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April 27, 2007

APR 30 2007

Elizabeth O'Donnell, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, Kentucky 40602

PUBLIC SERVICE
COMMISSION

Subject: **Final Hedging Report and Proposal to Conduct a Hedging Program
for the Winter of 2007-2008**

Dear Ms. O'Donnell:

Case No. 2007-00171

Enclosed herein are one original and ten copies of Atmos Energy's final hedging report for financial hedges purchased for the winter of 2006-2007, as required by the Commission's Order in Case No. 2006-00177, dated June 16, 2006.

Please note that the Company has filed certain exhibits in the report under a petition for confidentiality.

Also, please note that the Company is proposing a hedging plan for the upcoming winter period of 2007-2008 in conjunction with the submittal of this report. The Company's proposed hedging plan for the upcoming winter is consistent with the plan approved by the Commission for the past four winter periods.

Please contact me at your earliest convenience (270-685-8024) should the Commission or Staff have any questions regarding the enclosed report.

Sincerely,

Gary L. Smith
Vice President, Marketing & Regulatory Affairs

Enclosures

Cc: Hon. Larry Cook

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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APR 30 2007

PUBLIC SERVICE
COMMISSION

IN THE MATTER OF:

THE FINAL REPORT OF ATMOS ENERGY CORPORATION
ON ITS HEDGING PROGRAM FOR THE 2006-2007
HEATING SEASON

2007-00171
Case No. ~~2006-00477~~

**PETITION FOR CONFIDENTIALITY OF ATMOS'
FINAL HEDGING REPORT**

Atmos Energy Corporation ("Atmos Energy") 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 Atmos Energy's Final Hedging Report for the 2006-2007 heating season.

1. On June 16, 2006 the Commission entered an Order in this proceeding approving Atmos Energy's hedging program for the 2006-2007 heating season. The Commission's Order further directed Atmos Energy to file a final hedging report within thirty (30) days of the end of the 2006-2007 heating season which ended on March 31, 2007. Atmos Energy previously filed its interim report with the Commission on or about November 30, 2006.

2. The attachments to the Petition contain sensitive pricing information and confidential information about Atmos Energy's hedging strategies. Atmos Energy's hedging strategies (including the prices Atmos Energy would likely pay for hedging contracts under various market conditions) constitutes sensitive, proprietary information which if publicly disclosed could put Atmos Energy at a commercial disadvantage in future hedging negotiations. Prospective brokers of hedging devices would gain insight into how Atmos Energy is likely to react to changing market conditions in terms of what Atmos Energy might be willing to pay for hedging contracts. This information would not otherwise be available. Although the full extent to which Atmos Energy would be disadvantaged in future negotiations is difficult to predict, it is clear that Atmos Energy would likely be disadvantaged in future negotiations if the information contained in the attachments to this Petition is made public.

3. Atmos Energy would not, as a matter of company policy, disclose information like that contained in the attachments to any person or entity, except as required by law or pursuant to a court order or subpoena. Atmos Energy's internal practices and policies are directed towards non-disclosure of the attached information. In fact, the information contained in the attachments is not disclosed to any personnel of Atmos Energy except those who need to know in order to discharge their responsibility. Atmos Energy has never disclosed such information publicly. This information is not customarily disclosed to the public and is generally recognized as confidential and proprietary in the industry. The Commission has historically granted Atmos Energy confidential protection to information concerning the actual price being paid by Atmos Energy to individual marketing companies and other suppliers of natural gas.

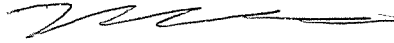
4. There is no significant interest in public disclosure of the information contained in the attachments. Any public interest in favor of disclosure of the information is out weighed by the competitive interest in keeping the information confidential.

5. The information contained in the attachments is also entitled to confidential treatment because it constitutes a trade secret under the two prong test of KRS 265.880: (a) the economic value of the information is derived by not being readily ascertainable by other persons who might obtain economic value by its disclosure and (b) the information is the subject of efforts that are reasonable under the circumstances to maintain its secrecy. The economic value of this information is derived by Atmos Energy maintaining the confidentiality of the information since prospective brokers could obtain economic value by its disclosure.

6. Pursuant to 807 KAR 5:001, Section 7 (3), temporary confidentiality of the attachments should be maintained until the Commission enters an order as to this Petition. Once the order regarding confidentiality has been issued, Atmos Energy would have twenty (20) days to seek alternative remedies pursuant to 807 KAR 5:0001, Section 7 (4).

WHEREFORE, Atmos Energy petitions the Commission to treat as confidential all of the material and information which is included in the attached Exhibit "A" marked CONFIDENTIAL.

Respectfully submitted this 27th day of April, 2007.



