

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of Atmos Energy Corporation's)
Purchased Gas Adjustment Factors to be)
Audited in its 2004-2005 Actual Cost Adjustment) Case No. GR-2005-0311

STAFF RECOMMENDATION

COMES NOW the Staff ("Staff") of the Missouri Public Service Commission ("Commission") and respectfully states as follows:

1. Atmos Energy Corporation ("Atmos") initiated the Actual Cost Adjustment ("ACA") review process in this case by its tariff filing on October 21, 2005¹. This case considers Atmos' natural gas costs for the 2004/2005 ACA period.

2. The Staff has completed its review of Atmos' books and records, and has formulated its recommendations concerning Atmos' billed gas revenues and gas costs, as well as its purchasing practices and hedging plans. Attached as Appendix A is the Staff's Memorandum setting forth those recommendations.

3. The Staff requests that the Commission direct Atmos to respond to these recommendations within thirty days.

WHEREFORE, Staff respectfully requests that the Commission consider its recommendations and issue an Order directing Atmos to respond within thirty days of the issue date of that Order.

¹ The filing was erroneously made in Case No. GR-2006-0179, which was subsequently consolidated under the instant case pursuant to the Commission's Order Consolidating Cases, issued November 2, 2005.

Respectfully submitted,

/s/ Dennis L. Frey

Dennis L. Frey

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Missouri Bar No. 44697

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Missouri Public Service Commission

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Certificate of Service

I hereby certify that copies of the foregoing have been mailed by first-class mail, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 20th day of December 2006.

/s/ Dennis L. Frey


BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Atmos Energy Corporation
Purchased Gas Adjustment for area U (old) Case No. GR-2005-0311
Hannibal/Canton, Old Bowling Green, and Old)
Neelyville Districts).)

AFFIDAVIT OF DAVID M. SOMMERER

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

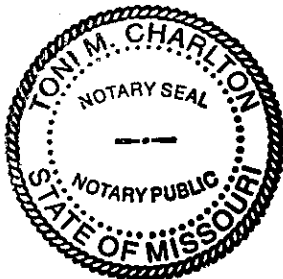
David M. Sommerer, of lawful age, on his oath states: that he has participated in the preparation of the following Staff Memorandum; that the information is given by him; that he has knowledge of the matters set forth; and that such matters are true and correct to the best of his knowledge and belief.



David M. Sommerer

Subscribed and sworn to before me this 18th day of December 2006.





TONI M. CHARLTON
Notary Public - State of Missouri
My Commission Expires December 28, 2008
Cole County
Commission #04474301

MEMORANDUM

TO: Missouri Public Service Commission Official Case File,
Case No. GR-2005-0311, Atmos Energy Corporation

FROM: David M. Sommerer, Manager-Procurement Analysis Department
Annell Bailey, CPA, Regulatory Auditor-Procurement Analysis Department
Kwang Choe, PhD, Regulatory Economist-Procurement Analysis Department

/s/ David M. Sommerer 12/19/06
Project Coordinator / Date

/s/ Denny Frey 12/19/06
General Counsel's Office / Date

SUBJECT: Staff's Recommendation in Atmos Energy Corporation's 2004-2005
Actual Cost Adjustment Filing

DATE: December 19, 2006

The Procurement Analysis Department (Staff) has reviewed Atmos Energy Corporation's (Atmos or Company) 2004-2005 Actual Cost Adjustment (ACA) filings for the former territories of Associated Natural Gas (Areas B, K and S), United Cities Gas (Areas P and U) and Greeley Gas (Area G). These filings were made on October 20, 2005, for rates to become effective on November 4, 2005, in all areas. These filings were docketed as Case No. GR-2005-0311.

Staff's review consisted of an audit and evaluation of the billed revenues and gas costs for the period of September 1, 2004, to August 31, 2005, for Areas B, K and S, and June 1, 2004, to May 31, 2005, for Areas G, P and U. A comparison of billed revenue recovery with actual costs will yield either an over-recovery or under-recovery of the ACA Costs. Staff also 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. Because of internal resource limitations, the Staff conducted no reliability review for this ACA period.

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 serve approximately 35,800 customers, 6,000 customers and 3,800 customers, respectively. Operationally, Areas B, K and S are separated into the following service areas: Butler, served by Panhandle Eastern Pipe Line Co., LLC (PEPL); Kirksville, served by ANR Pipeline Co. (ANR); 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., LLC (PEPL), serves approximately 14,200 customers in the former districts of

Hannibal/Canton, Bowling Green and Palmyra. The Neelyville District serves approximately 500 customers, in and around Neelyville, Naylor and Qulin, served by Natural Gas Pipeline Co. of America (NGPL) and Texas Eastern Transmission, LP (TETCO).

