

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF ATMOS ENERGY	)	
CORPORATION (ATMOS), THROUGH ITS	)	
DIVISION, WESTERN KENTUCKY GAS COMPANY	)	
OF OWENSBORO, KENTUCKY, FOR AN ORDER	)	CASE NO. 99-465
AUTHORIZING THE IMPLEMENTATION OF A	)	
\$500,000,000 UNIVERSAL SHELF REGISTRATION	)	
FOR DEBT AND EQUITY FINANCING	)	

O R D E R

On February 22, 2000, Atmos Energy Corporation (“Atmos”), through its division Western Kentucky Gas Company (“Western”), filed its application seeking Commission approval to implement a \$500,000,000 universal shelf registration for debt and equity financing.<sup>1</sup> While Western is subject to the jurisdiction of the Commission, as a division of Atmos it does not have a separate capital structure, and the securities are to be issued by Atmos subject to the approval of this Commission.<sup>2</sup> The debt securities and/or common stock may be issued in one or more series. The net proceeds will be expended for one or more of the following purposes: the repayment of

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<sup>1</sup> Western originally submitted its application on December 30, 1999. On January 27, 2000, the Commission informed Western that its application was deficient, and would not be considered filed until the filing deficiencies were cured. Western submitted additional information on February 22, 2000, which cured the cited deficiencies. Western’s application was declared filed as of February 22, 2000.

<sup>2</sup> Atmos provides gas distribution, transmission, and transportation service to retail customers in Colorado, Georgia, Illinois, Iowa, Kansas, Kentucky, Louisiana, Missouri, South Carolina, Tennessee, Texas, and Virginia. To the extent necessary, Atmos will secure the appropriate approvals from the regulatory commissions in these states for the universal shelf registration.

all or a portion of Atmos's outstanding short-term debt; the purchase, acquisition, and construction of additional properties, as well as improvements to Atmos's existing utility plant; the refunding of higher rate long-term debt as market conditions permit; and general corporate purposes.

Western has filed information indicating that Atmos has lines of credit and short-term debt of \$110,228,467 outstanding and total long-term debt of \$383,523,308, with \$15,640,000 of that total due within one year. In addition, it estimates that \$370,000,000 will be needed to upgrade existing gas plant property. Western has provided copies of Atmos's Securities and Exchange Commission filing, as well as copies of the applications and approval orders from three other state regulatory commissions concerning the universal shelf registration.<sup>3</sup>

As the proposed financing is a universal shelf registration, it is difficult at this time for Atmos to state exactly what mix of equity and debt financing will be utilized. Consequently, the specific terms and conditions of each issuance under the universal shelf registration are not known. Western has noted that the approval orders received from the Missouri and Virginia commissions include a cap on the interest rate on any debt securities issued under the universal shelf registration. Those approval orders state that the interest rate on debt securities will not exceed by 300 basis points the yield on a United States Treasury Security of comparable maturity, unless Atmos requests and is granted a waiver for a particular issuance of debt securities. Western has indicated that it would agree to a similar interest rate cap in this proceeding.

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<sup>3</sup> The applications and approval orders are from Colorado, Missouri, and Virginia.

Western has indicated that Atmos's goal is to decrease its debt to capitalization ratio to nearer Atmos's target range of 50 to 52 percent over the next two years. Atmos does not plan to implement the universal shelf registration in a manner that would materially change this 50 to 52 percent target. Further, Atmos believes the use of the proposed universal shelf registration will allow it to maintain the flexibility necessary to allow it to utilize the most favorable financing option available at a particular time.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that the approval of the universal shelf registration and the associated creation and issuance of related securities is for lawful objects within the corporate purposes of Western, is necessary and appropriate for and consistent with the proper performance by the utility of its service to the public and will not impair its ability to perform that service, and is reasonable, necessary, and appropriate for such purposes. Therefore, the universal shelf registration proposed by Atmos should be approved. However, because of the nature of the universal shelf registration, Western and Atmos should be required to inform the Commission of the terms and conditions of each issuance of equity or debt covered by the universal shelf registration.

IT IS THEREFORE ORDERED that:

1. Atmos is authorized to implement a \$500,000,000 universal shelf registration for equity and debt financing, subject to the provisions and terms contained within its application.
2. The proceeds from the transaction authorized herein shall be used only for the lawful purposes set out in the application.

3. For any issuance of equity under the universal shelf registration, Western shall include with its monthly financial report to the Commission a supplemental report detailing the terms and conditions of such equity financing. The supplemental report shall be included with the financial report covering the month of issuance.

4. The interest rate on any debt securities issued under the universal shelf registration shall not exceed by 300 basis points the yield on a United States Treasury Security of comparable maturity, unless Atmos requests and is granted a waiver for a particular issuance of debt securities.

5. For any debt securities issued under the universal shelf registration, Western shall file a report detailing the terms and conditions of the particular debt securities issued. Western shall include an analysis showing that the interest rate included for the debt securities was the most reasonable under the circumstances at the time of issuance. Western shall also demonstrate its compliance with the 300 basis point restriction, as stated in Ordering Paragraph No. 4. This report shall be filed with the Commission within 10 days of the completion of the issuance.

Nothing contained herein shall be deemed a warranty or finding of value of securities or financing authorized herein on the part of the Commonwealth of Kentucky or any agency thereof.

Done at Frankfort, Kentucky, this 24<sup>th</sup> day of March, 2000.

By the Commission

ATTEST:

  
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Executive Director