Mark R. Hutchinson
611 Frederica Street
Owensboro, Kentucky 42301

Douglas Walther
ATMOS ENERGY CORPORATION
PO Box 650250
Dallas, Texas 75265

VERIFICATION

I, Gary L. Smith, being duly sworn under oath state that I am Vice President of Marketing and Regulatory Affairs for Atmos Energy Corporation, Kentucky/Midstates Division, and that the statements contains in the foregoing Petition are true as I verily believe.



Gary L. Smith

CERTIFICATE OF SERVICE

I hereby certify that on the 27th day of April, 2007 the original of this Petition, with the Confidential Information for which confidential treatment is sought, together with ten (10) copies of the Petition without the confidential information, were filed with the Kentucky Public Service Commission, 211 Sower Boulevard, P.O. Box 615, Frankfort, Kentucky 40206.



Mark R. Hutchinson

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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

APR 30 2007

PUBLIC SERVICE
COMMISSION

IN THE MATTER OF:

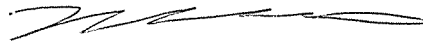
THE FINAL REPORT OF ATMOS ENERGY CORPORATION
ON ITS HEDGING PROGRAM FOR THE 2006-2007
HEATING SEASON

2007-00171
Case No. 2006-00177

**MOTION TO ACCEPT FINAL REPORT OF HEDGING PROGRAM
FOR THE 2006-2007 HEATING SEASON**

Comes now, Atmos Energy Corporation ("Atmos Energy") and pursuant to the Commission's Order of June 16, 2006, files herewith its Final Report for the 2006-2007 heating season identifying, inter alia, gas costs realized under Atmos' hedging program. Atmos Energy respectfully moves the Commission to accept the attached final hedging report for the 2006-2007 heating season.

Respectfully submitted this 27th day of April, 2007.

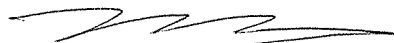


Mark R. Hutchinson
611 Frederica Street
Owensboro, Kentucky 42301

Douglas Walther
ATMOS ENERGY CORPORATION
PO Box 650250
Dallas, Texas 75265

CERTIFICATE OF SERVICE

I hereby certify that on the 27th day of April, 2007 the original of this Motion, together with ten (10) copies, were filed with the Kentucky Public Service Commission, 211 Sower Boulevard, P.O. Box 615, Frankfort, Kentucky 40206.



Mark R. Hutchinson

ATMOS ENERGY – Kentucky Division
FINAL HEDGING REPORT: WINTER 2006-2007
April 26, 2006

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APR 30 2007
PUBLIC SERVICE
COMMISSION

The Kentucky Public Service Commission (“Commission”) requested in its Order in Case No. 2006-00177, dated June 16, 2006, that Atmos Energy Corporation (“Atmos Energy”) provide the Commission with a final hedging report within 30 days of the March 31, 2007 end of the heating season. The report is to “identify any gas costs savings realized under the hedging program and provide the accounting entries made by Atmos Energy to record monthly changes in market prices and the closing of the contracts and net settlement”. Additionally, the Commission requested a data summary of all hedging transactions.

Market Conditions

Please refer to Exhibit A – Sheet 1, “Winter 2006-2007 NYMEX Strip”, for a chart showing the winter month futures pricing from mid-June 2006 to October 2006, which encompasses the Kentucky hedging implementation period.

After receipt of the KPSC order on June 16, 2006 Atmos Energy continued to actively monitor the market. Low autumn 2006 cash pricing contrasted sharply with autumn 2005 when producers were struggling to bring back Gulf of Mexico volumes from the devastating impact of Hurricanes Rita and Katrina. The National Oceanic and Atmospheric Administration (NOAA) reported that the first half of 2006 was the warmest such period since recording began in 1894. The reduced January through March 2006 heating demand left ample nationwide storage balances of over 1.7 Tcf at the beginning of the implementation period that weighed heavily on the prompt month throughout the summer. The large storage overhang was only partially eroded by a short period of increased summer cooling demand during the April through October 2006 hedging implementation period.

Despite the bearish influence of the storage fundamentals, winter 2006-2007 futures prices were not significantly weakened by the ongoing supply imbalance. The winter season market remained relatively high in anticipation of the predicted active hurricane season. Other bullish forces were expectations of a colder winter and strong long accumulation by hedge funds. As a result of the imbedded disconnect between the summer and winter periods, a historically wide summer-winter spread developed. The customary \$0.50 to \$1.00 spread widened to over \$4.00. By late September 2006 near the end of the hedging implementation period, it was clear that the hurricane predictions were not accurate. Correspondingly, cash, prompt month and winter season prices all fell dramatically. The winter 2006-2007 strip plummeted from \$10.00 on August 29, 2006 to 6.99 on September 28, 2006. By the end of the winter 2006-2007 season on March 31, 2007 the summer 2007 – winter 2007 spread had narrowed nearer to customary levels at \$1.35.

