BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the matter of PGA / ACA filing of Atmos Energy Corporation for the West Area (Old Butler), West Area (Old Greeley), Southeastern Area (Old SEMO), Southeastern Area (Old Neelyville), Kirksville Area, and in the Northeastern Area	))))))	**Case No. GR-2008-0364**

STAFF RECOMMENDATION REGARDING ATMOS ENERGY CORPORATION'S
ACTUAL COST ADJUSTMENT

COMES NOW the Staff of the Missouri Public Service Commission (Staff) and for its Recommendation, and in support thereof, states as follows:

1. Staff has reviewed Atmos Energy Corporation's (Atmos or Company) 2007-2008 Actual Cost Adjustment (ACA) filings for the former territories of Associated Natural Gas (Areas S, K, and B), United Cities Gas (Areas P and U) and Greeley Gas (Area G). These filings were made on October 16, 2008 for rates to become effective on November 1, 2008 in all areas.

2. Staff's analysis consisted of a review and evaluation of the Company's billed revenues and its natural gas costs for the period of September 1, 2007 to August 31, 2008 for all Areas (S, K, and B; and G, P and U). The increased level of analysis and the length of Staff's Memorandum are the product of the uniqueness of Atmos having had six areas that are now consolidated to four areas as a result of the Report and Order in Case No. GR-2006-0387. These four areas are served by a combination of six different gas pipelines. The four areas that are the subject of this recommendation are:

* SEMO District (Area S and the Neelyville part of Area U)
* Kirksville District (Area K)
* Consolidated District (Area P and part of Area U not Neelyville)
* Western District (Areas B and G)

3. Staff's Memorandum, attached as Appendix A and incorporated by reference, is composed of the following four sections:

Section	Begins on Page:	Recommendation on Page:
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Each section begins with a detailed explanation of Staff's concerns, followed by analysis, and concluding with recommendations.

WHEREFORE, for reasons explained in the attached Memorandum, the Staff recommends the Commission issue an order directing Atmos to comply with Staff's recommendations found on pages 7, 9, 10 and 11 of Staff's Memorandum.

Respectfully submitted,

/s/ Robert S. Berlin

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Certificate of Service

I hereby certify that copies of the foregoing have been mailed, hand-delivered, or transmitted by facsimile or electronic mail to all counsel of record this 28th day of December 2009.

/s/ Robert S. Berlin

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. GR-2008-0364, Atmos Energy Corporation

FROM: David M. Sommerer, Manager - Procurement Analysis Department
Phil Lock, Regulatory Auditor - Procurement Analysis Department
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/s/ David M. Sommerer, 12/28/2009	/s/ Bob Berlin, 12/28/2009
Project Coordinator, Date	General Counsel's Office, Date

SUBJECT: Staff's Recommendation in Atmos Energy Corporation's
2007-2008 Actual Cost Adjustment Filing

DATE: December 28, 2009

The Procurement Analysis Department (Staff) has reviewed Atmos Energy Corporation's (Atmos or Company) 2007-2008 Actual Cost Adjustment (ACA) filings for the former territories of Associated Natural Gas (ANG), (Areas B, K and S), United Cities Gas (Areas P and U) and Greeley Gas (Area G). These filings were made on October 16, 2008, for rates to become effective on November 1, 2008, in all areas. These filings were docketed as Case No. GR-2008-0364.

Staff's analysis consisted of a review and evaluation of the Company's billed revenues and its natural gas costs for the period of September 1, 2007, to August 31, 2008. A comparison of billed revenue recovery with actual costs will yield either an over-recovery or under-recovery of the ACA costs. Staff performed an examination of Atmos' gas purchasing practices to determine the prudence of the Company's purchasing decisions. Staff also conducted a hedging review to determine the reasonableness of the Company's hedging plans for this ACA period. Staff conducted a reliability analysis of the Company's estimated peak day requirements and capacity levels to meet those requirements.

