Atmos Energy Corporation
Kentucky

RECEIVED

JAN 23 2013

PUBLIC SERVICE
COMMISSION

Case No. 2012-00440

RESPONSES TO COMMISSION STAFF'S DATA REQUESTS DATED JANUARY 9, 2013

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 following Responses are true and accurate to the best of my knowledge, information and belief formed after a reasonable inquiry.

Mark A. Martin

Mark A. Martin

CERTIFICATE OF SERVICE

I hereby certify that on the 22 day of January, 2013, the original of the Company's attached Responses, together with seven (7) copies were filed by overnight delivery, with the Kentucky Public Service Commission, 211 Sower Blvd, P.O. Box 615, Frankfort, Kentucky 40206.

Mark R. Hutchinson
611 Frederica Street
Owensboro, Kentucky 42301
270-926-5011 (telephone)
270-926-9394 (fax)
randy@whplawfirm.com

Atmos Energy Corporation
KSPC First Data Request Dated January 23, 2013
Case No. 2012-00440
Question No. 1
Witness: Mark A. Martin

REQUEST:

1. Considering the continuation of current relatively low natural gas prices and published natural gas price projections, explain why Atmos continues to believe that hedging is in the best interest of its customers. The explanation should include the reduction of its historic decrease in gas price volatility attributable to hedging compared to the annual cost of hedging since the Order in Case No. 2007-00551.[1]

RESPONSE:

Atmos believes there is no guarantee the continuation of current relatively low natural gas prices will continue into the future. Atmos believes in a portfolio approach to gas purchases; hedging ensures a portion of Atmos' future winter gas portfolio reflect the relatively low prices in the current market. Atmos believes the currently approved Kentucky hedging program is still important to continue to reduce the potential adverse effects of increased prices in the future. Below are potential changes to both supply and demand that could affect the current relatively low natural gas price environment in the future:

- **New EPA regulations** – could restrict or greatly increase the cost of natural gas production from "fracking" shale formations

- **U.S. LNG exports** – over 12 Bcf per day of LNG export capacity has been proposed to FERC. The first site (Cheniere facility in Sabine Pass, LA) could be online as soon as 2015. http://ferc.gov/industries/gas/indus-act/lng/LNG-proposed-potential.pdf

- **LNG/CNG Transportation Fuel** – currently used as an alternative to diesel fuel in long haul truck transport, buses and waste management vehicles; expected to continue to grow in these sectors and have the potential to capture a sizable portion of the consumer market

- **Increased natural gas usage for electric generation** – the usage of natural gas for electric generation has increased from 15.5 Bcf per day in 2002 to 20.75 Bcf per day in 2012 or a 33% increase over ten years. Potential for further increased usage of natural gas for electric generation could develop as a result of additional EPA/Greenhouse gas regulations. http://www.eia.gov/dnav/ng/hist/n3045us2a.htm

- **Increased natural exports to Canada and Mexico** – natural gas exports to Canada have increased from 0.52 Bcf per day in 2002 to over 2.5 Bcf per day in 2011 or a nearly 400% increase. Natural gas exports to Mexico have increased from 0.72 Bcf per day to over 1.3 Bcf per day over the same period.
  http://www.eia.gov/dnav/ng/hist/n9132cn2a.htm

  http://www.eia.gov/dnav/ng/hist/n9132mx2a.htm

Atmos Energy Corporation
KSPC First Data Request Dated January 23, 2013
Case No. 2012-00440
Question No. 1
Witness: Mark A. Martin

Listed below are the percentages of expected winter purchases Atmos hedged for each winter since Case No. 2007-0551 was approved. By locking in a portion of the gas cost portfolio at a fixed price, Atmos has effectively reduced natural gas price volatility at the percentage specified for each applicable winter.

- 2008-09 43%
- 2009-10 39%
- 2010-11 38%
- 2011-12 21%
- 2012-13 33%

Atmos Energy Corporation
KSPC Initial Data Request Dated January 23, 2013
Case No. 2012-00440
Question No. 2
Witness: Mark A. Martin

REQUEST:

2. Confirm that Atmos is proposing no change from its currently approved hedging plan, other than the added ability to use options as a hedging tool as approved on an interim basis in Case No. 2012-00110.[2]

RESPONSE:

Atmos is not proposing any changes from its current hedging plan as approved in Case No. 2007-0551 and 2012-0010. Atmos is only seeking to extend its currently approved program which includes the following parameters:

- Implementing hedge positions for up to two winter periods
- Filing interim and final reports to the Commission showing:
  - Gas cost savings
  - Accounting entries
  - Summary of all hedging transactions
  - Futures prices at the time of purchasing decisions
  - Market price trends and forecasts at the time of purchasing decisions
  - Nationwide storage levels, and Atmos' own on-system storage levels, at the time of purchasing decisions
- Utilizing swaps and/or call options

Atmos is seeking approval of its hedging plan for five winter periods ending March 31, 2018. Hedging beyond that date would require Atmos to file another hedging application no later than September 30, 2017.