



April 29, 2011

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PUBLIC SERVICE
COMMISSION

Mr. Jeff Derouen, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, KY 40601

Subject: KPSC Case No. 2007-00551
2010-2011 Final Hedge Report

Dear Mr. Derouen:

Atmos Energy Corporation (Company) herewith submits an original non re-dacted and ten (10) re-dacted copies of the final hedge report pursuant to the Ordering Paragraph 4 of the Commission's Order dated April 8, 2008 in the above referenced proceeding. Exhibits A-C are CONFIDENTIAL and will be filed with a petition of confidentiality.

Please contact either myself at 270.685.8024 or Len Matheny at 270.685.8062 if the Commission or Staff has any questions regarding the enclosed report.

Sincerely,

A handwritten signature in cursive script that reads "Mark A. Martin".

Mark A. Martin
Vice President, Rates & Regulatory Affairs

Enclosures

cc: Randy Hutchinson
Doug Walther
Don Erickson
Larry Cook

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

THE FINAL REPORT OF ATMOS ENERGY CORPORATION
ON ITS HEDGING PROGRAM FOR THE 2010-2011
HEATING SEASON

Case No. 2007-00551

**MOTION TO ACCEPT FINAL REPORT OF HEDGING PROGRAM
FOR THE 2010-2011 HEATING SEASON**

Comes now, Atmos Energy Corporation ("Atmos Energy") and pursuant to the Commission's Order of April 8, 2008, files herewith its Final Report for the 2010-2011 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 2010-2011 Heating Season.

Respectfully submitted this 29 day of April, 2011.



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 29 day of April, 2011 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 mailed to the Kentucky Public Service Commission, 211 Sower Boulevard, P.O. Box 615, Frankfort, Kentucky 40206, and a redacted copy was also sent by facsimile transmission to the Commission. .



Mark R. Hutchinson

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

THE FINAL REPORT OF ATMOS ENERGY CORPORATION
ON ITS HEDGING PROGRAM FOR THE 2010-2011
HEATING SEASON

Case No. 2007-00551

**PETITION FOR CONFIDENTIALITY OF SCHEDULES
TO 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 the attached schedules to Atmos Energy's Final Hedging Report for the 2010-2011 heating season.

1. On April 8, 2008 the Commission entered an Order in this proceeding approving Atmos Energy's hedging program for a five (5) year period ending March 31, 2013. The Commission's Order further directed Atmos Energy to file interim and final hedging reports as required by the Commission in its approvals of Atmos' previous hedging programs.

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 attached schedules 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 attached schedules. 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 attached schedules 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.

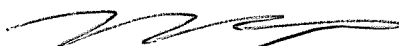
6. Pursuant to 807 KAR 5:001, Section 7 (3), temporary confidentiality of the attached schedules should be maintained until the Commission enters an order as to this Petition. Once the order regarding confidentiality has been issued, Atmos Energy would have twenty (20) days to seek alternative remedies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

7. In Atmos Energy's previous hedging cases, the Commission has granted confidential protection to

the same type of information for which confidential protection is now requested.

WHEREFORE, Atmos Energy petitions the Commission to treat as confidential the attached schedules marked as "CONFIDENTIAL".

Respectfully submitted this 29 day of April, 2011.

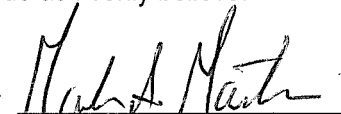


Mark R. Hutchinson
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VERIFICATION

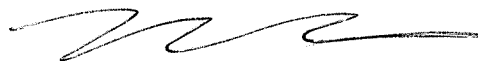
I, Mark A. Martin, being duly sworn under oath state that I am Vice President of Rates and Regulatory Affairs for Atmos Energy Corporation, Kentucky/Midstates Division, and that the statements contained in the foregoing Petition are true as I verily believe.



Mark A. Martin

CERTIFICATE OF SERVICE

I hereby certify that on the 29 day of April, 2011 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 mailed to the Kentucky Public Service Commission, 211 Sower Boulevard, P.O. Box 615, Frankfort, Kentucky 40206, and a redacted copy was also sent by facsimile transmission to the Commission. .



