

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

STATE CORPORATION COMMISSION

DEC 20 2006

In the Matter of the Application of Atmos Energy)
for Approval of an Accounting Order to Permit)
Atmos Energy to Recover Amounts Necessary to)
Expend in Order to Establish and Maintain a Gas)
Ceiling Price for all of the 2005-2006 Heating)
Season and for a Portion of the Budgeted Winter)
Volumes for the 2006-2007 Heating Season; and)
for Approval to Continue with its Use of its "Gas)
Hedge Program" Tariff.)

 Docket
Room

Docket No. 05-ATMG-617-HED

**MOTION TO MODIFY ONE OF THE TERMS
CONTAINED IN THE STIPULATION AND AGREEMENT**

COMES NOW Atmos Energy ("Atmos") and files this motion to modify one of the terms and conditions of the Stipulation and Agreement that was filed with the Kansas Corporation Commission ("Commission") on May 9, 2005, and approved by the Commission on May 10, 2005. In support of its motion, Atmos states as follows:

1. On January 28, 2005, Atmos filed its Application with the Commission in this docket seeking approval of an accounting order to permit Atmos to recover such amounts as may be necessary to expend in order to establish and maintain a gas ceiling price for all of the 2005-2006 heating season and a portion of the budgeted winter volumes for the 2006-2007 heating season under the Gas Hedge Program and for approval to continue with its "Gas Hedge Program" tariff.

2. On January 31, 2005, CURB filed a Petition to Intervene in this matter and on February 2, 2005, the Commission entered its Order granting CURB's intervention.

3. Pursuant to negotiations among Atmos, Staff, and CURB, the parties executed a Stipulation and Agreement dated May 9, 2005. A copy of the Stipulation and Agreement is attached

hereto as Attachment A.

4. On May 10, 2005, the Commission issued an order granting the Stipulation and Agreement.

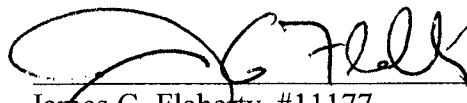
5. Under the terms and conditions of the Stipulation and Agreement, Atmos agreed to show the Hedge Program Charge as a separate line item on the customer's bill during the months April through October. This is consistent with what the other Kansas gas utilities do and Atmos is not requesting any change to that provision of the Stipulation and Agreement by filing this motion.

6. However, unlike the other Kansas gas utilities, Atmos also includes, pursuant to the Stipulation and Agreement in this docket, a line item on the bills (separate from the PGA factor), which shows the amount of all pay-offs, positive or negative, associated with the settlement of financial derivatives acquired through the Hedge Program that are passed through to Atmos' PGA customers. The other Kansas gas utilities incorporate those amounts in their PGA factor line item on the bill and do not show the amount as a separate line item on the bill.

7. In order to make the line items on Atmos' bill consistent with the line items included on the other Kansas gas utilities' bills, and to avoid some confusion that is being caused by having this additional line on the customer's bill, Atmos requests that the Stipulation and Agreement in this docket be changed so that with bills issued after January 1, 2007, the line item relating to the settlement amounts of the financial derivatives be eliminated and that those amounts be incorporated in the PGA line item on the bill, which is consistent with the way those amounts are shown on the bills of other Kansas gas utilities.

8. Atmos has discussed this matter with Staff and CURB and both Staff and CURB have indicated they have no objection to this modification of the Stipulation and Agreement.

WHEREFORE, Atmos requests that the Commission issue an order granting this motion.

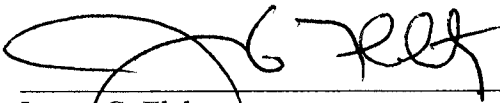


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Attorneys for Atmos Energy

VERIFICATION

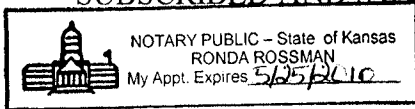
STATE OF KANSAS)
)ss:
FRANKLIN COUNTY)


The undersigned, upon oath first duly sworn, states that he is the attorney for Atmos Energy; that he has read the above and foregoing Motion to Modify One of the Terms Contained in the Stipulation and Agreement, that he is familiar with the contents thereof; and that the statements contained therein are true and correct.



