

**BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

STATE CORPORATION COMMISSION

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.)

JAN 04 2007

 Docket
Room

Docket No. 05-ATMG-617-HED

**STAFF RESPONSE TO ATMOS ENERGY'S MOTION
TO MODIFY TERMS OF STIPULATION AND AGREEMENT**

COMES NOW, the Staff of the State Corporation Commission of the State of Kansas ("Staff" and "Commission", respectively), in response to Atmos Energy's (Atmos) Motion to Modify One of the Terms Contained in the Stipulation and Agreement (Motion) and states as follows:

1. On January 28, 2005, Atmos filed its Application in this docket seeking approval of an accounting order permitting 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, Citizens' Utility Ratepayer Board (CURB) filed a Petition to Intervene in this matter and on February 2, 2005, the Commission entered its Order granting CURB's intervention.

3. On May 9, 2005, pursuant to negotiations among Atmos, Staff and CURB, the parties executed a proposed Stipulation and Agreement (S&A) and filed their joint motion requesting Commission approval.

4. On May 10, 2005, the Commission issued an order granting the parties' joint motion and approving the S&A.

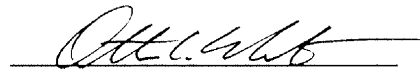
5. On December 20, 2006, Atmos filed its Motion seeking modification of one of the terms of the S&A wherein Atmos agreed to show the PGA pass-through as a separate line item on customer bills. Specifically, Atmos' request is in reference to the requirement contained in the last sentence in Paragraph 8.B. of the S&A which reads: "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." Atmos' requested modification seeks elimination of the separate line item requirement of Paragraph 8.B. of the S&A relating to settlement amounts of the financial derivatives and proposes incorporating those amounts in the PGA line item on customer bills consistent with the treatment of line items included on the customer bills of other Kansas gas public utilities.

6. Staff has reviewed Atmos' Motion and suggests rather than eliminate the last sentence of Paragraph 8.B. of the S&A altogether, that it be revised to read as follows: "For the winter months November through March inclusive, Atmos shall have the option to list the PGA pass-through amount attributable to its Hedge Program as a separate line item on monthly customer bills." This revision will afford Atmos the option, if the company so chooses, to list the monthly Hedge Program payoffs (on an MMBtu basis) as a separate line item. This revision is consistent with a similar provision

included in the most recently approved Hedge Program for Kansas Gas Service Company in Docket No. 05-KGSG-580-HED. Staff counsel has contacted counsel for both Atmos and CURB regarding Staff's proposed revision and neither party has an objection to Staff's suggested change.

WHEREFORE, Staff recommends that the Commission grant Atmos' Motion, as modified by Staff's suggested change set forth in paragraph 6 above.

Respectfully submitted,

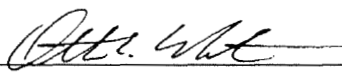


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VERIFICATION

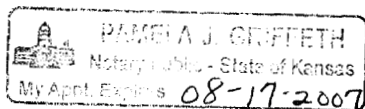
STATE OF KANSAS)
) ss.
COUNTY OF SHAWNEE)

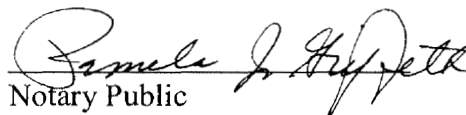
Otto A. Newton, being duly sworn upon his oath deposes and says that he is an Assistant General Counsel for the Kansas Corporation Commission; that he has read and is familiar with the foregoing Staff Response to Atmos Energy's Motion to Modify Terms of Stipulation and Agreement and that the statements therein are true to the best of his knowledge, information and belief.



Otto A. Newton

SUBSCRIBED AND SWORN to before me this 4th day of January, 2007.





Notary Public

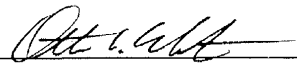
My Appointment Expires: August 17, 2007

CERTIFICATE OF SERVICE
05-ATMG-617-HED

I hereby certify that a copy of the above and foregoing Staff Response to Atmos Energy's Motion to Modify Terms of Stipulation and Agreement was placed in the United States Mail, postage prepaid, on the 4th day of January, 2007, properly addressed to:

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