Areas B, K and S are separated into the following districts: Southeast Missouri (SEMO or Area S), Kirksville (Area K), and Butler (Area B). The SEMO, Kirksville and Butler Districts served an average of 33,188 firm customers, 5,772 firm customers and 3,638 firm customers, respectively. Operationally, Areas B, K and S are separated into the following service areas: Butler, served by Panhandle Eastern Pipe Line Co., LP (PEPL); Kirksville, served by ANR Pipeline Co. (ANR); Area S includes Jackson, served by Natural Gas Pipeline Co. of America (NGPL), Piedmont, served by Mississippi River Transmission Corp. (MRT), and the Southeast Missouri Integrated system, served by Texas Eastern Transmission, LP (TETCO) and Ozark Gas Transmission, LLC.

Areas P and U are separated into the Consolidated District (Area P and part of Area U) and the Neelyville District (the rest of Area U). The Consolidated District, served by Panhandle Eastern

Pipe Line Co., LP (PEPL), served an average of 13,437 firm customers in the former districts of Hannibal-Canton, Bowling Green and Palmyra. The Neelyville District, served by Natural Gas Pipeline Co. of America (NGPL) and Texas Eastern Transmission, LP (TETCO), served an average of 411 firm customers, in and around Neelyville, Naylor and Qulin.

Area G, served by Southern Star Central Gas Pipeline, Inc. (SSC), served an average of 419 customers, in and around Rich Hill and Hume.

This memorandum is organized into four sections. Each section begins with detailed explanations of Staff's concerns and recommendations. Each continues with a summary and concludes with a recommendation section. The four sections are:

1. Atmos Energy Corporation, General;
2. Areas B, K, and S (formerly Associated Natural Gas);
3. Areas P and U (formerly United Cities Gas); and
4. Area G (formerly Greeley Gas).

SECTION 1. ATMOS ENERGY CORPORATION, GENERAL

Reliability Analysis and Gas Supply Plan Review

As a regulated gas corporation and a Local Distribution Company (LDC) providing natural gas service to Missouri customers, assuring reliability of supply is an essential company function. The Company is responsible for conducting reasonable long-range supply planning and for the decisions resulting from that planning. One purpose of the ACA process is to examine the Company's analysis and decisions to assure reliability of its gas supply, transportation, and storage capabilities. For this analysis, Staff reviews: the LDC's plans, methods of calculating, and decisions regarding its estimated peak day requirements and the capacity levels to meet those requirements, the LDC's peak day reserve margin and its rationale for this reserve margin, and the Company's natural gas supply plans for various weather conditions.

There are no Staff recommended financial adjustments related to the Reliability Analysis and Gas Supply Plan Review for this ACA period. Staff's review of the status of the reliability for the Atmos service areas produced the following comments and concerns:

Regression Analyses

Atmos' reliability analyses are for the service areas of Butler, Kirksville, Jackson, Piedmont, Southeast Missouri Integrated (SEMO), Greeley (Stateline), Consolidated (Hannibal, Canton, Palmyra, Bowling Green), and Neelyville. Jackson and Piedmont are included in the SEMO district for purposes of the tariff, but are separated in the reliability review because Jackson and Piedmont are each served by separate pipelines and the capacity requirements must be evaluated for each pipeline.

The Company performed one regression analysis for each respective district. The district areas are served by seven different pipelines, serving ten different distinct areas. The Company has discontinued using the linear-splice methodology (as was used in the 2005/2006 and 2006/2007 ACA periods), and now, upon the advice of a consultant, uses software called Eviews for regression analysis and load forecasting. The software performs statistical, forecasting, and modeling to determine a model based on varying factors including heating degree day, prior day heating degree day, prior day's actual gas usage, month, and day of week.