Mark R. Hutchinson

**ATMOS ENERGY CORPORATION
KENTUCKY DIVISION
FINAL HEDGING REPORT
CASE NO. 2007-00551**

The Kentucky Public Service Commission (“Commission”) requested in its Order in Case No. 2007-00551 that Atmos Energy Corporation (“Atmos Energy” or “Atmos”) provide the Commission with a final hedging report as required by the Commission in its approvals of Atmos Energy’s previous hedging programs. The final hedging report is to be provided within 30 days of March 31, 2011. The report is to “identify any gas cost 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 net settlement.” Additionally, the Commission requested a data summary of all hedging transactions. The purpose of this report is to provide the requested information pertaining to the 2010-2011 heating season.

Atmos Energy’s Purchasing Decisions

Please refer to Exhibit A for a chart showing the 2010-11 winter strip (contracts November 2010 through March 2011) futures pricing from April 2009 through October 2010 with points marked indicating days on which Atmos executed futures transactions. Market conditions over the implementation period on the exhibit are discussed below.

Market Conditions

Throughout the implementation period, April 2009 through October 2009 and April 2010 through October 2010, the 2010-2011 winter strip traded from a low of \$3.76 to a high of \$7.40. The table below lists, in billion cubic feet per day (Bcf/d), dry natural gas production, total imports and total U.S. natural gas consumption for years 2008-2010 as reported by the Energy Information Administration (EIA).

Year	Dry Gas Production	Total Imports	Total U.S. Consumption
2008	55	11	64
2009	56	10	63
2010	59	10	66

Due to high domestic production along with continued imports, working gas in underground storage reached a new all time high of 3.84 trillion cubic feet for the week ending November 12, 2010.

EIA Dry Production Data: http://tonto.eia.doe.gov/dnav/ng/ng_prod_sum_dc_u NUS_m.htm

EIA Imports Data: http://tonto.eia.doe.gov/dnav/ng/ng_move_imp_c s1_m.htm

EIA Consumption Data: <http://tonto.eia.doe.gov/dnav/ng/hist/n9140us2m.htm>

Exhibit B shows details of the hedging implementations and results for winter 2010-2011. Atmos financially hedged 1,699,000 MMBtu at a weighted price of \$6.359 with a total incremental cost of \$3,874,764. The Atmos hedging program was successful in stabilizing gas costs for its customers, and will continue to provide value to Atmos' customers through implementation of price stabilization programs. 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 refer to Exhibit C for the accounting entries related to the program.

Atmos Energy's Hedging Program for Winter 2011-2012 and Winter 2012-2013

Atmos Energy's hedging plan for winter 2011-2012 and winter 2012-2013 is to continue to utilize a portfolio-like approach, dividing its commodity gas purchases between company owned storage, market purchases and financial hedges. Approximately 70% of the normal expected winter requirements will be stored during the injection season for use each winter. Of the remaining winter requirements, up to 50% of the gas purchases will be financially hedged (or 15% of total winter normal requirements), with the balance of requirements purchased at market prices. In recognition of Commission guidance in Case No. 2003-001982, Atmos will enter its arrangements in response to changes in market conditions.

Atmos Energy plans to hedge for up to two winter seasons (November through March) with the implementation period which started April 2011 and ends October 2011. Financial hedges could consist of swaps, futures, options or a combination of instruments. Upon completion of the implementation period a minimum of 0% and a maximum of 50% of normalized expected purchases net of storage will be hedged for each 2011-2012 winter month. Upon completion of the implementation period a minimum of 0% and a maximum of 25% of normalized expected purchases net of storage will be hedged for each 2012-2013 winter month.

Atmos proposes to file both an interim and final report on its hedging plan consistent with the requirements of previous hedging programs. The interim report will be filed within 30 days of the November 1, 2011 start of the winter season and the final report filed within 30 days of the March 31, 2012 end of the heating season. Atmos remains convinced that a disciplined hedging strategy is essential to ensure affordable and manageable gas costs for Kentucky rate payers in response to natural gas price volatility and market uncertainty.