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**OVERNIGHT DELIVERY**

September 27, 2012

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

RECEIVED

SEP 28 2012

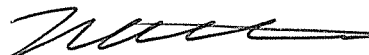
PUBLIC SERVICE  
COMMISSION

RE: **Atmos Energy Corporation – Hedging Program**  
**Application for Continuation and Petition for Confidentiality**

Dear Mr. Derouen:

I am enclosing herewith, an original, plus eleven (11) copies, of an Application for Continuation of Atmos' Hedging Program. I am also enclosing herewith, 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 have redacted copies attached. Please return one file stamped copy of the documents to me. Thanks.

Very truly yours,



Mark R. Hutchinson

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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SEP 28 2012

PUBLIC SERVICE  
COMMISSION

IN THE MATTER OF:

APPLICATION OF ATMOS ENERGY CORPORATION  
FOR CONTINUATION OF ITS HEDGING  
PROGRAM

Case No. \_\_\_\_\_

**APPLICATION OF ATMOS ENERGY FOR CONTINUATION OF  
ITS HEDGING PROGRAM**

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

1. Atmos is a corporation duly qualified under the laws of the Commonwealth of Kentucky to carry on its business in the Commonwealth.
2. Atmos 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 Applicant's restated Articles of Incorporation, as amended, together with all amendments thereto, is on file in the records of the Commission and the same are incorporated herein by reference. See Case No. 2008-00222.
4. Correspondence and communications with respect to this Application should be directed to Mark A. Martin, Atmos Energy Corporation, 3275 Highland Pointe Drive, Mark R. Hutchinson, Wilson, Hutchinson, Poteat & Littlepage, 611 Frederica Street, Owensboro, Kentucky 42301 and Douglas Walther, Atmos Energy Corporation, P.O. Box 650205, Dallas, Texas 75265-0205.
5. In Case No. 2007-00551, the Commission, by order dated April 8, 2008, approved Atmos' request for an extension of its hedging program for five years through March 31, 2013. Atmos has successfully implemented its Commission approved hedging plan in Kentucky and submitted all required

reports detailing its hedging activities as directed by the Commission throughout the period. Atmos believes its hedging program has been beneficial in achieving price stability which is its primary goal.

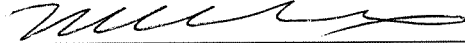
6. On March 22, 2012, Atmos filed an Application with the Commission requesting either clarification, or approval, of its ability to use options as part of its hedging activities. By Order dated April 24, 2012, the Commission granted Atmos' request to use options as an approved hedging tool on an interim basis. The Commission further ordered that continued use of options beyond March 31, 2013 would need to be supported by Atmos in its next application for extension of the hedging program.

7. In response to the Commission's directive, Atmos states that options continue to be an important hedging tool. As market conditions change, the utilization of various financial instruments may be appropriate. Purchasing call options provides the benefit of protection against an increase in price while allowing downside participation if prices decrease. The cost of using a call option is limited to the premium paid, similar to an insurance policy to protect against a catastrophic event. Currently call option premiums are inexpensive when compared to the historical incremental cost of hedging using swap contracts. See the attached **Addendum** (which is being filed under a Petition for Confidentiality), which illustrates the actual cost of options compared to prior year cost of swaps. Atmos will continue monitor the natural gas market to determine the proper mix of financial instruments. For example, should the market shift and the cost of options dramatically increase, Atmos would likely begin utilizing swaps as opposed to options.

8. Atmos requests a five year extension for its financial hedging program until March 31, 2018, which will include implementations during the term of the agreement for the 2018-19 winter. Atmos further requests that it be authorized to continue to use options, if market conditions warrant, during the extended period.

WHEREFORE, Atmos respectfully petitions the Commission for an order extending Atmos' hedging program for an additional five (5) year period.

Respectfully submitted this 27 day of September, 2012.

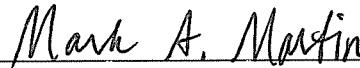


Mark R. Hutchinson  
611 Frederica Street  
Owensboro, Kentucky 42301

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

### VERIFICATION

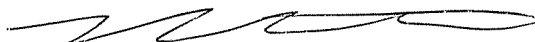
I, Mark A. Martin, being duly sworn under oath state that I am Vice President of Rates and Regulatory Affairs for Atmos Energy Corporation, Kentucky/Midstates Division, and that the statements contained in the foregoing Petition are true as I verily believe.



Mark A. Martin

### CERTIFICATE OF SERVICE

I hereby certify that on the 27 day of September, 2012 the original of this Application, together with eleven (11) copies were sent by overnight delivery to the Kentucky Public Service Commission, 211 Sower Boulevard, P.O. Box 615, Frankfort, Kentucky 40206.



Mark R. Hutchinson

RECEIVED

SEP 28 2012

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

PUBLIC SERVICE  
COMMISSION

IN THE MATTER OF:

APPLICATION OF ATMOS ENERGY CORPORATION  
FOR CONTINUANCE OF HEDGING PROGRAM

Case No. \_\_\_\_\_

**PETITION FOR CONFIDENTIALITY**

Atmos Energy Corporation ("Atmos") 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 materials regarding its hedging program.

1. This Petition for Confidentiality is being filed contemporaneous with Atmos' Application for Continuance of its Hedging Program ("Application"). One addendum is being filed with the Application. That addendum contains information that is entitled to confidential protection. A copy of the addendum is attached hereto.

2. The attached addendum contains sensitive and confidential information about Atmos' hedging strategies, including prices paid for options and swaps, which constitutes proprietary information that if publicly disclosed could put Atmos at a commercial disadvantage in future hedging negotiations. This information would not otherwise be available. Although the full extent to which Atmos would be disadvantaged in future negotiations is difficult to predict, it is clear that Atmos would likely be disadvantaged in future negotiations if the information contained in the attachment to this Petition is made public.

3. Atmos would not, as a matter of company policy, disclose information like that contained in the attachment to any person or entity, except as required by law or pursuant to a court order or subpoena. Atmos' internal practices and policies are directed towards non-disclosure of the attached information. In fact, the information contained in the attached is not disclosed to any personnel of Atmos except those who

need to know in order to discharge their responsibility.

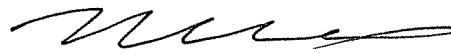
4. There is no significant interest in public disclosure of the information contained in the attached. Any public interest in favor of disclosure of the information is out weighed by the competitive interest in keeping the information confidential.

5. The information contained in the attached 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 maintaining the confidentiality of the information since competitors and brokers could obtain economic value by its disclosure.

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

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

Respectfully submitted this 27 day of September, 2012.



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Mark R. Hutchinson  
611 Frederica Street  
Owensboro, Kentucky 42301

Douglas Walther  
ATMOS CORPORATION  
PO Box 650250  
Dallas, Texas 75265

## VERIFICATION

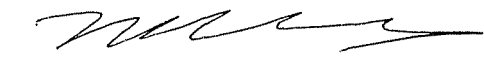
I, Mark A. Martin, being duly sworn under oath state that I am Vice President of Rates and Regulatory Affairs for Atmos Corporation, Kentucky/Midstates Division, and that the statements contained in the foregoing Petition are true as I verily believe.

  
\_\_\_\_\_

Mark A. Martin

## CERTIFICATE OF SERVICE

I hereby certify that on the 27 day of September, 2012, 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 was overnighted, to the Kentucky Public Service Commission, 211 Sower Boulevard, P.O. Box 615, Frankfort, Kentucky 40206

  
\_\_\_\_\_

Mark R. Hutchinson

CONFIDENTIAL

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Atmos Kentucky Mark-to-Market