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OVERNIGHT DELIVERY

December 9, 2013

Jeff R. Derouen
Executive Director
Kentucky Public Service Commission
211 Sower Blvd.
PO Box 615
Frankfort, Kentucky 40602

RECEIVED

DEC 10 2013

PUBLIC SERVICE
COMMISSION

RE: **Atmos Energy Corporation – Petition for Confidentiality; and,
Application for Approval of Gas Supply Agreement and for
a Deviation from Pricing Requirements of KRS 278.2207
Case No. 2011-00201**

Dear Mr. Derouen:

I am enclosing herewith, an original, plus eleven (11) copies, of an Application for approval of Gas Supply Agreement and for a Deviation from Pricing Requirements. I am also enclosing an original, plus eleven (11) copies of a Petition for Confidentiality. The original of the Petition contains **Confidential** information and is so marked. The eleven copies of the Petition have redacted copies attached. Please return one file stamped copy of the Application and the Petition to me. Thanks.

Very truly yours,



Mark R. Hutchinson

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

DEC 10 2013

PUBLIC SERVICE
COMMISSION

IN THE MATTER OF:)

APPLICATION OF ATMOS ENERGY)
CORPORATION FOR APPROVAL OF)
THIRD PARTY NATURAL GAS SUPPLY AND)
ASSET MANAGEMENT AGREEMENT)
AND FOR A DEVIATION FROM THE PRICING)
REQUIREMENTS OF KRS 278.2207)

CASE NO. _____

APPLICATION

Comes now Atmos Energy Corporation (“Atmos”) and respectfully applies to the Kentucky Public Service Commission (“Commission”) for approval of a natural gas supply agreement (“New Supply Agreement”), which is filed herewith under a Petition for Confidentiality and for a deviation from the pricing requirements contained in KRS 278.2207(1) (b).

Atmos’ current gas supply agreement with Twin Eagle Resource Management, LLC relating to Tennessee Gas Pipeline (TGP) will terminate on March 31, 2014 (the “Current Supply Contract”)

On September 17, 2013, Atmos issued, through e-mails to potentially interested parties who were registered on Atmos’ website, a Request for Proposal (RFP) for its firm supply requirements and for asset management of the transportation and storage contracts on the TGP. The term of the agreement will commence on April 1, 2014 and continue for a 12 month period through March 31, 2015. A total of 39 potential suppliers viewed the RFP. A deadline for submitting proposals was set for October 16, 2013. Four proposals were received by Atmos. Atmos performed a comparative cost analysis of the proposals, which consisted of a comparison of bid price components, including the fixed asset optimization payments, demand charges, commodity pricing and fuel rates. The bid of Atmos Energy Marketing, LLC (AEM)

resulted in more net savings to the customers than the other proposals. Due to their sensitive nature, details relating to the other proposals, including details of Atmos' comparative cost analysis, are not set forth in this Application but will be provided to the Commission under an appropriate Petition for Confidentiality.

Atmos determined it was in the best interest its ratepayers to award the TGP contract to AEM. Contractual arrangements to reflect the terms of AEM's proposal were finalized and a copy of the signed contract ("New Supply Agreement") is being filed under the Petition For Confidentiality submitted simultaneously herewith.

DEVIATION

AEM is a wholly owned subsidiary of Atmos Energy Holdings, LLC which in turn is wholly owned by Atmos. As such, the affiliate transaction pricing rules of KRS 278.2207(1)(b) are applicable to the New Supply Agreement.

KRS 278.2207(1) (b) provides, in pertinent part, as follows:

"(1) The terms for transactions between a utility and its affiliates shall be in accordance with the following:

(a) ***

(b) Services and products provided to the utility by an affiliate shall be priced at the affiliate's fully distributed cost but in no event greater than market or in compliance with the utility's existing USDA, SEC or FERC approved cost allocation methodology."