The October 2006 contract posted its low of \$4.201 on September 27, 2006. Thereafter the prompt month price rose steadily to the \$8.00 range in Mid-November then spiked briefly up to \$8.844 on the last day of November. Following the November spike the prompt month contract declined steadily due to falling crude oil prices and the building storage surplus. The January NYMEX contract closed at \$5.838. A significant cold period from mid-January to mid-March was a typical extended cold snap that led to heavy storage withdrawals, fuel switching away from natural gas and record usage in heavily populated northern markets. Reacting to the bullish forces, February and March 2007 NYMEX prices resumed their upward climb closing at \$6.917 and 7.547 respectively.

In view of the market forces described above no hedges were placed between receipt of the KPSC order on June 16, 2006 and September 11, 2006. When the hedges were placed between September 11 and October 30, 2006 Atmos Energy was less aggressive in the volumes of financial hedges it entered into in view of market conditions and considering the impact of Atmos Kentucky's substantial storage resources. While the plan strategy allows financial hedges to 50% of expected purchases the actual level of the 2006-2007 winter was 39% of expected purchases and 12% of total expected requirements. The remainder of expected total requirements was covered by storage withdrawals and index priced purchases.

Please refer to Exhibit A – Sheets 2-4 for details of hedging implementation and the results for winter season 2006-07. Implementation of Atmos Energy's 2006-2007 program protected customers from absorbing the full impact of the early winter high price environment. The Benefits achieved in November and December of 2006 were more than offset by additional costs experienced in January, February and March 2007. 1,830,000 MMBtu were hedged at a weighted average price of \$8.2098. Total costs amounted to \$2,105,540. Atmos Energy believes the program was successful in stabilizing gas costs for its customers and believes programs put in place in the future continue to hold value for our customers. As stated in the Commission's Order in Case No. 2003-00192 "achieving price stability, not (necessarily) the lowest possible cost, is the (primary) goal of a hedging program."

Atmos Energy's Hedging program Contract Monthly Changes, Settlements, and Accounting Entries

Please Review the attached Exhibit A – Sheets 5-7, "Monthly Accounting Entries" for the accounting entries related to the program.

Atmos Energy's Hedging Program Proposed for the Winter of 2007-2008

By application accompanying this report, Atmos Energy is proposing a hedging plan for the upcoming winter of 2007-2008. The proposal for the upcoming winter will duplicate

the hedging plan approved by the Commission for the past four winters under Case Nos. 2003-00192, 2004-00142, 2005-00175 and 2006-00177.

Atmos Energy's proposal for the 2007-2008 season is to continue dividing its commodity gas purchases between company owned and pipeline storage, market purchases and financial hedges. Approximately 66% of the normal winter volumes will be stored during the injection season for use next winter. Of the remaining winter requirements, up to 50% of the gas purchases will be financially hedged (or 15% of the total winter requirements), with the balance of requirements purchased at market prices. Consistent with recent hedging programs, we believe this strategy will provide a measure of protection for consumers from significant upward price spikes. In recognition of Commission guidance in Case No. 2003-00192, the Company will enter its hedging arrangements in response to changes in market conditions, and will layer in positions over the course of the summer and fall. No minimum or "floor" percentage of hedge volumes is proposed.

Atmos Energy, for the sixth consecutive year, proposes to purchase futures contracts and possibly call/put options in the form of "costless collars", depending on the premium. Collars allow a utility to establish a range, between a ceiling price and a floor price, for the price of gas, rather than a single price, as with futures. A costless collar is the simultaneous purchase of call options and sale of put options at identical or nearly identical premiums. That is, the premiums paid to purchase call options are offset by the premiums earned in selling the corresponding put option. Hence, the option premiums net out to be "costless" (or as "costless" as possible).

Market forces, at present, have become extremely volatile. Atmos Energy's financial hedges for the upcoming winter will be executed during the period following approval of its plan and October 31, 2007. Any compression of the implementation period increases exposure to short term extraordinary adverse market conditions. Generally, price stabilization improves with the length of the implementation period because transactions are spread over a wider range of market conditions. Therefore, expedited approval of the hedging plan would benefit the customer.

The Company proposes to file both an interim and final report on its hedging plan consistent with requirements of previous hedging programs. The interim report would be filed within 30 days of the November 1, 2007 start of the upcoming heating season and the final report filed within 30 days of the March 31, 2008 end of the heating season. Typically, Atmos Energy has submitted its plan for the following winter period simultaneously with its final report for the previous winter period. The Company may propose an alternative plan for the winter period of 2008-2009 under which futures contracts would be layered in over a longer period of time. Therefore, Atmos Energy may file its hedging proposal for the winter period of 2008-2009 within the next few weeks, under a separate docket.

The Company remains convinced that a disciplined hedging strategy is essential to ensure affordable and manageable gas costs for Kentucky ratepayers in response to continued gas price volatility and market uncertainty.

