

**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 2002-2003)	Case No. GR-2003-0219
Actual Cost Adjustment)	

UNANIMOUS STIPULATION AND AGREEMENT

COME NOW Atmos Energy Corporation ("Atmos" or "Company"), the Staff of the Missouri Public Service Commission ("Staff") and the Office of the Public Counsel ("Public Counsel"), and submit this Unanimous Stipulation And Agreement ("Agreement") for approval by the Missouri Public Service Commission ("Commission"). This Agreement resolves all remaining issues in this 2002-2003 Actual Cost Adjustment ("ACA") proceeding.

1. On December 22, 2004, following its annual ACA audit, the Staff filed its Recommendation in this proceeding.

2. On January 20, 2005, Atmos filed its Response to the Staff's Recommendation, wherein the Company agreed with a number of Staff recommendations and took issue with others. Following is a brief discussion of each of the recommendations to which Atmos objected in its aforementioned Response, as well as the resolution eventually agreed to by the parties.

General

External Audit Work Papers: In its Response to the Staff's Recommendation, the Company indicated that the external audit work papers did not specifically relate to Missouri in the areas of billed Purchased Gas Adjustment ("PGA") revenue, PGA clause or gas purchasing and derivatives. Given the unavailability of applicable external audit work papers, the Staff requested that Atmos provide the following documents: a) an affidavit from the Company's Vice President and Controller attesting to their statements made during the November 30, 2004 conference call with Staff; b) a copy of the internal control letter from Ernst and Young, and c) a November 11-12, 2002 copy of the minutes from a Board of Directors Audit Committee meeting with Ernst and Young. *Resolution:* Having received these documents, the Staff believes them to

be acceptable as a replacement for external audit work papers in this ACA review. No Staff adjustment was made and no further documentation is required on this issue.

Area G (formerly Greeley Gas)

Refunds

The Company disputed the Staff's proposed \$487 debit adjustment to the refund balance, claiming that it was not applicable during the 2002-2003 ACA audit. *Resolution:* Information received from the Company after the February 7, 2005 prehearing conference, prompted a recalculation of balances, which resulted in a credit adjustment of \$4546. The Staff revised Table 1 to reflect this adjustment, which is agreeable to the parties.

Areas P and U (formerly United Cities Gas)

Agency Fees

The Company disagreed with the Staff's proposal to disallow agency fees and accordingly, to reduce the Neelyville District gas costs by \$1,009. The Staff believes that agency fees are more closely related to consulting services and as such, should be reviewed in the context of a general rate case. Company disagrees and believes these fees should be included in the cost of gas. *Resolution:* Without agreeing or acquiescing to any underlying cost or ratemaking principle, the parties agree, strictly for purposes of settlement of this issue in this proceeding, that gas costs on the Neelyville District will be reduced by \$505.

Deferred Carrying Cost Balance ("DCCB")

Atmos requested clarification with respect to the following adjustments proposed by the Staff: a) reduce the demand over-recovery balance by \$787 on the Consolidated District; b) reduce the commodity over-recovery balance by \$5,854 on the Consolidated District; c) reduce the demand over-recovery balance by \$54 on the Neelyville District; and d) reduce the commodity over-recovery balance by \$666 on the Neelyville District. *Resolution:* Upon receiving the requested clarification, Atmos now joins Public Counsel in agreeing to the Staff's proposed adjustments.

Areas B, K, and S (formerly Associated Natural Gas)

ACA Balance

Atmos agreed with Staff's adjustments in regard to the ACA balance section of Staff's Recommendation. However, Atmos claimed that when it carried forward the adjustments from the 2002-2003 ACA filing (GR-2003-0150) to the 2003-2004 ACA filing (Case GR-2004-0479), it: a) overstated the Area S firm adjustment by \$67,357, b) overstated the Area S interruptible adjustment by \$6,179, c) understated Area K firm adjustment by \$9,172, and d) understated Area K interruptible adjustment by \$2,080. Atmos proposed to make these corrections in its 2004-

2005 ACA filing. Resolution: The parties agree that the Staff will review these ACA balance adjustments in the 2003-2004 and 2004-2005 ACA reviews.

Deferred Carrying Cost Balance ("DCCB")

The Staff recommended increasing firm gas costs by \$12,173 on the Kirksville District due to a miscalculation of carrying costs during the months of January 2003 to August 2003. Atmos agreed that firm gas costs should be increased but could not agree to the Staff's recommended amount, pending resolution of outstanding issues and amounts. Resolution: After reviewing supporting documentation subsequently provided by the Staff, Atmos agrees with Staff's adjustment.