The weather, or heating degree day, adjustment has the biggest impact on the peak day estimation, entailing 87-91% of the peak day calculation, depending on the service area. To arrive at a model to predict estimated peak day load, the Company performs a second regression analysis for each district to predict the natural gas requirements for the prior day's gas usage. – called "yesterday's DTH" by Atmos. The Company is using the coefficients of its subsequent regression analysis as an input to the first regression analysis. The estimated prior day's usage requirement (or "yesterday's DTH") entails 82-99% (92% on average) of the estimated weather load. Staff has concerns with the Company's inclusion and estimation of the prior day's usage to predict the weather load.

For the monthly factors, the standard errors are a large percent of the coefficients value. An example is the SEMO area where the standard error is 25% to 168% of the value of the coefficient. The Company's evaluation methodology should explain why the large standard error for the monthly factors is not a concern.

Staff recommends the Company further explain its methodology for evaluating which variables to include/exclude in its models for future ACA reviews; this can be provided with the 2008/2009 ACA methodology justification.

The data set used for the regression models consisted from the period of November 1, 2002 through March 31, 2007. Staff encourages the Company to evaluate whether the older data should be deleted in order to take into account the effects of changes in customer habits and efficiency gains on the system.

Jackson Reserve Margin (served by NGPL)
The Company's transportation capacity on NGPL is 9,707 dth/day. The Company's peak day estimate for the 05/06 ACA was 9,353dth/day; for the 06/07 ACA it was 9,075dth/day, and for the 07/08 ACA it is 8,558dth/day. The Company states the 07/08 Regression models are the most accurate, as indicated by the higher R-squared values. In light of the decrease in the peak day estimate and the contract expirations in 2010, Staff will be looking for Atmos' support for its analyses and decision for the appropriate capacity for the 2010/2011 and future ACA periods.

Greeley (Stateline) Allocation (served by Southern Star Central Gas Pipeline, Inc.)
The Greeley area serves the cities of Rich Hill and Hume in Bates County. This area consists of approximately 419 customers. The customers are served through the Atmos service area in Eastern Kansas through a meter at the Missouri and Kansas Stateline borders. Because of the small volumes and because the Stateline meter is connected to the Atmos Kansas service area and Southern Star is not directly connected to the Stateline meter, Atmos allocates an invoice based on monthly Stateline

meter reads. Effective April 1, 2008, the allocation of transportation and storage quantities were modified to better reflect what the actual peak day and seasonal load requirements are for this area.

The maximum storage quantity (MSQ) was changed from 8,300 dth to 11,326 dth effective April 1, 2008. Natural gas in storage was still 78% full at the end of the 2007/2008 winter season. The lowest achieved storage balance for the Stateline (Greeley) area during the past 3 ACA periods has been 6.5% of MSQ. However, this was due to a "paper transfer" [accounting ledger adjustments] for Kansas usage. Absent this adjustment, the lowest achieved balance for the Greeley allocated storage has been 67% (in February 2007). The storage plans provided to Staff have seemed reasonable in terms of estimated loads, withdrawals, and injections. Staff recommends the Company utilize their Gas Supply Plans as guidance for future ACA periods or explain why it is not following its storage plans.

Hannibal, Canton, Palmyra, and Bowling Green (served by Panhandle Eastern Pipe Line (PEPL))
The Hannibal, Canton, and Palmyra service area transportation capacity is contracted separately from Bowling Green on Panhandle Eastern. For natural gas supplies, Atmos contracted with an affiliated Company, Atmos Energy Marketing, for up to 10,645 dth/day of natural gas supplies to serve the Hannibal, Canton, Palmyra, and Bowling Green areas. When the transportation capacity is considered for this ACA period, Atmos had a *negative* 1.16% reserve margin. However, this was due to the propane facility being inoperable during this ACA period. The capacity to serve the Hannibal area was 19,564 dth/day, which included transportation capacity transferred from the Bowling Green and Virden, IL contracts on PEPL. The Company's estimated peak day for the Hannibal area is 19,793 dth. This negative reserve margin issue has been rectified due to the repairs to the propane facility in October 2008.

