

MEMORANDUM

TO: Missouri Public Service Commission Official Case File,
Case Nos. GR-2005-0311 & GR-2006-0179, File No. YG-2006-0299, Atmos Energy
Corporation

FROM: Tom Imhoff, Energy Department - Tariffs/Rate Design

/s/ Tom Imhoff 11/1/05
Energy Department/Date

/s/ Lera L. Shemwell 11/1/05
General Counsel's Office/Date

SUBJECT: Staff Recommendation for Atmos Energy Corporation's Scheduled Purchased Gas
Adjustment Filing effective November 4, 2005

DATE: November 1, 2005

On October 21, 2005, Atmos Energy Corporation (Atmos or Company) of Franklin, Tennessee, filed tariff sheets proposed to become effective November 4, 2005. The tariff sheets were filed to reflect scheduled changes in Atmos' PGA factors as the result of estimated changes in the cost of natural gas for the upcoming winter season. This tariff filing reflects changes in the Regular Purchased Gas Adjustment (RPGA) factors. In addition, this filing reflects changes in the Actual Cost Adjustment (ACA) factors. The winter season includes the months of November through March.

This tariff filing was filed under Case No. GR-2006-0179 when it should have been filed under Atmos' existing 2004-05 PGA/ACA Case No. GR-2005-0311. Case No. GR-2005-0311 had been established in March, 2005 to track Atmos' 2004-2005 ACA period. Staff recommends that Case Nos. GR-2005-0311 and GR-2006-0179 be consolidated into one case. This would allow Atmos' 2004-2005 ACA period to be reviewed in one proceeding.

For Atmos' Area B (Old Butler District), the effect of these changes will increase the firm PGA factor for the 2005-2006 winter season to \$1.17153 per hundred cubic feet (Ccf) from the 2004-2005 winter season firm PGA factor of \$0.67289 per Ccf. A customer last winter using 642 Ccf had a bill of \$583; if weather is normal this year, the same customer would use approximately 704 Ccf, for a bill of \$1,050, before taxes. This is a 80% increase in the estimated winter bill.

For Area K (Old Kirksville District), the effect of these changes, will increase the firm PGA factor for the 2005-2006 winter season to \$1.29187 per Ccf from the 2004-2005 winter season firm PGA factor of \$0.71950 per Ccf. A customer last winter using 727 Ccf had a bill of \$613; if weather is normal this year, the same customer would use approximately 792 Ccf, for a bill of \$1,117, before taxes. This is a 82% increase in the estimated winter bill.

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For Area S (Old SEMO District), the effect of these changes will increase the firm PGA factor for the 2004-2005 winter season to \$1.27161 per Ccf from the 2004-2005 winter season firm PGA factor of \$0.82889 per Ccf. A customer last winter using 599 Ccf had a bill of \$607; if weather is normal this year, the same customer would use approximately 647 Ccf, for a bill of \$939, before taxes. This is a 55% increase in the estimated winter bill.

The Commission's Energy Department – Tariffs/Rate Design Staff (Staff) has been monitoring the rapidly changing natural gas market situation along with the Office of the Public Counsel and the local distribution companies. If it appears that Atmos' PGA rate should be reduced, Staff will promptly notify Atmos. The Staff's Procurement Analysis Department (PAD) will address Atmos' procurement of its natural gas for this upcoming winter season. Due to the limited time available to review the documentation supporting the ACA factors represented in this filing, the PAD has requested permission to submit its results on or before December 29, 2006. Also, in Case No. GW-2006-0110, Staff is currently reviewing several aspects of the procurement policies of Missouri's local distribution companies, including Atmos. This highly abbreviated review of Atmos' purchasing policies may result in Staff or other parties filing a complaint against Atmos if any of these parties believe that Atmos has been imprudent in their purchasing practices. Staff does not believe that this abbreviated review obviates the need for a thorough PAD audit as is now provided for in the normal process. Also, Staff does not believe that a lack of any findings by parties in this abbreviated review should be treated by any parties as a final determination that a utility has been prudent in its purchasing practices as is now determined through a thorough PAD audit.

At this time, Staff does not render an opinion as to the gas purchasing practices of Atmos. Staff's review of this PGA/ACA filing has focused on the compliance of Atmos' calculations, market assumptions, storage position, hedging positions and other relevant factors in support of its tariff filing in accordance with its approved PGA Clause.

Case Numbers GR-2005-0311 and GR-2006-0179, under which this PGA change was filed, was established to track the Company's PGA factors to be reviewed in its 2004-05 Actual Cost Adjustment (ACA) filing. Case No. GR-2004-0479 was established to track the Company's PGA factors to be reviewed in its 2003-04 ACA filing. Interim subject to refund status should be maintained pending final Commission decisions in Case Nos. GR-2004-0479, GR-2005-0311 and GR-2006-0179.

The Staff has verified that the Company has filed its annual report and is not delinquent on any assessment. Staff is unaware of any issue currently pending before the Commission that affects or is affected by this filing however the following open case involving this Company are before the Commission at this time:

GR-2004-0479 AX-2005-0364
GW-2006-0110

MO PSC Case No. GR-2005-0311 & GR-2006-0179

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The Staff has reviewed this PGA filing and has determined that it was calculated in conformance with Atmos' PGA Clause. Staff is of the opinion that good cause for approval of these tariff sheets on less than thirty days notice is demonstrated by Atmos' Commission approved PGA clause allowing for ten (10) business days notice for PGA change filings. Therefore, Staff recommends that Case Nos. GR-2005-0311 and GR-2006-0179 be consolidated and the following tariff sheets, to become effective November 4, 2005, be approved, interim subject to refund:

P.S.C. MO. No. 1

7th Revised Sheet No. 37, canceling 6th Revised Sheet No. 37, For Area B

7th Revised Sheet No. 81, cancelling 6th Revised Sheet No. 81, For Area K

7th Revised Sheet No. 149, cancelling 6th Revised Sheet No. 149, For Area S

My commission expires  Commission #05407643