

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held at its office in
Jefferson City on the 1st day of
March, 2007.

In the Matter of Atmos Energy Corporation's)
Purchased Gas Adjustment Factors to Be) **Case No. GR-2005-0311, et al.**
Audited in Its 2004-2005 Actual Cost Adjustment)

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

Issue Date: March 1, 2007

Effective Date: March 11, 2007

This case was opened to receive the 2004-2005 Actual Cost Adjustment (ACA) filing of Atmos Energy Corporation. On December 20, 2006, the Staff of the Public Service Commission filed a recommendation and memorandum indicating that Staff has completed an audit of billed revenues and actual gas costs for the period September 1, 2004 through August 31, 2005, for Areas B, K, and S, and June 1, 2004 through May 31, 2005 for Areas G, P, and U, included in Atmos' computation of its ACA balances. Staff also conducted a prudence review regarding Atmos' gas purchasing practices, and a hedging review to determine the reasonableness of Atmos' hedging plans for this ACA period.

Staff's recommendation set out the ending balances contained in Atmos' ACA filing, and recommended certain adjustments to those ending balances. Staff also offered some non-monetary recommendations regarding Atmos' hedging practices. Atmos filed a response on January 18, 2007, indicating that it generally accepted Staff's recommendations. But, since Atmos' response indicated some reservations about Staff's recommendations, the Commission directed its Staff to reply to Atmos' response, indicating

whether there were any unresolved issues between Staff and Atmos. Staff filed its reply on February 9, concluding that Atmos has accepted all of Staff's recommendations. Staff indicated that counsel for Atmos confirmed that conclusion. Staff further stated that Public Counsel does not object to Staff's recommendations.

After reviewing Staff's recommendations and Atmos' response, the Commission concludes that Staff's recommendations should be accepted as a resolution of Atmos' 2004-2005 ACA audit.

IT IS ORDERED THAT:

1. The ending (over)/under recovery balances for Atmos Energy Corporation's 2004-2005 Actual Cost Adjustment are established as provided in the following tables:

TABLE 1:

(ANG) Areas B, K, and S	8-31-05 Ending Balances Per Filing for 2004-2005	Staff Adjustments	Staff Recommended Ending Balances for 2004-2005
SEMO District (Area S): Firm ACA	(\$1,607,280)	\$(61,819) (A) \$117 (B)	(\$1,668,982)
Interruptible ACA	\$188,330	(\$5,500) (A) \$656 (B)	\$182,174
Transition Cost	(\$696)	(\$338) (C)	(\$1,034)
Kirksville District (Area K): Firm ACA	(\$358,795)	(\$38,000) (A) (\$233) (B)	(\$397,028)
Interruptible ACA	(\$86,076)	\$2,119 (A) \$229 (B)	(\$83,728)
Transition Cost	\$0	\$0	\$0
Butler District (Area B): Firm ACA	(\$183,466)	\$66,533 (A) \$107 (B)	(\$116,826)
Interruptible ACA	(\$63,030)	\$37,687 (A) \$44 (B)	(\$25,299)
Transition Cost	\$0	\$0	\$0

Notes to Staff Adjustments:

- (A) ACA beginning balances August 31, 2004, adjusted to prior year ending balances.
- (B) Adjustments to carrying costs on the under and over-recoveries of PGA/ACA costs.
- (C) Adjustment to recovery of transition costs to correct error in computation.

TABLE 2:

(UNITED CITIES) Areas P and U	5-31-05 Ending Balances per Filing for 2004- 2005	Staff Adjustments	Staff Recommended Ending Balances for 2004-2005
Consolidated District: Demand ACA	(\$403,728)	\$583 (B)	(\$403,145)
Commodity ACA	(\$1,124,620)	\$4,986 (A) \$9,964 (B) (\$13,236) (C)	(\$1,122,906)
Neelyville District: Demand ACA	(\$4,166)	(\$10) (B)	(\$4,176)
Commodity ACA	(\$46,392)	\$376 (B)	(\$46,016)

Notes to Staff Adjustments:

- (A) ACA beginning balances May 31, 2004, adjusted to prior year ending balances.
- (B) Adjustments to carrying costs on the under and over-recoveries of PGA/ACA costs.
- (C) Adjustments to storage costs to eliminate duplicate entries.

TABLE 3:

(GREELEY) Area G	5-31-05 Ending Balance per Filing for 2004-2005	Staff Adjustment	Staff Recommended Ending Balance for 2004-2005
Area G Total ACA Balance	\$65,344	(\$3,005) (A)	\$62,339

Notes to Staff Adjustment:

- (A) ACA beginning balances May 31, 2004, adjusted to prior year ending balances.

2. Atmos Energy Corporation shall comply with the following recommendation:

Carefully continue to monitor the market movements and, in order to ensure successful and prudent hedging, look into the possibility of expanding the Company's gas portfolio to include physical hedges and/or hedges that more closely track physical price risk in addition to storage. The Company should also continue to employ disciplined, time oriented, as well as discretionary

approaches in its hedging practices. In addition, the Company should consider looking at longer term time horizons for establishing hedges.

3. This order shall become effective on March 11, 2007.

4. This case shall be closed on March 12, 2007.

BY THE COMMISSION

A handwritten signature in black ink, appearing to read 'Colleen M. Dale', written over a horizontal line.

Colleen M. Dale
Secretary

(S E A L)

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

Woodruff, Deputy Chief Regulatory Law Judge