AFFILIATED TRANSACTIONS

The Staff restates its concerns about Atmos's RFP process as stated by Staff in the 2006-2007 ACA recommendation. For the 2007-2008 ACA period ending August 2008 Atmos had the following affiliated supply and Asset Management Arrangements (AMA). These agreements were executed between Atmos Energy Corporation (AEC) and Atmos Energy Marketing (AEM).

1. The Piedmont system AMA effective 11-1-06 to 10-31-07
2. The Hannibal/Canton supply-only agreement effective 4-1-07 to 3-31-08 and 4-1-08 to 3-31-09
3. The Greeley AMA effective 4-1-07 to 3-31-09
4. The Butler system supply-only agreement effective 11-1-07 to 10-31-08

The Piedmont Asset Management Agreement was effective for the first two months of the ACA period. The Hannibal/Canton supply agreement was effective during the entire ACA period. The Greeley Asset Management Agreement was effective during the entire ACA period. The Butler supply agreement was effective during the last 10 months of the ACA period.

The Staff requested underlying supporting documentation for these transactions. AEM provided some, but not all of the requested information. Because further information regarding how AEM used upstream supplies to meet its obligations under these agreements was withheld, the Staff has based a disallowance of affiliated costs based upon the information that was made available. As this case proceeds the Staff may pursue additional AEM data.

Based upon AEM's reported profit, as adjusted by Staff, disallowances are proposed for the Butler and the Hannibal/Canton agreements. These are supply-only agreements, meaning that AEM provided the entire supply during the effective dates, but did not use the transportation or storage contracts under Asset Management Agreements.

AEM, through its affiliate AEC, provided Staff with an analysis of its Profit and Losses (P&L) for the Hannibal and Butler areas. This analysis provided the underlying gas packages procured by AEM for serving its affiliate. However, this analysis only included profits and losses for baseload packages of gas that it provided. Staff's analysis expands on AEM's P&L statement and encompasses the P&L for swing gas volumes provided by AEM to AEC. The swing gas supplied was not included in AEM's calculation. With the inclusion of the swing gas sales to AEC, Staff proposes an adjustment of ($349,015) for the Hannibal area and an adjustment of ($13,964) for the Butler area.

One way of assessing the fair market value of these agreements is to look at the elements of the underlying supply that was used to fulfill AEM's obligation to provide firm service. Staff could not determine, from the information provided, if the underlying gas packages bought by AEM were firm or interruptible packages of gas. By definition, the transactions between AEC and AEM are not arms-length. A dollar of profit for AEM impacts AEC's earnings. The same cannot be said for unaffiliated transactions. AEM and AEC share limited resources regarding access to liquidity and counterparty credit exposures. The same cannot be said for unaffiliated transactions. At some point in AEC's organizational structure, there is common oversight of both AEC and AEM. The same cannot be said of unaffiliated transactions. The nature and design of compensation and bonuses can have a bearing on AEM and AEC's common transactions. The same cannot be said of unaffiliated transactions. The time and quantity of day to day nominations can impact the profitably of affiliated AEM and AEC transactions. That is not the case with unaffiliated transactions. Thus, the documentation supporting affiliated transactions need to be clearly identified and provided to Staff to determine the true market value for those transactions.

HEDGING

Atmos implemented a hedging plan using the Company's General Regulated Utility Operations Risk Management Control Guidelines. The Risk Management activities may include both physical transactions and financial transactions. The Company's hedging plan, based on expected requirements for Missouri for the winter 2007-2008, included storage and financial hedging instruments. For financial hedging, the Company used swap agreements, over-the-counter instruments that allow the Company to fix a price in exchange of cash flows. These, combined with storage use, served the Company's hedging purpose to stabilize the volatility of natural gas prices, not necessarily achieving the lowest possible cost. The Company's goal is to obtain up to 50% of expected normalized purchased gas requirements through financial instruments. These financial hedging instruments, combined with storage use, were expected to cover about 72% of normal requirements during the winter months (November 2007 through March 2008). It turned out that the financial hedging instruments and storage combined to cover 75% of the volumes actually delivered to customers for November 2007 through March 2008. This is equivalent of hedging 72% of normal winter requirements with storage and the financial instruments. The financial hedging purchases for November 2007 through March 2008 were ratably made between late May and October 2007, a relatively short time frame concentrated in the summer just prior to the winter being hedged. Staff was notified in May 2008 that Atmos would be temporarily curtailing its hedging program for the winter of 2009-2010 due to escalating natural gas prices. The Company ultimately resumed hedging the 2009-2010 period in 2009. The Staff will continue to evaluate the impact of this issue during upcoming ACA reviews.