Refunds

The Staff recommended adjustments to the refund balances, both firm and interruptible, for all districts (*i.e.*, SEMO, Kirksville, and Butler), in order to reflect the balances agreed to in the Unanimous Stipulation And Agreement filed February 26, 2004 in the preceding ACA docket (Case No. GR-2003-0150). Atmos indicated that it did not file a refund during the 2002-2003 ACA period. Resolution: The Company provided worksheets, however, which indicated that there was a refund factor in effect during the subject ACA period, and which support Staff's refund adjustments in the instant case, as well as in Case No. GR-2003-0150.

Transition Costs

The Staff indicated in its Recommendation that Atmos intended to write off a Transportation Transition cost credit of \$7,149 balance for the SEMO District, and that a write-off of \$1,000 or more is impermissible under the Company's tariff. Atmos denied that it had any such intention, stating that it had actually used the balance in calculating a new factor in the Company's 2003-2004 ACA filing. Atmos also disputed the Staff's recommended \$707 credit adjustment to Transportation Transition cost balance for the Kirksville District, stating that the amount had been appropriately written off. Resolution: Upon receipt of further information, the Staff agrees that the Kirksville balance should be zero, that the SEMO credit balance is \$7,149, and that as a result, no adjustments are necessary.

Over-run Gas

Atmos challenged, pending resolution of outstanding issues and amounts, the Staff's recommendation that over-run gas charges from ANR Pipeline Co., for both firm and interruptible customers, be reduced by a total of \$10,017. Resolution: Without agreeing or acquiescing to any underlying cost or ratemaking principle, the parties agree, strictly for purposes of settlement of this issue in this proceeding, that gas costs on the Kirksville District will be reduced by a total of \$4,770.

Louisiana Property Tax

The Company disagreed with the Staff's proposal to disallow a Louisiana property tax of \$2,219, levied on a storage facility used by Atmos under a contract with Mississippi River Transmission Corp. The Staff believes that such a tax should not be included in the Company's gas costs, but rather, is more appropriately included in base (non-gas cost) rates. Atmos believes the tax is legitimately part of its gas costs. *Resolution:* Without agreeing or acquiescing to any underlying cost or ratemaking principle, the parties agree, strictly for purposes of settlement of this issue in this proceeding, that gas costs on the SEMO District will be reduced by \$1,110.

3. In addition, as expressed in its aforementioned January 20, 2005 Response, Atmos agrees to the following:

General

Hedging: Atmos agrees to monitor the market movement and to evaluate various hedging alternatives to ensure a successful and prudent hedging program.

Capacity Release Procedures: Atmos agrees to provide the Staff with its capacity release procedures by May 31, 2005.

Reliability Analysis: Atmos agrees to provide the Staff with a Reliability Analysis Summary by March 9, 2005. The summary will address the concerns set out, for each service area, in the "Reliability Analysis Summary" section of the Staff's December 22, 2004 Recommendation.

Area G (formerly Greeley Gas)

Reallocation of Storage, Transportation and Gas Supply charges from Southern Star Central Gas Pipeline: Atmos agrees with the Staff's proposal to increase demand costs by \$1,806 and reduce commodity costs by \$246, resulting in a net increase of \$1,560.

Storage: As set forth in the Unanimous Stipulation And Agreement in the previous ACA case (Case No. GR-2003-0150), Atmos agrees with the Staff's proposal that storage costs be reduced by \$10,931. Due to the timing of Company's 2002-2003 ACA filing, with rates effective November 1, 2003 and the order approving the \$10,931 reduction in costs, effective April 4, 2004, the Company was not able to include this adjustment until the 2003-2004 ACA filing. The Staff will review those costs in the 2003-2004 ACA review.

Tenaska Marketing Ventures: The Company agrees with the Staff's adjustment to reduce gas costs by \$2,670.

Areas P and U (formerly United Cities Gas)

Beginning Balances May 31, 2002: The Company agrees to the Staff's adjustments in "Beginning Balances May 31, 2002" section of Staff's Recommendation. Atmos states that, due to the timing of its PGA/ACA filing on October 20, 2003 in this case, relative to the issuance of the Commission's Order approving these balances (March 25, 2004, as amended July 22, 2004), these adjustments were ultimately included in the 2003-2004 PGA/ACA balances, as filed in October 2004. The Staff will review these costs in the 2003-2004 ACA review.

4. The ACA, Refund, and Transition Cost account balances agreed to by the parties are set forth in Appendix A, attached hereto and made a part of this Agreement for all purposes. The parties believe this settlement to be reasonable and beneficial to ratepayers, and therefore recommend that the Commission approve this Agreement as being in the public interest.