Area G serves approximately 500 customers, in and around Rich Hill and Hume, served by Southern Star Central Gas Pipeline, Inc. (SSC).

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 ends with a concise recommendation. 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

HEDGING

Atmos Energy Corporation implemented a hedging plan using the Company's Regulated Utility Operations Risk Management Control Guidelines. The Company's hedging plan included storage, financial hedging instruments and fixed-price contracts. Based on expected requirements for Missouri for the winter 2004-2005, the Company used swap agreements for financial hedging. These, combined with storage use, served the Company's hedging purpose to stabilize gas prices within a reasonable range. The goal is to obtain up to 50% of expected normalized purchased gas requirements through the financial instruments. These financial hedging instruments, combined with storage use, were expected to cover 65% of normal requirements during the winter months (November 2004 through March 2005). It turned out that the financial hedging instruments and storage combined to cover 70% of the volumes actually delivered to customers for November 2004 through March 2005. Most of the financial hedging purchases for November 2004 through March 2005 were made periodically from mid-June through end of August 2004, although some purchasing extended through the beginning of December 2004 for January, February, and March of 2005. The Company subscribes to several market publications as well as to ProphetX, an internet-based service that provides real-time New York Mercantile Exchange (NYMEX) futures quotes, weather and natural gas industry news.

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 that the Company should carefully continue to monitor the market movements and look into the possibility of expanding its gas portfolio to include physical hedges 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. The Staff's concern about adopting an overly discretionary approach is that, if the Company chooses to delay initial hedging until later in the summer and then chooses to further delay or defer hedge placement pending hurricane or other market disturbances, undue exposure to market pricing can result. In addition, the Company should consider looking at longer term time horizons for establishing hedges.

GAS LOST AND UNACCOUNTED FOR

For all areas, the Company's L&U Summaries (Lost and Unaccounted for Gas reports) show wide swings from month to month. Annual total percentages ranged from a high of 18.57% lost out of all of gas transported for Area G (Greeley), to a low of negative 5.37% for Area K (Kirksville). The implication is that Kirksville actually received more gas than it purchased or withdrew from storage, which is unlikely. This is a continuation of a problem that the PSC Staff noted for the prior year 2003-2004 ACA period, when 14.83% of the gas purchased for Rate Code 29 (Greeley – Area G) was reported as lost and unaccounted for.

The Company explained (in response to Data Request No. 32): "The 2004 and 2005 numbers appear to be high due to a transition to a new operational L & U system. We do not believe these numbers are indicative of real gas system losses and we are currently working to correct reporting inaccuracies with the L & U system."

Because this explanation seems reasonable, Staff is proposing no adjustment related to lost gas for ACA period 2004-2005. However, Staff will review lost gas in future ACA periods to ensure that the L&U reporting improves and that the lost gas percentages seem reasonable.

CARRYING COSTS ON UNDER- OR OVER-RECOVERIES OF PGA/ACA COSTS

In compliance with an experimental tariff revision, effective September 19, 2003, Atmos changed its method of computing carrying costs on the cumulative under- or over-recovery of gas costs. Using the new method, carrying costs are computed each month based on the average of the accumulated monthly over- or under-recoveries of all PGA related costs – the entire ACA balance, in effect. Using the previous method, carrying costs were applied only in months when the net Deferred Carrying Cost Balance (DCCB) exceeded an amount equal to 10% of the Company's average annual level of gas costs for the three most recent ACA periods. Under both methods, the carrying costs are credited to customers for any over-recovery, or credited to the Company for any under-recovery. The interest rate is 1% lower under the revised tariff, now at the prime rate minus 2%. (The previous tariff rate on the DCCB was the prime rate minus 1%). The new method was used throughout the 2004-2005 ACA period.

The new carrying costs determination is experimental, and was to expire on July 1, 2006, unless an agreement was reached by the parties and approved by the Commission. This issue may be part of Atmos Rate Case GR-2006-0387, which is still in process with hearings being held in December

2006. Staff will follow up in future ACA periods to determine whether the experimental tariff provisions are extended or changed.