Given the nature of the hedging strategy adopted by the Company, using various financial instruments in order to ensure successful and prudent hedging, the Staff recommends the Company continue to monitor the market movements diligently and look into the possibility of expanding its gas portfolio to include physical hedges, for example, fixed price supply contracts and /or hedges that more closely track physical price risk, in addition to storage. There should be a strong relationship between the physical price risk and the hedges used to mitigate that price risk. The Company should also continue to employ disciplined as well as discretionary approaches in its hedging practices. In addition, the Company should carefully consider looking at longer term time horizons for establishing hedges.

	Hedged % of Normal
Greeley	74%
Kirksville	82%
Butler	73%
SEMO	69%
Consolidated	76%
Neelyville	49%
(Note: Difference generally is attributable to storage availability)	

MISSOURI SCHOOL TRANSPORTATION SERVICE

Aggregation and balancing services are charged to the participating schools at a rate of $0.04 per Mcf on all throughputs. These charges are collected by Atmos to offset the cost of providing these services. Sheet 62 of the Company's tariffs states these charges will be collected and credited to the monthly cost of the PGA clause. Tariff Sheet 63 states "revenues generated from cash out charges shall be included in the annual PGA reconciliation filings as a reduction to the cost of gas for system sales customers." Atmos did not include these revenues in its total revenue recovery per its filing. Staff believes that revenues should be increased by $3,580 for customers on the SEMO district, increased by $797 for the Kirksville district and increased by $2,270 for the Consolidated district.

CASH-OUT PROVISIONS

The Company's PGA tariffs (Sheet 52) include a monthly cash-out provision for its transportation customers. Imbalances are cashed-out (priced out) on a monthly basis thereby reconciling the imbalances on a monthly basis. Effective April 1, 2007, Atmos added a provision in its transportation tariffs that provides for a daily scheduling fee to be assessed for any daily transportation imbalance in excess of 10% of the customers' daily confirmed nomination. The annual storage demand charges and storage capacity charges (for all pipelines) along with the average storage injection and withdrawal fees are combined to calculate daily scheduling fees. These tariff provisions are intended to compensate Atmos' firm sales customers for the cost of storage used in providing balancing services to its transportation customers. Staff found that the MRT FSS annual storage costs, used in calculating the annual storage demand and storage capacity charges, were not properly calculated. The Company agreed and submitted a revised calculation of scheduling charges. Staff's adjustment includes the revised scheduling fees of transportation customers on the PEPL, SSCG, NGPL, ANR and MRT pipelines. Staff believes some errors were also made in the pricing of these customers' imbalance activity using weekly index prices published in Natural Gas Week. Tier calculation errors also occurred that are noted in Staff's adjustment summary.

The following are Staff's summary of cash-out adjustments that resulted from the discrepancies previously described: For the Kirksville District, an additional ($1,119) is due Atmos (from transport customers). These errors also occurred on the SEMO and Consolidated Districts resulting in an additional ($16,459) due Atmos (from transport customers) on the SEMO District and an additional ($26,188) due Atmos (from transport customers) on the Consolidated District. These are based on transactions that occurred during the 2007-2008 ACA. All adjustments result in a reduction in the cost of gas to Atmos' firm sales customers in their respective districts.

RECOMMENDATION – ATMOS ENERGY CORPORATION, GENERAL

The Staff recommends that the Commission issue an order requiring Atmos to:

1. Respond to the issues in the Reliability Analysis and Gas Supply Planning section of this Memorandum. (There is no financial adjustment related to Reliability or Supply Planning for this ACA review period.)

