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PUBLIC SERVICE  
COMMISSION

December 20, 2007

2007-00551

Ms. Elizabeth O'Donnell, Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, KY 40601

Dear Ms. O'Donnell:

Atmos Energy Corporation (Company) herewith submits an original and ten (10) copies of an application for modification of the Company's approved hedging program. 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 application.

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  
Alan Chambers

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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PUBLIC SERVICE  
COMMISSION

IN THE MATTER OF:

APPLICATION OF ATMOS ENERGY CORPORATION  
FOR MODIFICATION OF ITS APPROVED HEDGING  
PROGRAM

Case No. 2007-00551

**APPLICATION OF ATMOS ENERGY FOR MODIFICATION OF  
ITS APPROVED HEDGING PROGRAM**

Comes now, Atmos Energy Corporation ("Company") and respectfully petitions the Kentucky Public Service Commission ("Commission"), for approval to make certain modifications to its previously approved hedging program. In support of this Application, Company would state as follows:

1. Company, is a corporation duly qualified under the laws of the Commonwealth of Kentucky to carry on its business in the Commonwealth.
2. The Company is an operating public utility engaged in the business of supplying natural gas to the public in numerous cities, towns, and communities in western and south central Kentucky.
3. A certified copy of the Company's Amended and Restated Articles of Incorporation is already on file with the Commission in the Matter of: The Application of Atmos Enemy Corporation for An Order Authorizing a \$900,000,000 Universal Shelf Registration, Case No. 2006-00387.
4. Atmos Energy has engaged in a hedging program for its Kentucky customers for the past six (6) winters commencing with the winter season 2001-2002. The Commission gave its initial approval for a hedging program for the Company in Case No. 1997-513 by Order dated June 15, 2001. With only minor variations, the Company's hedging program has been approved by the Commission each year thereafter. Although the Company's Kentucky customers have enjoyed overall net savings, as well as improved price stabilization, through the implementation of this program, experience has shown that even more effective

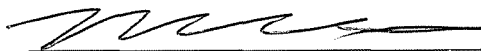
price stabilization could be achieved through the implementation of certain changes to the hedging program.

5. First, the Company requests a modification to the manner in which the program is implemented. Currently, the implementation period (i.e. the period during which puts, calls and other hedging instruments are purchased and sold) starts with the receipt in the summer of the annual order, historically in the months of June or July, from the Commission authorizing hedging. The implementation period ends on October 31 preceding the winter season to be hedged. In essence, the Company only hedges during the summer and during the Gulf Coast hurricane season for the subsequent winter. The Company proposes to be able to hedge the entire year not just the summer months. By adding this flexibility, the Company's customers will be less impacted by a price spike in any particular month similar to the spikes caused by back-to-back Hurricanes Katrina and Rita in August and September 2005. Secondly, the Company believes that if it is also able to hedge for multiple winters that significant advantages would follow. Again, this could result in customers being impacted less by a price spike in a particular month; plus, by hedging over multiple winters, the Company would have opportunities to take advantage of potential price declines in those months outside the currently allowed implementation period. In short, the benefit of a longer implementation period (year round hedging for multiple winters) is to minimize exposure to short term adverse market conditions. The Company seeks to start the new program on or before April 1, 2008. The first year of the program will need to be a transition year as the Company will only be able to hedge for the 2008-2009 winter during the April 2008 through October 2008 timeframe, if conditions warrant. For the 2009-2010 winter, the Company will hedge during the April 2008 through October 2009 time frame, if conditions warrant. For each subsequent winter period, the Company will implement hedges, if conditions warrant, over multiple periods. The Company has received regulatory approval for multiyear hedging in Virginia, Georgia, Louisiana and Mississippi.

6. The Company also proposes to make its financial hedging program permanent. The benefit of permanent approval is to eliminate repetitive annual approval processes while continuing the same level of Commission oversight. All existing interim reporting requirements will be retained so that the Commission is regularly updated on the progress and the results of the hedging program. The Company's hedging program has not been contested in recent years. Hedging programs like the Company's have become standard practice within the natural gas industry. The Kansas Corporation Commission and the Virginia State Corporation Commission have both approved permanent hedging programs and/or tariffs for the Company.

WHEREFORE, the Company respectfully petitions the Commission for an order modifying Atmos Energy's hedging program to allow year round hedging for multiple winters and to make the program permanent.

Respectfully submitted this 20 day of December, 2007.

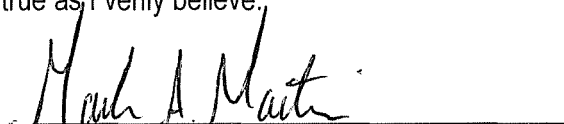


Mark R. Hutchinson  
611 Frederica Street  
Owensboro, Kentucky 42301

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

#### 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