James G. Flaherty

SUBSCRIBED AND SWORN to before me this 20th day of December, 2006.





Notary Public

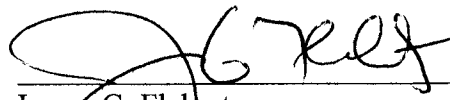
My Commission Expires:

CERTIFICATE OF SERVICE

I hereby certify that a copy of the above and foregoing was mailed, postage prepaid, this 20th
day of December, 2006, addressed to:

Otto A. Newton, Assistant General Counsel, Kansas Corporation Commission, 1500 S. W. Arrowhead
Road, Topeka, Kansas 66604

David R. Springe, Consumer Counsel, Citizens' Utility Ratepayer Board, 1500 S.W. Arrowhead Road,
Topeka, Kansas 66604



James G. Flaherty

ATTACHMENT A

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

STATE CORPORATION COMMISSION

MAY 09 2005

In the Matter of the Application of Atmos Energy)
for Approval of an Accounting Order to Permit)
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Susan L. Hoff Docket Room

Docket No. 05-ATMG-617-HED

**JOINT MOTION FOR AN ORDER
APPROVING STIPULATION AND AGREEMENT**

COME NOW Atmos Energy ("Atmos"), the Staff of the State Corporation Commission of the State of Kansas ("Staff" and "Commission," respectively) and Citizens' Utility Ratepayer Board ("CURB") (collectively, "Joint Movants"), and request that the Commission issue its order approving the Stipulation and Agreement entered into between Atmos, Staff and CURB, dated May 9, 2005 ("Stipulation and Agreement") with respect to the Application filed herein by Atmos. In support of their Joint Motion, Atmos, Staff and CURB state as follows:

1. On January 28, 2005, Atmos filed its Application with the Commission in this docket seeking approval of an accounting order to permit Atmos to recover such amounts as may be necessary to expend in order to establish and maintain a gas ceiling price for all of the 2005-2006 heating season and a portion of the budgeted winter volumes for the 2006-2007 heating season under the Gas Hedge Program and for approval to continue with its "Gas Hedge Program" tariff.

2. On January 31, 2005, CURB filed a Petition to Intervene in this matter and on February 2, 2005, the Commission entered its Order granting CURB's intervention.

Copy sent to *Joe Christian* on *5/11/05* by *Alan Chambers*

**JOINT MOTION FOR AN ORDER APPROVING
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3. On February 2, 2005, the Commission issued a Suspension Order pending a full investigation of the Application.

4. Pursuant to negotiations among Atmos, Staff, and CURB, the parties executed a proposed Stipulation and Agreement dated May 9, 2005. The proposed Stipulation and Agreement both conditions and modifies the Gas Hedge Program Atmos sought in its Application. The primary modifications are: 1) an increase in the Program budget amount and 2) a change in Program status from year to year to permanent. A copy of the proposed Stipulation and Agreement is attached hereto as Attachment A.

5. Separately, Staff will file a Memorandum in support of the Commission approving the proposed Stipulation and Agreement. For the evidence presented in its Memorandum, it is Staff's opinion the Commission could find the proposed Stipulation and Agreement to be consistent with the public interest. Atmos, Staff and CURB, being in agreement with conditions regarding the implementation and design of the proposed Gas Hedge Program as contained in the terms and conditions of the Stipulation and Agreement, unanimously agree to support approval of the proposed Stipulation and Agreement.

6. Because the Gas Hedge Program described in the proposed Stipulation and Agreement is similar to the program which the Commission approved for Kansas Gas Service Company ("KGS") (Docket No. 05-KGSG-580-HED), the parties believe that the proposed Stipulation and Agreement could be approved without the need for a hearing.


WHEREFORE, Atmos, Staff, and CURB respectfully request the Commission issue its order

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granting Joint Movants' motion approving the proposed Stipulation and Agreement; approving the permanent Gas Hedge Program for Atmos as conditioned by the Stipulation and Agreement; and grant such other relief as the Commission may deem appropriate.



