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RECEIVED

DEC 2 - 2013

PUBLIC SERVICE
COMMISSION

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OVERNIGHT DELIVERY

November 27, 2013

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

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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DEC 02 2013

PUBLIC SERVICE
COMMISSION

IN THE MATTER OF:

APPLICATION OF ATMOS ENERGY CORPORATION
FOR CONTINUATION OF ITS HEDGING
PROGRAM

Case No. 2012-00440

**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. 2013-00148.
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. 2012-00440, the Commission, by order dated March 28, 2013, approved Atmos' request for an extension of its hedging program through March 31, 2014.

6. Atmos has successfully implemented its Commission approved hedging plan in Kentucky and has submitted all required reports detailing its hedging activities as directed by the Commission throughout the period.
7. On September 28, 2012, Atmos filed its request for approval to continue its current hedging program for another five years through March 31, 2018. On March 28, 2013 the Commission extended Atmos' hedging program (with the addition of options as a hedging tool) by one year through March 31, 2014. The Commission stated that if Atmos desired to continue its hedging program beyond March 31, 2014 it should request further extension at the time it files its next interim hedging report, or no later than November 30, 2013.
8. Atmos' Interim Report is filed herewith under a Petition for Confidentiality. The Commission's March 28, 2013 Order further directed Atmos to provide certain additional information as described in Item (1) through (4) on pgs. 4 & 5 of the Order. The information requested in Items (1) through (4) is provided as follows:
 - (i) Total Gas Cost by Month: Page 8 of the Interim Report, under the heading "Total Gas Cost" contains the summary, with details by month for five years being provided in Exhibit B "Ky. Recoverable Gas Cost 5 years".
 - (ii) Total Gas Cost Paid and Associated Volumes for Gas Physically Hedged through Storage: Please see page nine of the Interim Report. "System Storage" is also a line item in Exhibit B.
 - (iii) Total Gas Cost and Associated Volumes for Gas Financially Hedged: Incremental hedging costs are shown in the table on page 8 of the Interim Report, with 5 year activity being included in Exhibit B. Note: Exhibit B shows total gas cost by month for the prior 5 years with all storage and hedging activities being shown as line items .

(iv) Percentage increase (decrease) in volatility in Atmos gas costs: Discussed and shown graphically on pages 2 and 3 of the Interim Report under the section "Volatility Results From Atmos Energy's Hedging Program".

9. Atmos requests a five year extension to its financial hedging program until March 31, 2019, which will include implementations during the term of the agreement for the 2019-20 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 November, 2013.



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 Application are true as I verily believe.



Mark A. Martin

CERTIFICATE OF SERVICE

I hereby certify that on the 22 day of November, 2013 the original of this Application, together with ten (10) copies of the Application, were filed with the Kentucky Public Service Commission, 211 Sower Boulevard, P.O. Box 615, Frankfort, Kentucky 40206, by overnight delivery.



Mark R. Hutchinson

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

THE INTERIM REPORT OF ATMOS ENERGY CORPORATION
ON ITS HEDGING PROGRAM FOR THE 2013-2014
HEATING SEASON

Case No. 2012-00440

**PETITION FOR CONFIDENTIALITY OF ATMOS'
INTERIM 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 Atmos Energy's Interim Hedging Report for the 2013-2014 heating season.

1. On March 28, 2013 the Commission entered an Order in this proceeding approving Atmos Energy's hedging program through March 31, 2014. The Commission's Order further directed Atmos Energy to file its interim and final hedging reports as previously ordered, together with the additional information listed in the Commission's Order.

2. Portions of the Petition, together with the Exhibits attached thereto, 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 attachments 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 attachments. 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 attachments 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 attachments 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).

WHEREFORE, Atmos Energy petitions the Commission to treat as confidential all of the material and information which is included in the attached marked CONFIDENTIAL.

Respectfully submitted this 27 day of November, 2013.

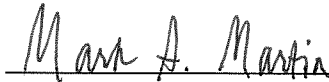


Mark R. Hutchinson
611 Frederica Street
Owensboro, Kentucky 42301

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 Marketing and Regulatory Affairs for Atmos Energy Corporation, Kentucky/Midstates Division, and that the statements contains 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 November, 2013 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 sent by overnight delivery to the Kentucky Public Service Commission, 211 Sower Boulevard, P.O. Box 615, Frankfort, Kentucky 40206.