2. For the Staff concerns regarding the supply agreement with Atmos Energy Marketing, an affiliate of Atmos, adjust the gas costs for the Consolidated district (Areas P& U) by ($349,015) as shown in Section 3 - Table 2 and by ($13,964)for the Butler district as shown in Section 2 - Table 1. Additionally, respond to the RFP issues and recommendations in the Affiliated Transaction section of this Memorandum.

3. Respond to Staff's comments in the Hedging Section.

4. Increase the school aggregation revenue recovery for the following: Kirksville $797, Consolidated $2,270 and SEMO $3,580. These adjustments are included in the tables located in Section 2 – Table 1 and Section 3 – Table 2.

5. Adjust cash-out amounts for the following: Kirksville ($1,119), SEMO ($16,459), and Consolidated ($26,188). These adjustments are included in the tables located in Section 2 – Table 1 and Section 3 – Table 2.

6. File a written response to the recommendations included herein within 30 days.

SECTION 2. AREAS B, K, AND S (formerly ANG)

REVENUE RECOVERY – SEMO

During July 2008, 688,390 Ccf's of firm sales volumes were included in Exhibit II-B of the Company's filing. The Company's revenue report (Banner Report) includes 686,340 Ccf's of firm sales volumes. The Company uses billed sales volumes from the Banner Report to determine revenue recovery in its ACA filing. Volumes from two rate classes (ASMT and ASSM) were misstated by the Company during this month. Staff recommends revision of revenue recovery to include firm sales volumes included on the Banner Report. Staff therefore proposes to reduce firm demand recovery by $331 and firm commodity recovery by $2,078, for a total revenue reduction of $2,409 on the SEMO district.

NORANDA – CONTRACT

Noranda, one of Atmos' Transportation customers, has a special contract agreement with Atmos. Currently there is no language that addresses special contracts in the Company's transportation tariffs. Staff recommends the Company's special contracting provisions with Noranda will need to be reviewed in detail in the context of Atmos' next rate case.

TRUMAN STATE BILLING ERROR

According to the documentation received from the Company there was a significant over-collection of PGA costs on the Kirksville district resulting from a meter error with Truman State. The error resulted in consumption being billed to Truman State by a factor of 10 times the actual consumption (Truman State was over-billed on its consumption). The incident occurred over two ACA periods (2006-2007 & 2007-2008). During the 2006-2007 ACA Truman State switched from an interruptible sales customer to a firm sales customer (effective April 2007). The total amount over-collected from Truman State during these two ACA periods is approximately $180,000. The Company indicated that the error will be corrected, and Truman State will be invoiced for the correction starting in the 2008-2009 ACA. Staff will review the Company's corrections of this billing error in the context of the 2008-2009 ACA.

RECOMMENDATION – AREAS B, K AND S (formerly ANG)

The Staff recommends that the Commission issue an order requiring Atmos to:

1. Adjust the ACA account balances in its next ACA filing to reflect the following Staff adjustments and to reflect the (over)/under-recovered ACA balances in the "Staff Recommended" column of the following table:

TABLE 1

Areas B, K, and S	**8-31-08 Ending Balances per Filing for 2007-2008**	**Staff Adjustments**	**Staff Recommended Ending Balances for 2007-2008**
SEMO District (Area S) Demand ACA	($416,575)	$331 (C)	($416,244)
Commodity ACA	($2,643,834)	($69,893) (A) ($3,580) (B) $2,078 (C) ($16,459) (D)	($2,731,688)
Kirksville District (Area K): Demand ACA	($63,384)	$0	($63,384)
Commodity ACA	($594,196)	($40,657) (A) ($797) (B) ($1,119) (D)	($636,769)
Butler District (Area B): Demand ACA	($38,190)	$0	($38,190)
Commodity ACA	($214,329)	$54,184 (A) ($13,964) (E)	($174,109)

Notes to Staff Adjustments:
A) ACA beginning balances August 31, 2007 adjusted to prior year ending balances (Exhibit A)
B) Missouri school revenue recovery
C) Revenue recovery
D) Cash-out
E) Affiliated transaction

2. **Keep the current case open pending resolution of the Truman State billing error**.