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JOINT MOTION FOR AN ORDER APPROVING
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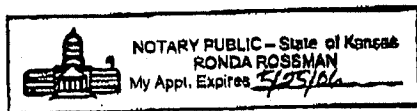
VERIFICATION


STATE OF KANSAS)
)ss:
FRANKLIN COUNTY)

The undersigned, upon oath first duly sworn, states that he is the attorney for Atmos Energy; that he has read the above and foregoing Joint Motion for an Order Approving Stipulation and Agreement, that he is familiar with the contents thereof; and that the statements contained therein are true and correct.


James G. Flaherty

SUBSCRIBED AND SWORN to before me this 9th day of May, 2005.




Notary Public

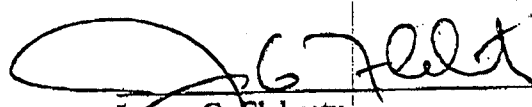
My Commission Expires:

CERTIFICATE OF SERVICE

I hereby certify that a copy of the above and foregoing was mailed, postage prepaid, this 9th day of May, 2005, addressed to:

Otto A. Newton, Assistant General Counsel, Kansas Corporation Commission, 1500 S. W. Arrowhead Road, Topeka, Kansas 66604

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Docket No. 05-ATMG-617-HED

STIPULATION AND AGREEMENT

COME NOW Atmos Energy ("Atmos"), the Staff of the State Corporation Commission of the State of Kansas ("Staff" and "Commission", respectively), and Citizens' Utility Ratepayer Board ("CURB") and stipulate and agree as follows:

1. Atmos is a jurisdictional public utility as defined by K.S.A. 66-104 and is providing gas utility service in Kansas pursuant to grants of authority from the Commission.
2. Atmos filed its Application in this matter on January 28, 2005.
3. On February 2, 2005, the Commission issued a Suspension Order.
4. Pursuant to negotiations among Atmos, Staff, and CURB, the parties executed this proposed Stipulation and Agreement dated May 9, 2005. This proposed Stipulation and Agreement both conditions and modifies the Gas Hedge Program Atmos sought in its Application. The primary modifications are: 1) an increase in the Program budget amount and 2) a change in Program status from year-to-year to permanent.
5. Separately, Staff will file a Memorandum in support of the Commission approving this proposed Stipulation and Agreement. For the evidence presented in its Memorandum, it is Staff's

STIPULATION AND AGREEMENT
Docket No. 05-ATMG-617-HED
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opinion the Commission could find the proposed Stipulation and Agreement to be consistent with the public interest. Atmos, Staff, and CURB, being in agreement with conditions regarding the implementation and design of the proposed Gas Hedge Program, as contained in the terms and conditions of this Stipulation and Agreement, unanimously agree to support its approval. The parties stipulate and agree that the permanent Gas Hedge Program and Accounting Order for Atmos shall be as follows:

A. The budget for Atmos' Gas Hedge Program shall not exceed \$2.5 million annually. Atmos may spend an amount up to the approved budget. All hedge program costs incurred by Atmos, such as transaction costs, possible interest on swap margin accounts and other direct costs of financial derivatives are to be covered by the approved budget. If necessary, the rate of interest on margin accounts will be the prime rate as published in the *Wall Street Journal*; and if necessary, an interest charge will be assessed on the initial margin amount, starting from when the account is first established through the expiration of the swap or futures contract, as the case may be. Any revenue possibly generated through the sale of financial derivatives shall be used to augment the allowed budget amount. Atmos may file a Motion to adjust the approved budget depending on market conditions.

B. All payoffs, positive or negative, associated with the settlement of financial derivatives acquired through the Hedge Program shall be passed through to Atmos' PGA customers in accordance with provisions of its PGA clause. The timing of the PGA pass-through shall be in the month following the payoff and will be distributed to all PGA

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class customers except irrigation. The PGA pass-through will show as a line item on bills in a fashion similar to the recovery of program costs discussed in Paragraph E except that it will be in the months of November through March.

C. Consistent with the findings from the Summer 2004 focus group sessions, Atmos' preferred hedge strategy is the placement of a price cap. Atmos will meet and consult with Staff and CURB prior to program implementation for the purpose of setting a planned program design, which includes specifying the following parameters:

1. quantity or volume of gas to hedge;
2. winter, and possibly summer months to be hedged;
3. price cap level;
4. hedge instruments to be used to set the cap; and
5. timing of hedge placement.

For each of the listed parameters, Atmos shall describe its decision making process and the analysis it used to support that process.