Mark R. Hutchinson

**ATMOS ENERGY CORPORATION
KENTUCKY DIVISION
INTERIM HEDGING REPORT
CASE NO. 2012-00440**

The Kentucky Public Service Commission (“Commission”) requested in its Order in Case No. 2012-00440 that Atmos Energy Corporation (“Atmos Energy” or “Atmos”) provide the Commission with an interim hedging report. The report is to follow the requirements outlined in Case No. 1997-00513 to provide a brief narrative discussion of the factors that influenced Atmos Energy’s purchasing decisions, including, but not limited to:

1. Futures prices at the time of purchasing decisions
2. Market price trends at the time of purchasing decisions
3. Market price forecasts at the time of purchasing decisions
4. Nationwide storage levels, and Atmos’ own on-system storage levels, at the time of purchasing decisions
5. Data summary of all hedging transactions
6. Hedge transactions accounting entries
7. Total gas cost by month for the past five years ending November 30, 2013
8. Total cost paid and associated volumes for gas physically hedged through use of Atmos’ company owned storage by month for the past five years ending November 30, 2013

Atmos Energy’s Hedging Strategy

Atmos Energy, based on its experience in the past and upon direction from the Commission, developed a set of parameters under which a hedging program would be initiated. Atmos has had a Commission approved hedging program in place since June 2001; the most recent version was approved in Case No. 2007-00551 for five years through March 31, 2013. On March 8, 2012 Atmos met with Commission Staff to review the program and discuss the ability to utilize call options in addition to swaps within Atmos’ Kentucky hedging program. Atmos filed an application on March 22, 2012 to modify its hedging program to include options. On April 24, 2012 the Commission granted Atmos the ability to utilize options in Case No. 2012-00110. On September 28, 2012 Atmos filed its request for approval to continue its current hedging program. In Case No. 2012-00440 the Commission approved Atmos’ hedging program through March 31, 2014 with the ability to utilize call options and hedge up to two winter periods into the future, up to and including March 31, 2015. The parameters for winter 2013-14 were:

[REDACTED]

Atmos Energy's Purchasing Decisions

Exhibit A summarizes hedging transactions, dates and details including forecasts (with the NYMEX closing price on the day of implementation as the best indication of future market prices) available at the time the transactions were implemented.

[REDACTED]

Volatility Results from Atmos Energy's Hedging Program

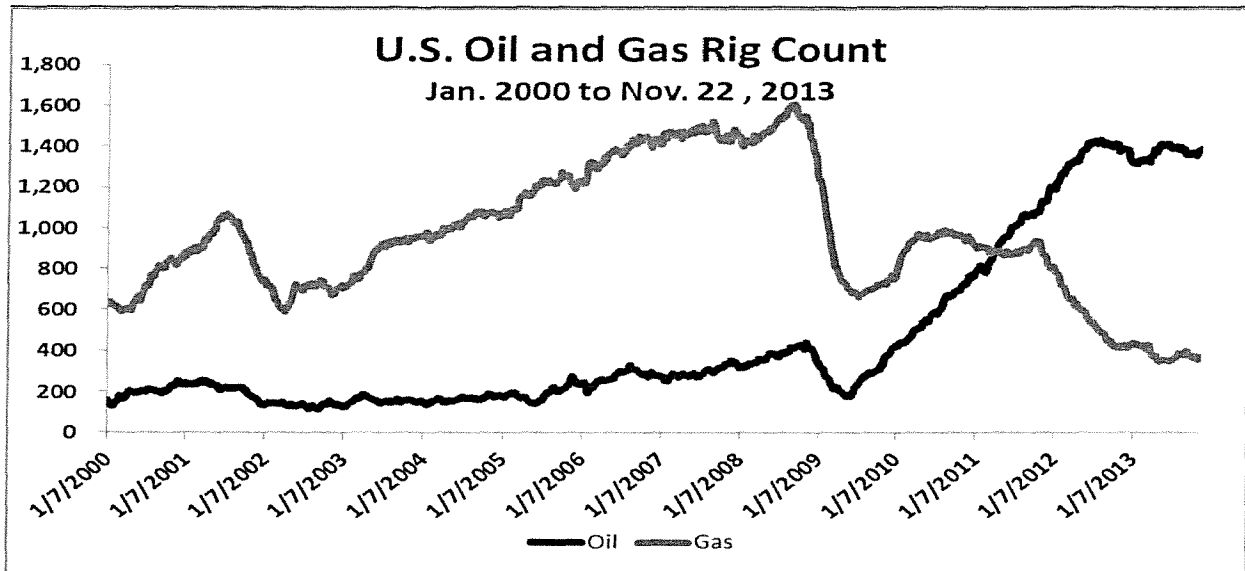
[REDACTED]