3. File a written response to the recommendations included herein within 30 days.

SECTION 3. AREAS P AND U (CONSOLIDATED)

REVENUE RECOVERY

During the month of June 2008, 3,660 Ccf (333,670-330,010) of firm sales volumes were omitted in the Company's calculation of demand and commodity based revenue. Staff proposes to increase demand revenue recovery by $163 ($14,848-$14,685) and increase commodity revenue recovery by $3,543 ($342,782-$339,239), for a total increase of $3,706 in revenue recovery to firm sales customers of the Consolidated area. This adjustment is included in Table 2 of this section.

RECOMMENDATION – AREAS P AND U (CONSOLIDATED)

The Staff recommends that the Commission issue an order requiring Atmos to:

1. Adjust the ACA account balances in its next ACA filing to reflect the following Staff adjustments and to reflect the (over)/under-recovered ACA balances in the "Staff Recommended" column of the following table:

TABLE 2

(CONSOLIDATED) Areas P and U	8-31-08 Ending Balances per Filing for 2007-2008	Staff Adjustments	Staff Recommended Ending Balances for 2007-2008
Consolidated District: Demand ACA	($413,769)	($163) (D)	($413,932)
Commodity ACA	($774,056)	($102,617) (A) ($2,270) (B) ($26,188) (C) ($3,543) (D) ($349,015) (E)	($1,257,689)
Neelyville District: Demand ACA	($17,000)	($10) (A)	($17,010)
Commodity ACA	($29,017)	($2,189) (A)	($31,206)

Notes to Staff Adjustments:
A) ACA beginning balances August 31, 2007 adjusted to prior year ending balances (Exhibit A).
B) Missouri school revenue recovery
C) Cash-out
D) Revenue recovery
E) Affiliated transaction

2. File a written response to the recommendations included herein within 30 days.

SECTION 4. AREA G (formerly GREELEY GAS)

REVENUE RECOVERY

Exhibit II-B of the Company's filing included an erroneous PGA recovery rate of $1.3929 ($.1972 + $1.1957) during the months of June 2008 to August 2008. The proper PGA recover rate should have been $1.2271 ($.1972 + $1.0299). This PGA rate is reflected on the customers' bills. Staff recommends the Company's filing must be adjusted to reflect the proper PGA rate of $1.2271 that was included in the Company's customer billings rendered during this ACA period. This results in a $2,734 ($20,235 - $22,969) reduction in revenue recovery for this ACA.

RECOMMENDATION – AREA G (formerly GREELEY GAS)

The Staff recommends that the Commission issue an order requiring Atmos to:

1. Adjust the ACA account balances in its next ACA filing to reflect the following Staff adjustments and to reflect the (over)/under-recovered ACA balances in the "Staff Recommended" column of the following table:

TABLE 3

(GREELEY) Area G	**8-31-08 Ending Balance per 2007-2008 Filing**	**Staff Adjustments**	**Staff Recommended Ending Balances for 2007-2008**
Total ACA Balance	($64,445) (C)	($90,893) (A) $2,734 (B)	($152,604)

Notes to Staff Adjustments:
A) ACA beginning balances August 31, 2007 adjusted to prior year ending balances (Exhibit A).
B) Revenue adjustment
C) Combined demand and commodity ACA balance $61,412 + ($125,857) – No interruptible customers on this system during this ACA.