D. Atmos shall have full discretion over selection of the final Gas Hedge Program parameters. Atmos shall also meet with Staff and CURB throughout the implementation period, as needed, for the purpose of discussing significant changes from the planned hedge program.

E. Atmos shall recover the allowed program costs for each Gas Hedge Program year from its PGA customers (except irrigation customers) during the months of April through

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October through a volumetric Hedge Program charge. Atmos shall show the Hedge Program charge as a separate line item on the customer's bill during the months of April through October. Because hedge volumes are not used by Atmos during the summer irrigation months, Atmos' irrigation customers will neither pay for, nor receive benefits from, the hedge program. Those irrigation customers are completely excluded from said program.

F. Atmos shall maintain a monthly balance for amounts spent on hedge costs compared to amounts received from customers through the PGA. To the extent the net monthly balance shows that Atmos' expenditures on hedges exceed the amounts received from customers through the PGA, Atmos shall accrue interest on the excess amount during the following month at the prime rate as published in the *Wall Street Journal*. To the extent the monthly balance shows that Atmos' expenditures on hedges are less than the amounts received from customers through the PGA, Atmos shall accrue interest on the shortfall during the following month at the Commission's approved rate for customer deposits. Atmos shall recover or pay interest pursuant to the methodology above through a charge to or credit to the approved budget. The interest charges set forth in this paragraph F are separate from the interest on margin accounts described in paragraph A, which are treated separately.

G. Atmos shall submit monthly hedge reports to Staff and CURB throughout the program year. Reports during the implementation months shall detail actual implementation of the program while reports during the winter months will detail actual program performance. Monthly reports will be submitted electronically and during the first week of each month. The

STIPULATION AND AGREEMENT
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implementation reports will describe all Hedge Program activity during the prior calendar month while the performance reports will summarize Hedge Program performance for the instant calendar month. At the end of each program year, Atmos shall also submit a report on the cumulative, historical performance of its hedge program efforts.

H. Atmos shall retain all information and records necessary to verify derivative transactions performed on its behalf so that Staff or CURB may perform an audit of those transactions.

I. The parties agree that the Gas Hedge Program shall be made permanent. To the extent that Atmos, Staff or CURB believe that modifications to the previously approved program are necessary, such as a change in the budget, it shall file a Motion in this Docket requesting such changes as it deems necessary.

J. Atmos shall provide the Hedge Program design parameters to Staff and CURB sometime during September of each year. As described in Paragraph I, any modifications to submitting the design parameters in September shall require a Motion be filed in this Docket requesting such changes as deemed necessary.

6. Atmos must file its revised Gas Hedge Program tariff (SCHEDULE V: Purchased Gas Adjustment (PGA); SECTION 3 - PURCHASED GAS COST SURCHARGES; A. Gas Hedge Program) with the Commission for approval within thirty (30) days of the date of the Order approving this Stipulation and Agreement.

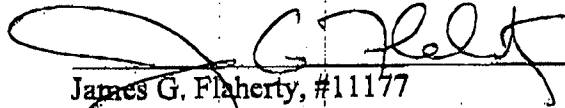
7. This proposed Stipulation and Agreement is entered into in good faith by the parties

ATTACHMENT A

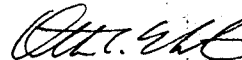
STIPULATION AND AGREEMENT
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and is intended to avoid the time and expense of any further proceedings in this matter. If the Commission does not approve all parts of the proposed Stipulation and Agreement, or approves the Stipulation and Agreement but provides for terms and conditions which have not been included herein, then, at the option of any signatory party, this Stipulation and Agreement shall become null and void and not binding upon the parties.

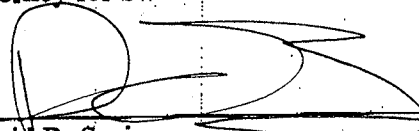
Dated this 9th day of May, 2005.



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Topeka, Kansas 66604
Attorney for Citizens' Utility Ratepayer Board

ATTACHMENT A

CERTIFICATE OF SERVICE

05-ATMG-617-HED

I, the undersigned, hereby certify that a true and correct copy of the above and foregoing Joint Motion For An Order Approving Stipulation and Agreement was placed in the United States mail, postage prepaid, or hand-delivered this 9th day of May, 2005, to the following:

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