Market Conditions

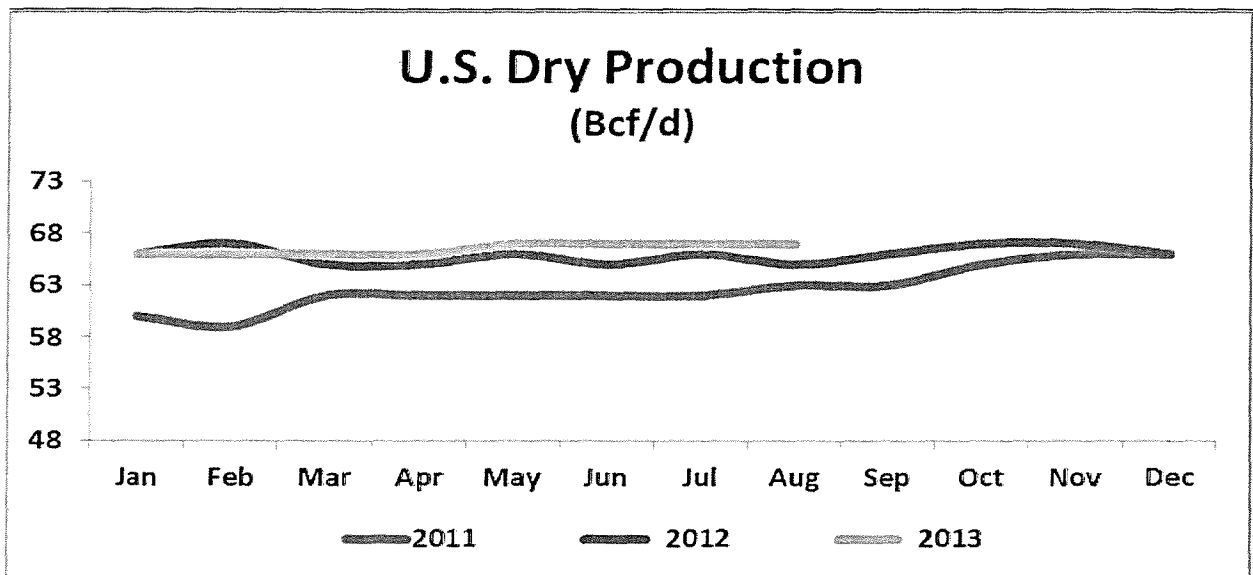
Production

Over the implementation period producers continued their focus from drilling for dry natural gas to the more lucrative oil and liquid shale plays. The natural gas rig count has continued its overall

decline to 370 (as of November 22, 2013), the lowest since 1988. The chart below shows the oil and natural gas rig count from January 2000 to November 22, 2013.



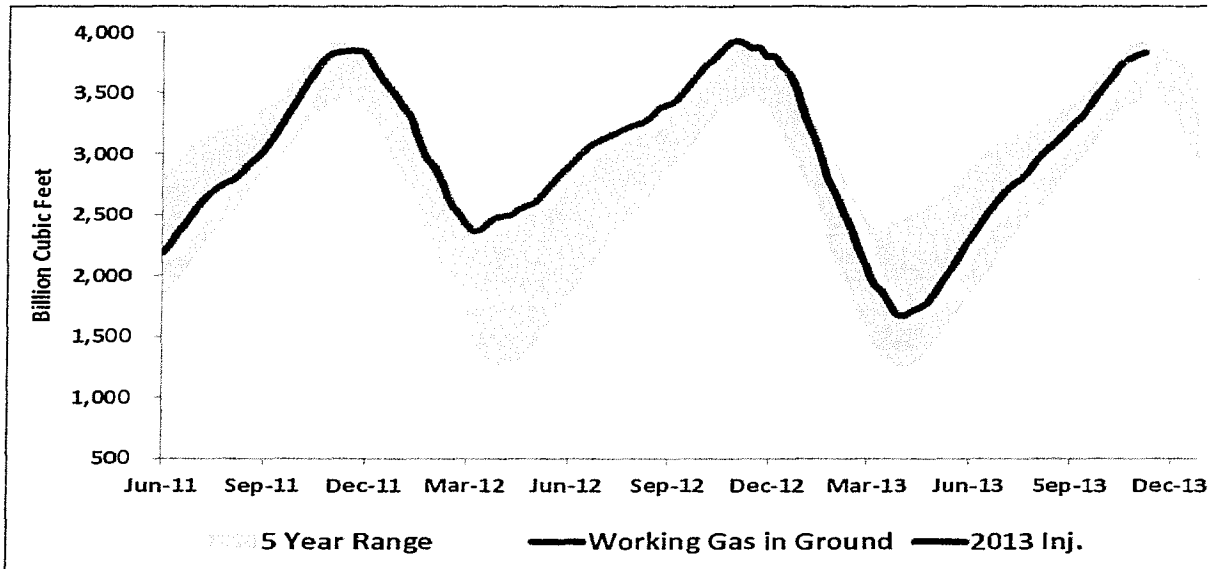
Dry natural gas production has been fairly constant since December 2012 through the latest month available (August 2013) of approximately 66-67 Bcf per day. Please see the chart below for actual U.S. Dry Natural Gas Production from January 2011 through August 2013.