2. File a written response to the recommendations included herein within 30 days.

EXHIBIT A
SUMMARY OF PRIOR PERIOD ADJUSTMENTS

Prior Period Adjustments **Areas B,K, and S**	**8/31/07 Ending Balances Per Filing for 2006-2007**	**Staff Adjustments**	**8-31-07 Revised Ending Balances For 2006-2007**
SEMO District (Area S): Demand ACA	$1,172,896	($2,939)	$1,169,957
Commodity ACA	($4,655,989)	($69,893) (A)(A1)	($4,725,882)
Kirksville District (Area K): Demand ACA	$45,963	$0	$45,963
Commodity ACA	($1,156,409)	($40,657) (A)(A2)	($1,197,066)
Butler District (Area B): Demand ACA	$3,249	$0	$3,249
Commodity ACA	($719,693)	$54,184 (A)(A3)	($665,509)

Notes to Staff Adjustments:
A) ACA beginning balances August 31, 2007, adjusted to prior year ending balances.
A1) Combined firm and interruptible balance from
2005-06 ACA ($65,834) + ($6,843) + 2006-07 ACA ($2,916) +$5,700.
A2) Combined firm and interruptible balance from
2005-06 ACA ($35,297) + $2,499 + 2006-07 ACA ($7,800) + ($59)
A3) Combined firm and interruptible balance from
2005-06 ACA $37,839 + $66,725 + ($32,511) + 2006-07 ACA $625 + ($18,494)

Prior Period Adjustments	**8/31/07 Ending Balances per Filing for 2006-2007**	**Staff Adjustments**	**8-31-07 Revised Ending Balances For 2006-2007**
Consolidated District (**Areas U&P):** Demand ACA	($346,239)	$0	($346,239)
Commodity ACA	($1,493,288)	($102,617) (A)(A1)	($1,595,905)
Neelyville District: Demand ACA	($7,910)	($10) (A)	($7,920)
Commodity ACA	($56,277)	($2,189) (A)(A2)	($58,466)
Greeley District: Area G Total ACA Balance	$54,206 (B)	($90,893) (A)(A3)	($36,687)

Notes to Staff Adjustments:
A) ACA beginning balances August 31, 2007, adjusted to prior year ending balances.
A1) 2006-07 ACA $1,388 + ($3,290) + ($100,715) ***Outcome pending discussion with Company***.
A2) 2005-06 ACA $376 + 2006-07 ACA $14 + $1,387 + ($3,966).
A3) 2005-06 ACA ($56,217) + 2006-07 ACA $73 + ($31,506) + ($3,243)
Outcome pending discussion with Company.
B) Combined demand and commodity ACA balance – No interruptible customers -
$70,831 demand + ($16,625) commodity.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of PGA/ACA filing of Atmos Energy Corporation for the West Area (Old Butler), West Area (Old Greeley), Southeastern Area (Old SEMO), Southeastern Area (Old Neelyville), Kirksville Area, and in the Northeastern Area.	))))))	Case No. GR-2008-0364

AFFIDAVIT OF DAVID M. SOMMERER

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

David M. Sommerer, being of lawful age, on his oath states: that as a utility Regulatory Manager in the Procurement Analysis Department of the Utility Services Division, he has participated in the preparation of the foregoing report, consisting of 12 pages to be presented in the above case; that he has verified that the following Staff Memorandum was prepared by himself and Staff of the Commission that have knowledge of the matters set forth as described below; that he has verified with each of the Staff members listed below that the matters set forth in the Staff Memorandum are true and correct to the best of his knowledge and belief,

David M. Sommerer, Manager - Affiliated Transactions
Lesa Jenkins, P.E., Regulatory Engineer – Reliability Analysis & Gas Supply Planning
Kwang Choe, Ph.D., Regulatory Economist - Hedging
Derick Miles, Utility Engineering Specialist – Reliability Analysis & Gas Supply Planning
Phil Lock, Regulatory Auditor – Purchased Gas Costs & Billed Revenues

that he has knowledge of the matters set forth in such report and that such matters are true to the best of his knowledge and belief.

David M. Sommerer
David M. Sommerer

Subscribed and sworn to before me this 28th day of December, 2009.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: December 08, 2012
Commission Number: 08412071

D Suzie Mankin
Notary Public