Exhibit A: Case 2006-00177
Winter 2006-2007 NYMEX Strip
June Through October Implementation Period
CONFIDENTIAL

\$12	10/27/06
\$11	10/20/06
\$10	10/13/06
\$9	10/6/06
\$8	9/29/06
\$7	9/22/06
\$6	9/15/06
\$5	9/8/06
	9/1/06
	8/25/06
	8/18/06
	8/11/06
	8/4/06
	7/28/06
	7/21/06
	7/14/06
	7/7/06
	6/30/06
	6/23/06
	6/16/06

◆ - Atmos Energy Transaction Dates

Atmos Energy Corporation - Hedging Report *Regulatory Contract* *Market Price Date: 3/30/2007*
Transaction Date: 3/30/2007

Delivery Month is between 11/1/2006 and 3/1/2007 and Transaction Date is less than or equal to 3/30/2007 and Rate Division is equal to Kentucky-09

Rate Division **Kentucky-09**

Futures/Swaps

Transaction Date	Counter Party Name	Buy	Sell	Delivery Month	Volume	Transaction Price	Transaction Fee	Total Price	Market Price	Market Value	Market Index	Confirmation Number
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Volume Weighted Avg. Market Value

Nov-2006 Delivery Month Totals:

Futures/Swaps

Transaction Date	Counter Party Name	Buy	Sell	Delivery Month	Volume	Transaction Price	Transaction Fee	Total Price	Market Price	Market Value	Market Index	Confirmation Number
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Volume Weighted Avg. Market Value

Dec-2006 Delivery Month Totals:

EXHIBIT A (Sheet 3)

Rate Division *Kentucky-09*

Futures/Swaps

Transaction Date	Counter Party Name	Buy	Sell	Delivery Month	Volume	Transaction Price	Transaction Fee	Total Price	Market Price	Market Value	Market Index:	Confirmation Number
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Volume Weighted Avg. Market Value

Jan-2007 Delivery Month Totals:

Futures/Swaps

Transaction Date	Counter Party Name	Buy	Sell	Delivery Month	Volume	Transaction Price	Transaction Fee	Total Price	Market Price	Market Value	Market Index:	Confirmation Number
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Volume Weighted Avg. Market Value

Feb-2007 Delivery Month Totals:

Futures/Swaps

Transaction Date	Counter Party Name	Buy	Sell	Delivery Month	Volume	Transaction Price	Transaction Fee	Total Price	Market Price	Market Value	Market Index:	Confirmation Number
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Negative market values are costs. Positive market values are benefits.

Rate Division **Kentucky-09**
Futures/Swaps
 Transaction Buy Delivery Transaction Transaction Total Market Market Confirmation

Volume Weighted Avg. Market Value

Mar-2007 Delivery Month Totals:

Kentucky-09
 Futures Totals
 Total

Report Totals
 Futures Totals
 Report Total

EXHIBIT A

ATMOS ENERGY - KENTUCKY DIVISION
HEDGING SUMMARY - WINTER 2016/07
MONTHLY ACCOUNTING ENTRIES
CONFIDENTIAL

Month Category BatchName JE Name Account Sub Account Description Debits Credits Net Account Description Sub Account Description

EXHIBIT A

ATMOS ENERGY - KENTUCKY DIVISION
REGULATORY SUMMARY, WINTER 2006-07
MONTHLY ACCOUNTING ENTRIES
CONFIDENTIAL

Month	Category	BatchName	JE Name	Account	Sub Account	Description	Debits	Credits	Net	Account Description	Sub Account Description
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ATHOS ENERGY - KENTUCKY DIVISION
 HEDGING CONTRACTS - WINTER 2006/07
 MONTHLY ACCOUNTING ENTRIES
 CONFIDENTIAL

Month	Category	Batch/Item	Account	Sub Account	Description	Debits	Credits	Net	Account Description	Sub Account Description
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NOTES:

1. Losses on Futures contracts are recorded as a Debit to 81910 and a Credit to 82120.
2. Gains on Futures contracts would be recorded as a Credit to 81910 and a Debit to 81740.
3. Gas costs booked on a one month lag; i.e. Final costs for March contracts held in 1910:29000 until transferred to 1910:14088 to match up with the production month.

Account Description

1340 Merchandise current and accrued assets
 1910 Unrecovered Gas Costs
 2420 Miscellaneous current and accrued liabilities
 8059 P&A Offset to Unrecovered Gas Cost
 8001 Intercompany Gas Sell

Sub Account Description

14088 Recoveries
 27347 Hedging Open Positions
 27348 Hedging Closed Positions
 29000 Unrealized Gas Cost
 29002 Net-Open Futures Contracts
 4775 Risk Recoveries
 0773 Hedging Settlements