REFUNDS

Under a second experimental tariff revision, also effective September 19, 2003, Atmos transferred all accumulated refunds balances into the related ACA accounts, and reduced the refunds balances to zero. Therefore, all Staff adjustments to refunds for the 2004-2005 ACA period are applied to the ACA accounts. The revised tariff states, in part:

Any refunds the Company receives in connection with natural gas services purchased, together with any interest included in such refunds, will be refunded to the Company's applicable customers unless otherwise ordered by the Commission. Such refunds shall be credited to the ACA account in the month received and shall receive interest as part of the overall ACA interest calculation.

As with the new carrying costs determination in the previous section, the refunds revision also is experimental, and was to expire on July 1, 2006, unless an agreement was reached by the parties and approved by the Commission. This issue also may be a part of Atmos Rate Case GR-2006-0387, which is still in process with hearings being held in December 2006. Staff will follow up in future ACA periods to determine whether the experimental tariff provisions are extended or changed.

SUMMARY – ATMOS ENERGY CORPORATION, GENERAL

The Staff has addressed the following concerns regarding Case No. GR-2005-0311 for Atmos Energy Corporation, General:

1. Staff reviewed Atmos' hedging plan that included storage, financial hedging instruments and fixed-price contracts, within the Company's Regulated Utility Operations Risk Management Control Guidelines. Staff also conducted a compliance review of the Company's hedging activities.
2. Staff noted that, during the 2004-2005 ACA period, the Company was in transition to a new operational L&U system (for reporting gas lost and unaccounted for). As a result, L&U reports were not considered reliable. Staff will review lost gas in future ACA periods to ensure that the L&U reporting improves and that the lost gas percentages seem reasonable.
3. For carrying costs on under- or over-recoveries of PGA/ACA costs and refunds, Staff noted that the Company had experimental tariff provisions, due to expire on July 1, 2006, unless an agreement was reached by the parties and approved by the Commission. This issue may be part of Atmos Rate Case GR-2006-0387, which is still in process with hearings being held in December 2006. Staff will follow up in future ACA periods to determine whether the experimental tariff provisions are extended or changed.

RECOMMENDATION – ATMOS ENERGY CORPORATION, GENERAL

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

1. 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.
2. File a written response to the recommendations included herein within 30 days.

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

BEGINNING BALANCES AUGUST 31, 2004

Ending balances for the prior year ACA Case No. GR-2004-0479 were established in the Unanimous Stipulation and Agreement that the parties filed on March 3, 2006. However, the Company's support for the 2004-2005 ACA filing showed the beginning balances to be different amounts. The reason is that the 2004-2005 PGA/ACA filings were made in October 2005, while the prior year amounts were still in dispute until March 3, 2006, (Unanimous Stipulation and Agreement file date).

Staff, therefore, proposes that Atmos adjust its ACA beginning balances from August 31, 2004, to agree with the balances from the Unanimous Stipulation and Agreement that closed prior year Case No. GR-2004-0479. The related adjustments to the August 31, 2005, ending balances for ACA period 2004-2005 are the following:

Areas B, K & S	8/31/04 Beginning Balances per Filing for 2004-05	Staff Adjustments	Unanimous Stipulation & Agreement Ending Balances for 2002-03
SEMO District (Area S):			
Firm ACA	(\$1,969,305)	(\$61,819)	(\$2,031,124)
Interruptible ACA	\$149,466	(\$5,500)	\$143,966
Kirksville District (Area K):			
Firm ACA	(\$708,240)	(\$38,000)	(\$746,240)
Interruptible ACA	(\$201,466)	\$2,119	(\$199,347)
Butler District (Area B):			
Firm ACA	(\$325,717)	\$66,533	(\$259,184)
Interruptible ACA	(\$71,316)	\$37,687	(\$33,629)

CARRYING COSTS ON UNDER- OR OVER-RECOVERIES OF PGA/ACA COSTS

In compliance with an experimental tariff revision, effective September 19, 2003, Atmos changed its method of computing carrying costs on the cumulative under- or over-recovery of gas costs. Using the new method, carrying costs are computed each month based on the average of the accumulated monthly over- or under-recoveries of all PGA related costs – the entire ACA balance, in effect. The new method was used throughout the 2004-2005 ACA period.

