a true success story.

Events of January 31st through February 4th

Weather Forecast: High probability of an extreme weather event and likely record natural gas demand for R&C customers served through the APT system. Below freezing temperatures for three days, winter storm and single digit temperatures.

Timeline

Monday, Jan 31

- Began implementing extreme weather event procedures (i.e. customer advisories, imbalance restrictions, monitoring of shipper balances, etc...)
- Advised EG customers of Level 3 limitation effective 9am Tuesday (procedure used for many years-updated and communicated in October)
- R&C demand approximately 0.9 Bcf

Tuesday, Feb 1

- Storm arrives. R&C demand of approximately 2.3 Bcf
- System operations generally stable throughout the day
- Late in the day, experienced limited supply disruptions

Wednesday, Feb 2

- Estimated R&C demand of 2.5 Bcf

- Early AM, significant supply disruptions, especially in N. Fort Worth
- System pressures falling dramatically
- North Metroplex city gate stations hitting low pressure alarms
- Increasing customer calls on MidTex and CoServ for low pressure in North Metroplex
- Implemented Industrial curtailment (N.Metro I-30 to Red River) effective at noon
- Worked with Railroad Commission of Texas (RRC), the Texas Energy Reliability Council (TERC) and Industry partners to bring additional supply to the APT system in the N. Metro area
- Late AM-Request from RRC regarding service to Luminent's Lake Ray Hubbard Generating Station (Hubbard)
- Mid PM-Request from Luminent regarding service to Hubbard (100 MMcf/d with 5000 Mcf/hour flow rate under its interruptible transportation agreement)
- Late PM-Discussion with RRC regarding Hubbard request
- Advised all parties that APT did not have the physical pipeline capacity to serve record R & C gas customers' demand simultaneously with deliveries to Hubbard at summer peak levels. To do so would certainly cause gas outages to homes across large sections of N. Metro area requiring multiple weeks to re-establish service
- Maintained service to firm R&C customers with only isolated outages

Thursday, Feb 3

- Estimated R&C Demand of 1.8 Bcf
- Met morning peak for R&C customers
- System pressures stabilized
- N. Metro pressures stabilized in early morning hours due to additional gas from Devon, Energy Transfer and other industry partners

Friday, Feb 4

- Estimated R&C demand of 2.0 Bcf
- System and N. Metro pressures stable
- 10 am decision to lift industrial curtailment at 9 pm and move EG to Level 1 limitation at 9 am Saturday
- Experienced limited restoration of gas supply in N. Fort Worth

Concluding Comments: This is a success story for APT's customers

- APT successfully served its firm human needs gas customers at record demand levels not seen for at least 30 years while experiencing extreme weather conditions and related supply disruptions. This was possible due to:
- Close coordination with the RRC, TERC and Industry partners

- Significant and timely supply assistance in the N. Metro area by Devon, Energy Transfer and other industry partners
- Adherence to contract terms and regulations and implementation of appropriate controls and limitations on interruptible shippers
- Significant system enhancements such as the North Side Loop, Austin Loop and compression projects undertaken by Atmos since acquiring TXU Gas in 2004. Over \$400 million of capital expenditures have been invested in APT under GRIP, which are currently being reviewed in a formal rate proceeding before the RRC as provided under the GRIP statute.

Monday, January 31, 2011



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Line Pack: 2.33 Bcf

Tier 3 power plant restrictions to be effective 2/1/11 at 9:00 a.m.

Gas Control/ Transportation Services

Normal Operations

Shippers notified to remain in hourly and daily balance to be effective 2/1/11 at 9:00 a.m.

Shippers advised APT would not deliver imbalance make-up due to system conditions to be effective 2/1/11 at 9:00 a.m.

50% Limit on interruptible storage withdrawals to be effective 2/1/11 at 9:00 a.m.

Notified hospitals and institutions with back up fuel systems to check their operation

Positioned CNG Tankers at 5 locations

Operations

Forecasted Demand: 692,634 MMBtu

Same day purchases: 190,000 MMBtu

Actual Demand: 944,318 MMBtu

Total purchased supply: 878,508 MMBtu

Gas Supply

Actual High: 53
 Actual Low: 38

Weather - 19 HDD

Tuesday, February 1, 2011



- 12 a.m.
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Gas Control/ Transportation Services

- Line Pack: 2.52 Bcf, but beginning to drop
- No interruptible storage withdrawals to be effective 2/2 at 9:00 a.m.
- Storage withdrawals past 24 hours total 275,000 Mcf
- Spot storage withdrawal at 340,000 Mcf/day
- Britton area curtailment decision (2 Mid-Tex customers)

Operations

- Begin staffing over 100 regulator stations
- Supplemented supply with CNG in Mansfield
- Outages in Itasca (Regulator freeze-up)
- Begin flowing north from Katy to Dallas
- Itasca restored
- Normal winter operations
- Outages in Osceola
- Osceola restored

Gas Supply

- Forecasted Demand: 2,368,830 MMBtu
- Actual Demand: 2,202,663 MMBtu
- Total Purchased Supply: 1,709,322 MMBtu

Freezing rain and snow begins

Actual High: 38
Actual Low: 14

Freezing rain and snow ends

Weather – 39 HDD

Wednesday, February 2, 2011



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Line Pack: 2.15 Bcf, loss of 350,000 Mcf over past 24 hours

Line N curtailment decision (3 Mid-Tex customers and 1 APT customer in Burnet and Marble Falls)

