

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

In the Matter of Atmos Energy Corporation's     )  
Purchased Gas Adjustment Tariff Filings to     )  
be Considered in its 2004-2005 Actual Cost     )  
Adjustment     )

Case No. GR-2005-0311

**ATMOS ENERGY CORPORATION'S  
RESPONSE TO STAFF RECOMMENDATION**

**COMES NOW** Atmos Energy Corporation ("Atmos" or "Company"), and pursuant to the Commission's Order Directing Filing issued on December 21, 2006 states its response to the Staff's Recommendation filed on December 20, 2006, as follows:

On December 20, 2006, the Commission Staff filed its recommendation following completion of the audit of the 2004-2005 Actual Cost Adjustment ("ACA") filing. The Staff's audit consisted of an analysis of the billed revenues and actual gas costs included in the Company's computation of the ACA for the 2004-2005 period. The Company will respond to the various issues identified by Staff in the following paragraphs.

**ATMOS ENERGY CORPORATION – GENERAL**

**HEDGING**

The Company has been aggressive in the area of risk management. The Company has a Risk Administrator position that is dedicated purely to hedging. The Company attempts to be proactive in determining the best hedging tools for each jurisdiction while also creating a diversified portfolio. The Company will continue to monitor the market movement and to evaluate various hedging alternatives to ensure a successful and prudent hedging program.

## **GAS LOST AND UNACCOUNTED FOR**

The Company continues to monitor the L&U reports.

## **CARRYING COST ON UNDER OR OVER-RECOVERY OF PGA/ACA COSTS**

The Company has included the tariff instructing the calculation of carrying costs on the recovery balance in the rate case GR-2006-0387.

## **REFUNDS**

The Company has included the tariff instructing the calculation of refunds on the recovery balance in the rate case GR-2006-0387.

## **AREAS B, K, AND S**

### **BEGINNING BALANCES**

The Annual Cost Adjustment (ACA) must be filed in October of the current year. Staff's audit findings are not agreed upon until 12-18 months later and the interest calculation based upon Staff's balances will always need to be adjusted. In the past, the Company has included Staff's agreed upon adjustments in the ACA filing of the current year. However, the ending balances will never align with Staff's ending balances in the Stipulation and Agreement, as the Company has since filed another ACA. A portion of Staff's adjustments in the table on Page 8 of 12 have been made in either the current or previous ACA periods and are included in the Company's beginning balance.

### **Area K**

Referencing Staff's table on Page 8 of 12, the Company agrees with the beginning firm balance of (\$358,795) however a portion of Staff's adjustments have been made in either the current or previous ACA filings. The adjustment of (\$38,000) for firm customers is composed of a storage adjustment of (\$33,878) from GR-2003-0150 and was made in the 2005/2006 ACA (Case GR-

2006-0300) and the overrun gas adjustment from GR-2003-0219 of (\$4, 122), which was made in the 2004/2005 ACA (Case GR-2005-0311). The (\$4,122) adjustment is included in the beginning balance. The Company also agrees with Staff's beginning interruptible balance of (\$86,076) however a portion of Staff's adjustment was made in either the current or previous ACA filings. The adjustment of \$2,119 is composed of a storage adjustment of \$2,080 from the 2002/2003 ACA (GR-2003-0150) filing plus an unidentified amount of \$39. Since the adjustments are included in the Company's beginning balances the Company does not agree additional adjustments are required but, due to the timing of the audit, will agree to Staff's ending balances.

#### **Area B**

Referencing Staff's table on page 8 of 12, the Company agrees with the beginning balance of (\$183,466) for firm and (\$63,030) for interruptible. However, the adjustments of \$66,533 for firm and the adjustments of \$37,687 for interruptible were made in the 2004/2005 ACA filing on Exhibit II, Lines 2 and 7 and are included in the Company's beginning balance. Since the adjustments are included in the Company's beginning balances the Company does not agree additional adjustments are required but, due to the timing of the audit, will agree to Staff's ending balances.

#### **Area S**

Referencing Staff's table on page 8 of 12, the Company agrees with the beginning balance of (\$1,607,280) for firm and \$188,330 for interruptible. The firm adjustment to storage was included in the balances as filed in the 2002/2003 ACA Exhibit II, Line 2. The Company does not agree that an additional adjustment is required. Also the interruptible adjustment was included in the balances as filed in the 2002/2003 ACA Exhibit II, Line 4. The Company does

not agree that an additional adjustment is necessary. The transition cost adjustment was included in the 2005/2006 ACA Exhibit II filing as submitted October 16, 2006, Case GR-2006-0300.

Due to the timing of this audit, the Company will agree with Staff's ending balances.

### **AREAS U AND P**

#### **BEGINNING BALANCES**

The Annual Cost Adjustment (ACA) must be filed in October of the current year. Staff's audit findings are not agreed upon until 12-18 months later and the interest calculation based upon Staff's balances will always need to be adjusted. In the past, the Company has included Staff's agreed upon adjustments in the ACA filing of the current year. However, the ending balances will never align with Staff's ending balances in the Stipulation and Agreement, as the Company has since filed another ACA.

### **Areas U & P**

The Company agrees with the beginning balances for both the Consolidated and Neelyville Districts. After further review it was discovered that the DCCB adjustment from GR-2004-0479 of \$4,986 was not included in the Company's balance from this case and should be included to adjust the beginning balance for the Consolidated District. The Company will agree to the ending balances for these areas.

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

The Company will agree to Staff's adjustment to interest in the carrying costs of:

Area U & P (excluding Neelyville) – Demand \$583 and Commodity \$9,964

Area U (Neelyville) – Demand (\$10) and Commodity \$376

## **STORAGE**

The Company will agree to the Staff's storage adjustment. Gas Accounting has agreed to adjust accounting procedures for the transfer of gas from one storage account to another.

### **SUMMARY:**

The Company agrees with the Staff's beginning and ending balances for the 2004/2005 ACA period. The Company will also agree to the Deferred Carrying Costs Balance adjustments for all areas and the storage adjustment for the Consolidated District.

## **AREA G**

Referencing Staff's table on page 12 of 12, the Company agrees with Staff's beginning and ending balances. The storage adjustment of (\$3,005) from GR-2004-0479 was included in the August 2005 storage costs on Exhibit II-A in Case GR-2006-0300.

### **SUMMARY:**

The Company does agree with the beginning and ending balances for Area G.

## **GENERAL**

The Company will provide any of the work papers associated with these adjustments as outlined in this response.

Respectfully submitted,

/s/ James M. Fischer

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### **CERTIFICATE OF SERVICE**

I do hereby certify that a true and correct copy of this document has been hand-delivered, emailed or mailed, First Class, postage prepaid, this 18th day of January, 2007, to:

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/s/ James M. Fischer

James M. Fischer