In its 2004-2005 PGA/ACA filing, for Areas B, K and S, the Company miscalculated the carrying costs on the under- and over-recoveries of PGA/ACA costs. Therefore, the Staff proposes that Atmos adjust the carrying costs to agree with the Staff's computations, as follows:

- a. Decrease the Area S Firm ACA over-recovered balance by \$117.
- b. Decrease the Area S Interruptible ACA under-recovered balance by \$656.
- c. Increase the Area K Firm ACA over-recovered balance by \$233.
- d. Decrease the Area K Interruptible ACA over-recovered balance by \$229.
- e. Decrease the Area B Firm ACA over-recovered balance by \$107.
- f. Decrease the Area B Interruptible ACA over-recovered balance by \$44.

TRANSITION COSTS

“Transition Costs” are Federal Energy Regulatory Commission (FERC) costs that related to historical FERC Order 636. They reflect the transition of interstate pipeline services from a merchant gas supply and transportation provider to only a transportation provider. These costs were mainly incurred in the mid to late 1990s. At a state level, separate rates were developed to recognize some responsibility for these costs for not only PGA sales customers but transportation customers as

well. These accounts should generally reflect zero balances. For Area S for December 2004, the Company's "Summary of SEMO Transition Costs and Recovery" shows a transportation transition costs recovery amount (\$716.11) that is not the computed product of the sales volume 2,104,224 times the tariff rate (\$0.00018). The correct product of those numbers should be (\$378.76). The error was caused by a formula error in the spreadsheet the Company used. Therefore the Staff proposes that Atmos increase the Area S over-recovered transportation transition cost balance by \$337.

SUMMARY – AREAS B, K AND S (FORMERLY ANG)

The Staff has addressed the following concerns regarding Case No. GR-2005-0311 for Atmos Areas B, K and S (formerly Associated Natural Gas) and proposes the following:

1. That Atmos adjust its ACA beginning balances from August 31, 2004, to agree with the balances from the Unanimous Stipulation and Agreement that closed prior year Case No. GR-2004-0479. The related adjustments to the August 31, 2005, ending balances for ACA period 2004-2005 are the following:
 - a. Increase the Area S firm ACA over-recovered balance by \$61,819.
 - b. Decrease the Area S interruptible ACA under-recovered balance by \$5,500.
 - c. Increase the Area K firm ACA over-recovered balance by \$38,000.
 - d. Decrease the Area K interruptible ACA over-recovered balance by \$2,119.
 - e. Decrease the Area B firm ACA over-recovered balance by \$66,533.
 - f. Decrease the Area B interruptible ACA over-recovered balance by \$37,688.
2. That Atmos adjust the carrying costs on over-recoveries of PGA/ACA costs to agree with the Staff's computations, as follows:
 - a. Decrease the Area S Firm ACA over-recovered balance by \$117.
 - b. Decrease the Area S Interruptible ACA under-recovered balance by \$656.
 - c. Increase the Area K Firm ACA over-recovered balance by \$233.
 - d. Decrease the Area K Interruptible ACA over-recovered balance by \$229.
 - e. Decrease the Area B Firm ACA over-recovered balance by \$107.
 - f. Decrease the Area B Interruptible ACA over-recovered balance by \$44.
3. That Atmos increase the Area S over-recovered transportation transition cost balance by \$337.

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 and Transition Cost balances in the “Staff Recommended” column of the following table:

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

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

SECTION 3. AREAS P AND U (FORMERLY UNITED CITIES GAS)

BEGINNING BALANCES MAY 31, 2004

Ending balances for the prior year ACA Case No. GR-2004-0479 were established in the Unanimous Stipulation and Agreement that the parties filed on March 3, 2006. However, the Company's support for the 2004-2005 ACA filing showed the beginning balance to be a different amount for the Consolidated District's commodity ACA account. The reason is that the 2004-2005 PGA/ACA filings were made in October 2005, while the prior year amounts were still in dispute until March 3, 2006, (Unanimous Stipulation and Agreement file date). Therefore, Staff proposes that Atmos adjust its ACA beginning balance from May 31, 2004, to agree with the balance from the Unanimous Stipulation and Agreement that closed prior year Case No. GR-2004-0479. The related adjustment to the May 31, 2005, ending balance for ACA period 2004-2005 would decrease the over-recovered balance in the Consolidated District's commodity ACA account by \$4,986, as shown in the table below:

Areas P & U	5/31/04 Beginning Balances per Filing for 2004-05	Staff Adjustments	Unanimous Stipulation & Agreement Ending Balances for 2003-04
Consolidated District: Commodity ACA	(\$3,313,684)	\$4,986	(\$3,308,698)

CARRYING COSTS ON UNDER- OR OVER-RECOVERIES OF PGA/ACA COSTS

In compliance with an experimental tariff revision, effective September 19, 2003, Atmos changed its method of computing carrying costs on the cumulative under- or over-recovery of gas costs. Using the new method, carrying costs are computed each month based on the average of the accumulated monthly over- or under-recoveries of all PGA related costs – the entire ACA balance, in effect. The new method was used throughout the 2004-2005 ACA period.