KRS 278.2207(2) further provides:

"(2) A utility may file an application with the Commission requesting a deviation from the requirements of this section for a particular transaction or class of transactions. The utility shall have the burden of demonstrating that the requested pricing is reasonable. The Commission may grant the deviation if it determines the deviation is in the public interest."

Atmos requests a deviation for the New Supply Agreement from the pricing requirements of KRS 278.2207(1) (b). Since the TGP New Supply Agreement was competitively bid, the services and products to be provided by AEM were not (and as a practical matter, cannot be) priced at its fully distributed costs. The competitive bidding process itself established that the “cost” of such services and products is not greater than the market.

Pursuant to 807 KAR 5:080 Section 5(2), the following additional information and response is provided as part of this application.

(a) All documents and information required by 807 KAR 5:001, Section 8:

A certified copy of the Applicant’s Articles of Incorporation and all amendments, have previously been filed with the Commission in KPSC Case No. 2009-00354.

(b) An original and five copies of the petition:

An original and five copies are filed herewith.

(c) All documents and information required by KRS 278.2219:

The deviation sought herein does not involve costs or benefits related to compliance with the provisions of KRS 278.2201 to 278.2213 as contemplated by KRS 278.2219. This Application seeks a deviation for a gas supply agreement awarded through a competitively bid, arms length process. Other than the pricing requirements of KRS 278.2207(1)(b), none of the provisions of KRS 278.2201 to KRS 278.2213 apply.

(d) The proposed price of services or products proposed by the affected utility or the non-regulated affiliate:

The “proposed price” for gas purchases is described in the New Supply Agreement.

- (e) A detailed calculation demonstrating the manner in which the affected utility or non-regulated affiliate has determined the proposed price of services or products.

No “detailed calculation” demonstrating the manner in which the “proposed price” was determined exists since the “proposed price” was established through the process of open competitive bidding, not by “detailed calculations”.

- (f) An explanation of the reasons the affected utility believes the proposed price of services and products is in the public interest.

Atmos requests a deviation for the New Gas Supply Agreement from the pricing requirements of KRS 278.2207(1)(b). Since this was a competitively bid gas supply agreement, the services and products to be provided by AEM were not (and as a practical matter, cannot be) priced at AEM’s fully distributed costs. The competitive bidding process itself established that the cost of such services and products are necessarily not greater than market.

- (g) A statement demonstrating good cause for the requested deviation:

See (f) above.

WHEREFORE, Atmos respectfully requests the Commission approve the New Supply Agreement and grant a deviation from the pricing requirements of KRS 278.2207(1)(b).

Respectfully submitted this 6 day of December, 2013

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ATTORNEYS FOR ATMOS ENERGY
CORPORATION

VERIFICATION

I, Mark A. Martin, being duly sworn under oath, state that I am Vice President of Rates and Regulatory Affairs for Atmos Energy Corporation, Kentucky/Mid-States Division, and the statements contained in the foregoing Application are true as I verily believe.



Mark A. Martin

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED
DEC 10 2013
PUBLIC SERVICE
COMMISSION

IN THE MATTER OF:

APPLICATION OF ATMOS ENERGY)
CORPORATION FOR APPROVAL OF THIRD)
PARTY NATURAL GAS SUPPLY AND ASSET)
MANAGEMENT AGREEMENT AND FOR A DEVIATION)
FROM THE PRICING REQUIREMENTS OF KRS 278.2207)

Case No. _____

**PETITION FOR CONFIDENTIALITY OF NEW GAS SUPPLY AGREEMENT
BEING FILED WITH KENTUCKY PUBLIC SERVICE COMMISSION**

Atmos Energy Corporation ("Atmos" or "Company"), respectfully petitions the Kentucky Public Service Commission ("Commission"), pursuant to 807 KAR 5:001, Section 7, and all other applicable law, for confidential treatment of the gas supply and asset management agreement attached hereto. In support of this Petition, Atmos states as follows:

1. Atmos has entered into a new gas supply and asset management agreement with Atmos Energy Marketing, LLC ("AEM") relating to the Tennessee Gas Pipeline (the "AEM Agreement"). Atmos has filed an application seeking Commission approval of that agreement.

