

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held at its office in
Jefferson City on the 4th day of
March, 2008.

In the Matter of Atmos Energy Corporation's Filing
for Purchased Gas Adjustment in the 2005-2006
Period.

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Case No. GR-2006-0300

**ORDER ACCEPTING STAFF'S RECOMMENDATIONS AND
ESTABLISHING ENDING ACA BALANCES**

Issue Date: March 4, 2008

Effective Date: March 14, 2008

This case was opened to receive the 2005-2006 Actual Cost Adjustment (ACA) filing of Atmos Energy Corporation. On December 31, 2007, the Staff of the Missouri Public Service Commission filed a recommendation which was classified as highly confidential in its entirety, pending Atmos' classification of highly confidential material. On January 10, 2008, Staff filed the public version of its recommendation, and an amended highly confidential recommendation. Staff's recommendation indicated that Staff has completed an audit of billed revenues and actual gas costs included in Atmos' computation of its ACA balances for the period September 1, 2005, through August 31, 2006, for the Butler, Kirksville, and SEMO Districts, and June 1, 2005, through May 31, 2005, for the Greeley District and the Consolidated and Neelyville, United Cities Gas Districts. Staff also conducted a prudence review regarding Atmos' gas purchasing practices, a hedging review to determine the reasonableness of Atmos' hedging plans for this ACA period, and a

reliability analysis of the Company's estimated peak day requirements and capacity levels to meet those requirements.

On February 6, 2008, Atmos filed a response to Staff's recommendation. Atmos stated that most issues between it and Staff had been resolved. However, since Atmos' response indicated some reservations about Staff's recommendations, the Commission directed its Staff to reply to Atmos' response and state clearly the specific adjustments that the parties have agreed the Commission should order. The Commission further directed that if any areas of disagreement remain, Staff should clearly set out those disagreements. Staff filed its reply on February 15, 2008, stating its belief that there is agreement between it and Atmos as to the final 2005-2006 ending ACA balances. Staff provided three tables of (over)/under-recovery balances which it recommended be made permanent. No further responses have been filed.

After reviewing Staff's recommendations, Atmos' response, and Staff's reply, the Commission concludes that the (over)/under-recovery balances as set out in Staff's Reply to Atmos' Response, filed February 15, 2008, should be accepted as a resolution of Atmos' 2005-2006 ACA audit. In addition, the Commission adopts the recommendations of Staff as set out in its December 31, 2007 Staff Recommendation and as addressed in Atmos' February 6, 2008 response. Those recommendations are that Atmos shall:

- (a) Continue to monitor the market movement and to evaluate various hedging alternatives to ensure a successful and prudent hedging program;
- (b) Evaluate the allocation of capacity between Missouri and Kansas every two to three years as recommended by Staff to ensure the allocation is sufficient to fulfill peak day requirements of the service area;
- (c) Reevaluate growth for the SEMO District and the impact on the Company's peak day estimate for the next three to five years;

- (d) Reevaluate its reserve margin and growth estimates for the Jackson area in order to meet the requirements of a peak cold day;
- (e) Continue to monitor the capacity levels in the propane holding tanks during the 2007/2008 winter season as backup to peak day service; and
- (f) More closely scrutinize the capacity release procedures.

IT IS ORDERED THAT:

1. The ending (over)/under-recovery balances for Atmos Energy Corporation's

2005-2006 Actual Cost Adjustment are established as provided in the following tables:

TABLE 1:

(ANG) Areas B, K, and S	8-31-06 Ending Balances Per Filing for 2005-2006	Staff Adjustments	Staff Recommended Ending Balances for 2005-2006
SEMO District (Area S) Firm ACA	(\$1,510,722)	(\$66,373) (A) (\$3,269) (B) (\$4,223) (C)	(\$1,584,587)
Interruptible ACA	\$692,293	(\$6,843) (A)	\$685,450
Kirksville District (Area K): Firm ACA	(\$1,218,137)	(\$35,301) (A) (\$803) (B) \$1,436 (C) \$3,377 (E)	(\$1,249,428)
Interruptible ACA	(\$203,724)	2,499 (A) (\$1,004) (C) (\$3,377) (E)	(\$205,606)
Butler District (Area B): Firm ACA	(\$405,974)	\$66,876 (A) (\$435) (B) \$3,498 (C) (\$32,511) (D)	(\$368,546)
Interruptible ACA	(\$135,623)	\$37,839 (A) \$1,449 (C)	(\$96,335)

Notes to Staff Adjustments:

(A) ACA beginning balances August 31, 2005, adjusted to prior year ending balances.

(B) Professional Services.

(C) Carrying Costs.

(D) Storage.

(E) Kirksville Cost Allocation.

TABLE 2:

(UNITED CITIES GAS) Areas P and U	5-31-06 Ending Balances per Filing for 2005- 2006	Staff Adjustments	Staff Recommended Ending Balances for 2005-2006
Consolidated District:			
Demand ACA	(\$404,599)	\$583 (A)	(404,016)
Commodity ACA	(\$888,771)	\$823 (A) (\$2,334) (B) (\$1,560) (C)	(\$891,842)
Neelyville District:			
Demand ACA	(\$5,988)	(\$10) (A)	(\$5,998)
Commodity ACA	\$54,835	\$376 (A) (\$33) (C)	\$55,178

Notes to Staff Adjustments:

(A) ACA beginning balances May 31, 2005, adjusted to prior year ending balances.

(B) Carrying Costs.

(C) Professional Services.

TABLE 3:

(GREELEY) Area G	5-31-06 Ending Balance per 2005-2006 Filing	Staff Adjustments	Staff Recommended Ending Balance for 2005-2006
Area G Total ACA Balance	\$97,547	(\$39) (B) (\$56,217) (C)	\$41,291

Notes to Staff Adjustment:

(B) Professional Services.

(C) Storage.

2. Atmos Energy Corporation shall comply with the Staff of the Commission's recommendations as addressed in Atmos Energy Corporation's Response to Staff Recommendation filed on February 6, 2008.

3. This order shall become effective on March 14, 2008.
4. This case shall be closed on March 15, 2008.

BY THE COMMISSION

A handwritten signature in black ink, appearing to read 'Colleen M. Dale', is positioned above the printed name.

Colleen M. Dale
Secretary

(S E A L)

Davis, Chm., Murray, Clayton,
Appling, and Jarrett, CC., concur.

Dippell, Deputy Chief Regulatory Law Judge