In its 2004-2005 PGA/ACA filing, for both the Consolidated and Neelyville districts of Areas U and P, the Company miscalculated the carrying costs on the under- and over-recoveries of PGA/ACA costs. Therefore, the Staff proposes that Atmos adjust the carrying costs to agree with the Staff's computations, as follows:

- a. Decrease the Consolidated District demand ACA over-recovered balance by \$583.
- b. Decrease the Consolidated District commodity ACA over-recovered balance by \$9,964.
- c. Increase the Neelyville District demand ACA over-recovered balance by \$10.
- d. Decrease the Neelyville District commodity ACA over-recovered balance by \$376.

STORAGE

The Company's storage inventory spreadsheets for the Consolidated District areas of Hannibal, Palmyra and Bowling Green had several duplicated entries, mostly related to gas transfers between the different areas' storage accounts. As a result, the Company overstated the storage costs in the commodity ACA cost account for the Consolidated District. At Staff's request, the Company recomputed those storage costs. Staff agrees with the recomputation, and proposes that the Consolidated District's commodity ACA gas costs be reduced by \$13,236.

SUMMARY – AREAS P AND U (FORMERLY UNITED CITIES GAS)

The Staff has addressed the following concerns regarding Case No. GR-2005-0311 for Atmos Areas P and U (formerly United Cities Gas) and proposes the following:

1. That Atmos adjust its ACA beginning balance from May 31, 2004, to agree with the balance from the Unanimous Stipulation and Agreement that closed prior year Case No. GR-2004-0479. The related adjustment to the May 31, 2005, ending balance for ACA period 2004-2005 would decrease the over-recovered balance in the Consolidated District's commodity ACA account by \$4,986.
2. That Atmos adjust the carrying costs on over-recoveries of PGA/ACA costs to agree with the Staff's computations, as follows:
 - a. Decrease the Consolidated District demand ACA over-recovered balance by \$583.
 - b. Decrease the Consolidated District commodity ACA over-recovered balance by \$9,964.
 - c. Increase the Neelyville District demand ACA over-recovered balance by \$10.
 - d. Decrease the Neelyville District commodity ACA over-recovered balance by \$376.
3. That Atmos decrease the Consolidated District's commodity ACA gas costs \$13,326 to eliminate duplicate entries in the storage inventory computations.

RECOMMENDATION – AREAS P AND U (FORMERLY UNITED CITIES)

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

(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) Adjustment to storage costs to eliminate duplicate entries

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

SECTION 4. AREA G (FORMERLY GREELEY GAS)

BEGINNING BALANCE MAY 31, 2004

Ending balances for the prior year ACA Case No. GR-2004-0479 were established in the Unanimous Stipulation and Agreement that the parties filed on March 3, 2006. However, the Company's support for the 2004-2005 ACA filing showed the beginning balance to be a different amount for Area G's ACA account. The reason is that the 2004-2005 PGA/ACA filings were made in October 2005, while the prior year amounts were still in dispute until March 3, 2006, (Unanimous Stipulation and Agreement file date). Therefore, Staff proposes that Atmos decrease, by \$3,005, the under-recovered beginning balance as of May 31, 2004, for Area G's ACA account, as shown in the table below:

Area G	5/31/04 Beginning Balance per Filing for 2004-2005	Staff Adjustments	Unanimous Stipulation & Agreement Ending Balances 2003-2004
Area G Total ACA Balance	\$18,997	(\$3,005)	\$15,992

SUMMARY – AREA G (FORMERLY GREELEY GAS)

The Staff has addressed the following concerns regarding Case No. GR-2005-0311 for Atmos Area G (formerly Greeley Gas Company's Southwest Missouri District) and proposes the following:

1. That Atmos adjust its ACA beginning balance from May 31, 2004, to agree with the balance from the Unanimous Stipulation and Agreement that closed prior year Case No. GR-2004-0479. The related adjustment to the May 31, 2005, ending balance for ACA period 2004-2005 would decrease the Area G ACA under-recovered balance by \$3,005.

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

Notes to Staff Adjustments:

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

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