5. This Agreement has resulted from extensive negotiations among the parties, and the terms hereof are interdependent. In the event the Commission does not adopt this Agreement in total, then this Agreement shall be void and no Party shall be bound, prejudiced or in any way affected by any of the agreements or provisions hereof. The stipulations herein are specific to the resolution of this proceeding, and all stipulations are made without prejudice to the rights of the parties to take other positions in other proceedings.

6. This Agreement is being entered into for the purpose of disposing of all issues in this case. None of the parties to this Agreement shall be deemed to have approved, accepted, agreed, consented or acquiesced to any accounting principle, ratemaking principle, cost of service determination or question of prudence underlying, or supposed to underlie, any of the issues provided for herein.

7. The parties further understand and agree that the provisions of this Agreement relate only to the specific matters referred to in the Agreement, and no party waives any claim or right which it otherwise may have with respect to any matters not expressly provided for in this

Agreement. The parties further reserve the right to withdraw their support for the settlement in the event that the Commission modifies the Agreement in a manner which is adverse to the party withdrawing its support, and further, the parties reserve the right to contest any such Commission order modifying the settlement in a manner which is adverse to the party contesting such Commission order.

8. In the event the Commission accepts the specific terms of this Agreement, the parties waive, with respect to the issues resolved herein, their respective rights: a) to call, examine and cross-examine witnesses pursuant to Section 536.070(2) RSMo 2000; b) to present oral argument or written briefs pursuant to Section 536.080.1 RSMo 2000; c) to the reading of the transcript by the Commission pursuant to Section 536.080.2 RSMo 2000; d) to seek rehearing pursuant to Section 386.500 RSMo 2000; and e) to seek judicial review pursuant to Section 386.510 RSMo 2000.

9. The Staff shall file suggestions or a memorandum in support of this Agreement, and the other parties shall have the right to file responsive suggestions or prepared testimony. The Staff shall also have the right to provide, at any agenda meeting at which this Agreement is noticed to be considered by the Commission, whatever oral explanation the Commission requests, provided that the Staff shall, to the extent reasonably practicable, promptly provide other parties with advance notice of when the Staff shall respond to the Commission's request for such explanation once such explanation is requested from Staff. Staff's oral explanation shall be subject to public disclosure, except to the extent it refers to matters that are privileged or protected from disclosure pursuant to any Protective Order issued in this case.

10. To assist the Commission in its review of this Agreement, the parties also request that the Commission advise them of any additional information that the Commission may desire

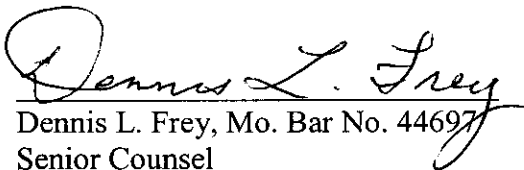
from the parties relating to the matters addressed in this Agreement, including any procedures for furnishing such information to the Commission.

WHEREFORE, the undersigned parties respectfully request that the Commission issue its Order:

- a) Approving all of the specific terms and conditions of this Unanimous Stipulation And Agreement;
- b) Approving the ACA, Refund and Transition Cost balances included in Appendix A - Table 1, Table 2 and Table 3;
- c) Granting such further relief as the Commission should find reasonable and just; and,
- d) Closing this case.

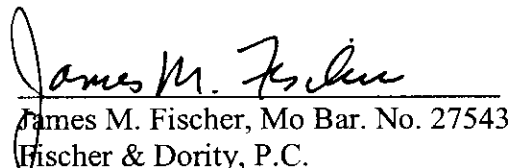
Respectfully submitted,

DANA K. JOYCE
General Counsel



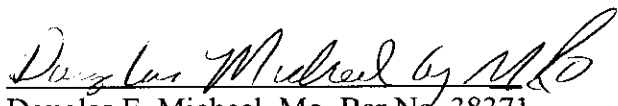
Dennis L. Frey, Mo. Bar No. 44697
Senior Counsel
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102-0360
(573) 751-8700 Phone
(573) 751-9285 Fax
denny.frey@psc.mo.gov

Attorney for the Staff of the
Missouri Public Service Commission



James M. Fischer, Mo Bar. No. 27543
Fischer & Dority, P.C.
101 Madison
Suite 400
Jefferson City, MO 65101
(573) 636-6758 Phone
(573) 636-0383 Fax
jfischerpc@aol.com

Attorney for Atmos Energy Corporation



Douglas E. Micheel, Mo. Bar No. 38371

Senior Public Counsel

Office of the Public Counsel

200 Madison Street, Suite 650

P. O. Box 7800

Jefferson City, MO 65102

(573) 751-5560 Phone

(573) 751-5562 Fax

doug.micheel@ded.mo.gov

Attorney for the

Office of the Public Counsel

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 22nd day of February 2005.