2. In prior proceedings before the Commission, confidential protection has

always been afforded to gas supply agreements such as one involved in this proceeding. See e.g., KPSC Cases 97-513, 2002-00245, 2006-00194 and 2011-00201.

3. The Commission has consistently determined that gas supply agreements of this nature are entitled to confidential protection. The AEM Agreement is no different and is likewise entitled to confidential protection. The information sought to be protected includes prices, purchase volumes and flexibility, points of receipt and delivery, expiration dates, and other competitively sensitive information contained throughout the contracts. In future negotiations with other suppliers to manage its commodity, pipeline transportation and storage requirements, disclosure of the information contained in the AEM Agreement would reveal confidential information that other suppliers could use in negotiating with Atmos, thereby putting Atmos at a competitive disadvantage.

4. KRS 61.872(1) requires information filed with the Commission to be available for public inspection unless specifically exempted by statute. Exemptions from this requirement are provided in KRS 61.878(1)(c)(1) exempts commercial information, confidentially disclosed to the Commission which if made public would permit an unfair commercial advantage of competitors of the parties from whom the information was obtained. To qualify for the exemption, actual competition must be demonstrated, as well as a likelihood of substantial competitive injury if the information is publicly disclosed. Competitive injury occurs when disclosure of the information gives competitors an unfair business advantage.

5. As the Commission is well aware, Atmos must compete for both gas

supply and gas transportation services in the deregulated world of natural gas acquisition and transportation. Disclosure of the information sought to be protected in the attached gas supply agreement would allow Atmos' competitors to gain confidential information about Atmos' gas purchasing and transportation costs and strategies. It would enable those competitors to negotiate similar terms with other gas suppliers, thereby depriving Atmos of the commercial benefits it enjoys by negotiating the attached gas supply agreement.

6. Additionally, to the extent that Atmos chooses, in the future, to purchase gas supply or transportation services from other suppliers or potential suppliers, disclosure of the information contained in the attached agreement would reveal the prices and terms Atmos has agreed to pay for gas supply and transportation services. Suppliers with that information, who might otherwise offer a lower price, would have no incentive to offer any price lower than that currently being paid by Atmos.

7. Except for the parties to the AEM Agreement, the information sought to be protected is not known outside Atmos and is not disseminated within Atmos except to those employees with a legitimate business need to know and act upon the information.

8. The attached AEM Agreement requires the parties to keep the agreement confidential. This provision recognizes that the parties could be competitively damaged if the terms of the agreement were made publicly available to their competitors, including specifically those unregulated competitors who would have no corresponding requirement to make a public disclosure of the terms of their gas supply agreements.

9. Pursuant to 807 KAR 5:001, Section 7(3), temporary confidentiality of the

attached agreement should be maintained until the Commission enters an order as to the Petition. Once the order regarding confidentiality has been issued, Atmos would have twenty (20) days to seek alternative remedies pursuant to 807 KAR 5:001, Section 7(4).

WHEREFORE, Atmos petitions the Commission to treat as confidential the gas supply agreement attached hereto in its entirety, which is included in the attached as "CONFIDENTIAL".

Respectfully submitted this 6 day of December, 2013.

Douglas Walther
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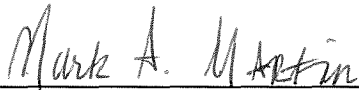
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VERIFICATION

I, Mark A. Martin, being duly sworn under oath state that I am Vice President of Rates and Regulatory Affairs Kentucky Midstates Division for Atmos Energy Corporation, and that the statements contained in the foregoing Petition are true as I verily believe.



Mark A. Martin

**ADDENDUM TO BASE CONTRACT FOR
SALE AND PURCHASE OF NATURAL GAS**

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General Terms and Conditions
Base Contract for Sale and Purchase of Natural Gas



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