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OVERNIGHT DELIVERY

June 8 2011

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

RECEIVED

JUN 09 2011


PUBLIC SERVICE
COMMISSION

RE: **Atmos Energy Corporation – Petition for Confidentiality and
Application for a Deviation from Pricing Requirements of KRS
278.2207**

Dear Mr. Derouen:

I am enclosing herewith, an original, plus eleven (11) copies, of an Application 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 are redacted copies. Please return one file stamped copy of the Application and the Petition to me. Thanks.

Very truly yours,



Mark R. Hutchinson

RECEIVED

JUN 09 2011

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

PUBLIC SERVICE
COMMISSION

IN THE MATTER OF:)
)
 APPLICATION OF ATMOS ENERGY)
 CORPORATION FOR APPROVAL OF) CASE NO.
 THIRD PARTY GAS SUPPLY AGREEMENTS) _____
 AND FOR A DEVIATION FROM THE PRICING)
 REQUIREMENTS OF KRS 278.2207)

APPLICATION

Comes now Atmos Energy Corporation ("Atmos") and respectfully applies to the Kentucky Public Service Commission ("Commission") for approval of two gas supply agreements ("New Supply Agreements"), which are 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 is with Atmos Energy Marketing, LLC ("AEM") and was approved by the Commission in Case No. 2006-00194 on August 18, 2006 ("Current Supply Contract"). The Current Supply Contract was due to expire, by its own terms, on May 31, 2011. AEM agreed to extend the Current Supply Contract from month to month until a replacement agreement is approved by the Commission.

The Current Supply Contract covers Atmos' entire, system wide firm supply requirements as well as provide asset management of the transportation and storage contracts for both Kentucky Texas Gas/Trunkline ("TXG") and the Tennessee Gas Pipeline ("TGP"). Atmos contemplates potential changes to the manner in which gas has been historically transported on TGP within the next twelve (12) month period. As a result, Atmos issued separate RFPs for TXG and TGP. For TGP, the RFP requested proposals for a limited ten (10)

month contract. For volumes on the TXG pipeline, Atmos requested proposals covering a term of four (4) years and ten (10) months. Accordingly, separate contracts for TXG volumes and TGP volumes were awarded. The TXG and TGP contracts will be addressed separately below.

TXG/TRUNKLINE

On February 23, 2011, Atmos issued, through e-mails, notifications to potentially interested parties who were registered on Atmos' website to receive RFPs from Atmos. A total of 41 potential suppliers viewed the RFP. A deadline for submitting proposals was set for March 28, 2011. Atmos performed a comparative cost analysis of the proposals, which consisted of a multi-year comparison of bid price components including the fixed asset optimization payments, demand charges, commodity pricing and fuel rates. For each year of the proposed agreement, AEM's bid resulted in significantly 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 of Atmos and its ratepayers to award the TXG contract to AEM. Contractual arrangements to reflect the terms of AEM's proposal were finalized and a copy of the signed contract (styled "Transaction Confirmation") is being filed under the Petition For Confidentiality submitted simultaneously herewith.

TGP

On February 14, 2011, Atmos issued, through e-mails, notifications to potentially interested parties who had registered on Atmos' website to receive RFPs from Atmos. A total of 48 potential suppliers reviewed the RFP. A deadline of March 14, 2011 was set for submitting proposals. As with the TXG/Trunkline contract, details relating to this Request for Proposal, as well as Atmos's analysis, will be provided to the Commission under an appropriate Petition for Confidentiality.

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

As stated above, the term of the TGP New Gas Supply Agreement is for a very short duration of ten (10) months. Prior to the end of the ten (10) month term, a new RFP for the TGP volumes will be issued.

DEVIATION

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

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 Gas Supply Agreements from the pricing requirements of KRS 278.2207(1) (b). Since both TXG and the TGP New Supply

Agreements were 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 gas supply agreements awarded through a competitively bid, arms length process. Other than the pricing requirements of KRS 278.2207(1)(b), more 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 Gas Supply Agreements.

(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 Gas Supply Agreements from the pricing requirements of KRS 278.2207(1)(b). Since these were competitively bid gas supply contracts, 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 Agreements and grant a deviation from the pricing requirements of KRS 278.2207(1)(b).

Respectfully submitted this 8 day of June, 2011.



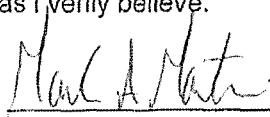
Mark R. Hutchinson
611 Frederica Street
Owensboro, Kentucky 42301

Douglas Walther
Atmos Energy Corporation
P. O. Box 650250
Dallas, Texas 75265

Attorneys for Atmos Energy

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-State 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**

IN THE MATTER OF:

APPLICATION OF ATMOS ENERGY
CORPORATION FOR APPROVAL OF THIRD
PARTY GAS SUPPLY AGREEMENTS AND FOR
A DEVIATION FROM THE PRICING REQUIREMENTS
OF KRS 278.2207

)
)
) Case No. _____
)
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)

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

Atmos Energy Corporation ("Atmos Energy" 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 contracts attached hereto. In support of this Petition, Atmos states as follows:

1. Atmos has entered into two new gas supply contracts with Atmos Energy Marketing, LLC (the "AEM Agreements"). Atmos has filed an application seeking Commission approval of those agreements.

2. In prior proceedings before the Commission, confidential protection has always been afforded to gas supply contracts such as these. See e.g., KPSC Cases 97-513, 2002-00245 and 2006-00194.

3. The Commission has consistently determined that gas supply agreements of this nature are entitled to confidential protection. The AEM Agreements are no different and are likewise entitled to confidential protection. The information sought to be protected includes prices, purchase volumes and flexibility, points of receipt and delivery, expiration dates, identity of pipelines 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 Agreements 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 contracts 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 agreements.

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 contracts 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 agreements, 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.

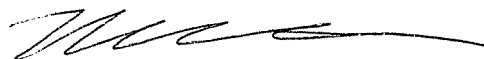
8. The attached AEM agreements require the parties to keep the agreements confidential. This provision recognizes that the parties could be competitively damaged if the terms of the agreements were made publicly available to their competitors, including specifically those unregulated competitors who 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 agreements 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 agreements attached hereto in their entirety, which is included in the attached as "CONFIDENTIAL".

Respectfully submitted this 8th day of June, 2011.



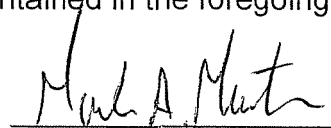
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Attorneys for Atmos Energy

VERIFICATION

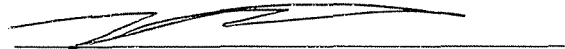
I, Mark A. Martin, being duly sworn under oath state that I am Vice President of Rates and Regulatory Affairs Kentucky Midstates Division for Atmos Energy Corporation, and that the statements contained in the foregoing Petition are true as I verily believe.



Mark A. Martin

CERTIFICATE OF SERVICE

I hereby certify that on the 8th day of June, 2011, the original of this Petition, with the Confidential Information for which confidential treatment is sought, together with eleven (11) 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 40602.



Mark R. Hutchinson

ATMOSDEVIATION
PETITION FOR CONFIDENTIALITY

TRANSACTION CONFIRMATION

CONFIDENTIAL

TRANSACTION CONFIRMATION

CONFIDENTIAL