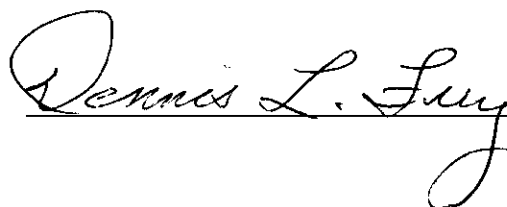


Table 1

(GREELEY) Area G Description	5-31-03 ending Balances per Filing	Staff Adjustments	5-31-03 ending Balances Recommended By Staff
ACA Balance	(\$107,065) A	(\$7,261) B	(\$114,326) D
Revenue Recovery	(\$131,816)	\$0	(\$131,816)
Purchased Gas Cost	\$240,239	(\$1,110) C	\$239,129
Total (Over)/Under Recovery	\$1,358	(\$8,371)	(\$7,013)
Refund	\$ 7,475	(\$4,546)	\$2,929

A) $(\$148,253) + \$41,188 = (\$107,065)$

B) $\$2,419 + (\$10,931) + \$1,251 = (\$7,261)$ GR-2003-0150 adjustments not included in GR-2003-0219 filing

C) $\$1,560 + (\$2,670) = (\$1,110)$ adjustments for Case GR-2003-0219

D) Per Stipulation & Agreement in Case No. GR-2003-0150 (Ending ACA balance – 2001/2002)

¹ The amounts shown in Appendix A reflect the resolution of all issues raised in this proceeding, including those heretofore unsettled issues identified in Paragraph 2 of this Unanimous Stipulation And Agreement.

Table 2

Areas P& U (United Cities)	5-31-03 ending Balances per Filing	Notes Ref.	Staff Adjustments	5-31-03 ending Balances Recommended By Staff
Consolidated District: Demand ACA	(\$348,004)	(A) (B)	(\$728) \$787	(\$347,945)
Commodity ACA	(\$659,135)	(A) (B)	\$2,465 \$ 5,854	(\$650,816)
Refund	(\$8,177)			(\$8,177)
Neelyville District: Demand ACA	(\$7,007)	(B)	\$54	(\$6,953)
Commodity ACA	(\$38,033)	(A) (B) (C)	(\$73) \$666 (\$505)	(\$37,945)
Refund	(\$347)			(\$347)

Notes to Staff Adjustments:

- (A) Beginning balances May 31, 2002 adjusted to prior year ending balances
- (B) DCCB carrying cost adjustments
- (C) Agency fee adjustment per settlement

Table 3

(ANG) Areas B, K, and S	8-31-03 ending Balances per Filing	Staff Adjustments	8-31-03 ending Balances Recommended By Staff
SEMO district (area S)			
Firm ACA	(\$1,230,220)	(\$1,110) (B) \$110,237 (A)	(\$1,121,093)
Interruptible ACA	\$99,896	\$34,659 (A)	\$134,555
Firm Refund-Exh III	(\$ 66,227)	(\$21,798) (1)	(\$88,025)
Interruptible Refund-Exh III	(\$ 1,330)	(\$3,392) (1)	(\$4,722)
Transportation Transition cost	\$0	(\$7,149)	(\$7,149)
Kirksville district (area K):			
Firm ACA	(\$ 387,312)	\$7,879 (C) (\$33,878) (A)	(\$413,311)
Interruptible ACA	(\$ 147,091)	(\$476) (D) (\$2,477) (A)	(\$150,044)
Firm Refund-Exh III	(\$ 3,162)	(\$40,959) (1)	(\$44,121)
Interruptible Refund-Exh III	\$ 1,035	(\$13,851) (1)	(\$12,816)
Transportation Transition cost	(\$707)	\$707	\$0
Butler district (area B):			
Firm ACA	\$ 71,834	(\$18,962) (A)	\$52,872
Interruptible ACA	\$ 6,545	(\$2,338) (A)	\$4,207
Firm Refund-Exh III	\$117	\$1,404 (1)	\$1,521
Interruptible Refund-Exh III	\$ 207	(\$13,481) (1)	(\$13,274)
Transportation Transition cost	\$0	\$0	\$0

1) Includes Staff's adjustments in ACA balance section + activity during the current ACA period.

A) Beginning balances 8-31-02 adjusted to prior year ending balances- (See ACA balance section of Staff Memo, dated 12/21/04.)

B) Louisiana Property Tax

C) \$12,173 DCCB + (\$4,294) Over-run = \$7,879

D) Over-run gas