Spot storage withdrawal of 900,000 Mcf/day

Storage withdrawals totaled 670,000 Mcf over past 24 hours

300 Mid-Tex Industrial customers curtailed north of I-30 to be effective 2/2/11 at 12:00 p.m.

Numerous supply losses during the day due to freeze offs and rolling blackouts

Gas Control/ Transportation Services

Regulator stations manned

Rolling blackouts begin

Low pressure on line D-9

Outage in Chapel Hill due to load surge when power restored

Line pressure in north Fort Worth steadily dropping

Mid-Cities, east Collin county, and north Fort Worth at pilot light levels

News release urging conservation

Notified North DFW ISD's to lower temperature in vacant schools

Operations

Supplemental CNG at Mansfield, Allen, and Mid-Cities

Forecasted Demand: 2,327,985 MMBtu

Same day purchases: 95,000 MMBtu

Actual Demand: 2,386,135 MMBtu

Total Purchased Supply: 2,166,342 MMBtu

Gas Supply

Actual High: 20
Actual Low: 13

Weather - 48 HDD

Thursday, February 3, 2011



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Gas Control/ Transportation Services

Line Pack: 2.23 Bcf, increased 80,000 Mcf in past 24 hours

Storage withdrawal spot rate at 500,000 Mcf/day

Storage withdrawal over past 24 hours was 550,000 Mcf

Regulator stations manned
Restoration at Chapel Hill complete

Line D-9 pressures begin to stabilize

North Fort Worth Pressure: 385 vs. 700

Line D-9 pressures stabilize

Supplemental CNG supply at 5 locations

Forecasted Demand: 1,716,413 MMBtu

Same day purchases: 95,000 MMBtu

Actual Demand: 1,711,400 MMBtu

Total purchased supply: 1,877,289 MMBtu

Gas Supply

Actual High: 23
Actual Low: 17

Weather - 45 HDD

Friday, February 4, 2011



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Gas Control/ Transportation Services

Line Pack: 2.27 Bcf,
increased 40,000 Mcf
in past 24 hours

Spot storage
withdrawals at
395,000 Mcf/day

Storage withdrawals
past 24 hours
400,000 Mcf

Industrial curtailment
north of I-30 released to
be effective 2/4/11 at
9:00 p.m.

Regulator stations manned

Supplemental CNG supply
at 4 locations

Operations

Forecasted Demand:
1,912,918 MMBtu

Actual Demand: 1,868,805 MMBtu

Total purchased supply:
1,863,889 MMBtu

Gas Supply

Snow begins

Actual High: 29
Actual Low: 19

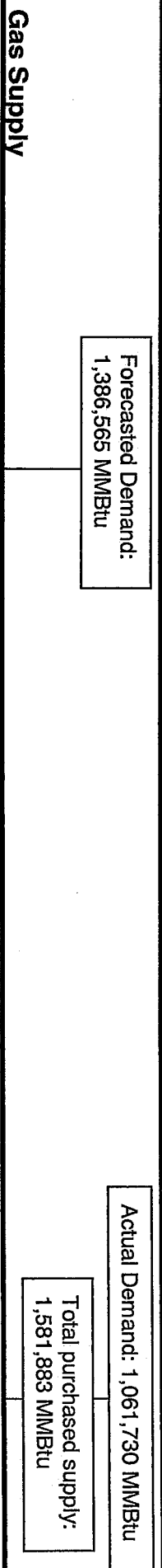
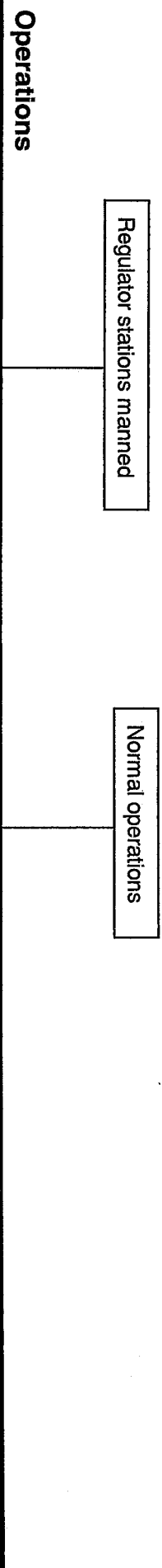
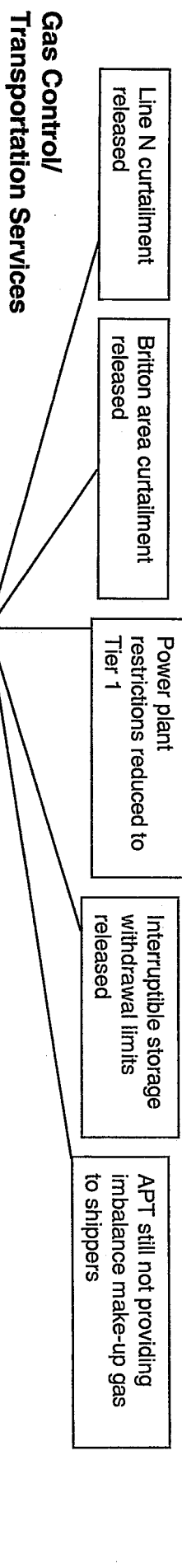
Snow ends

Weather - 41 HDD

Saturday, February 5, 2011



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Actual High: 54
Actual Low: 17

Weather – 29 HDD