Storage

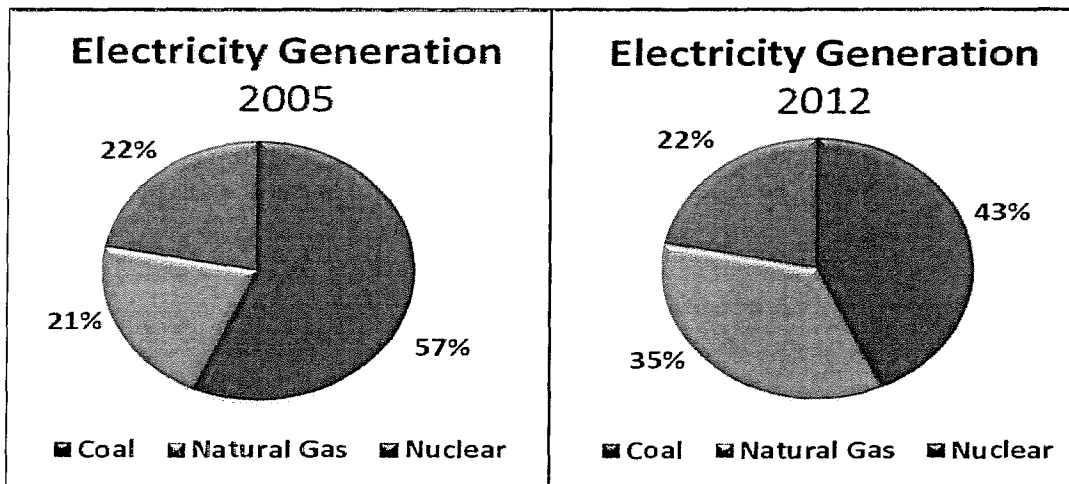
National storage levels remained below the previous year throughout the entire injection season of 2013. While national storage levels reached an all-time high of 3.93 Tcf in November 2012, concerns that the U.S. would exceed that level in 2013 were quickly dispelled. Working gas in underground

storage for the week ending April 5, 2013 was 1,673 Bcf which was 804 Bcf below the same time in 2012 and 66 Bcf lower than the five year average. Please see the chart below showing the gas in underground storage from June 2011 through November 21, 2013 with the red line indicating activity from April 2013 through November 2013.

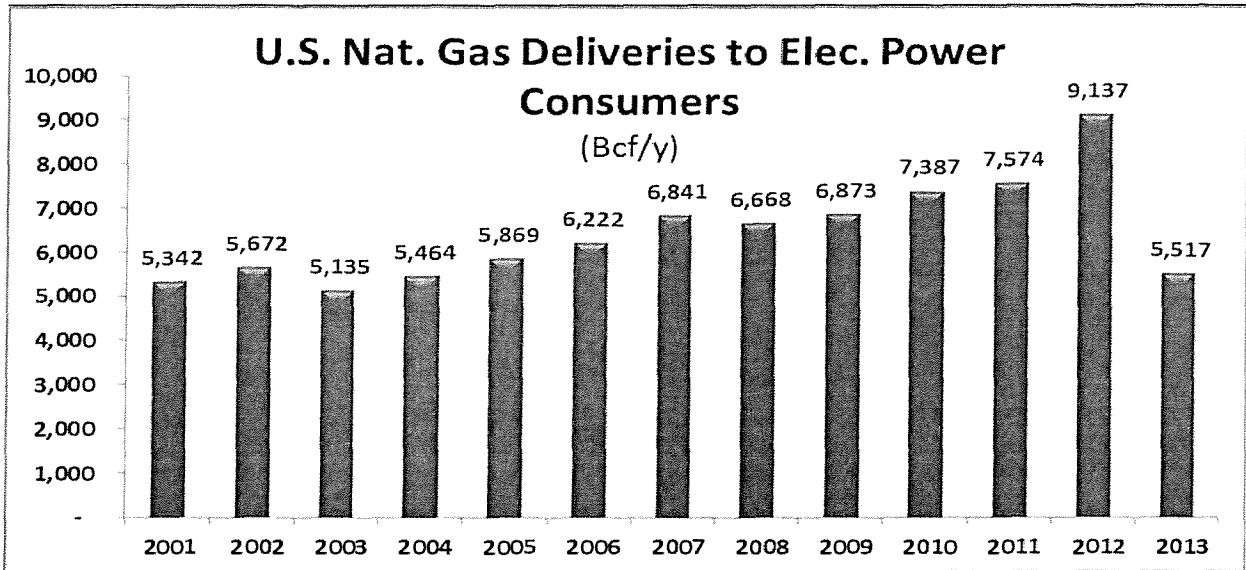


Demand

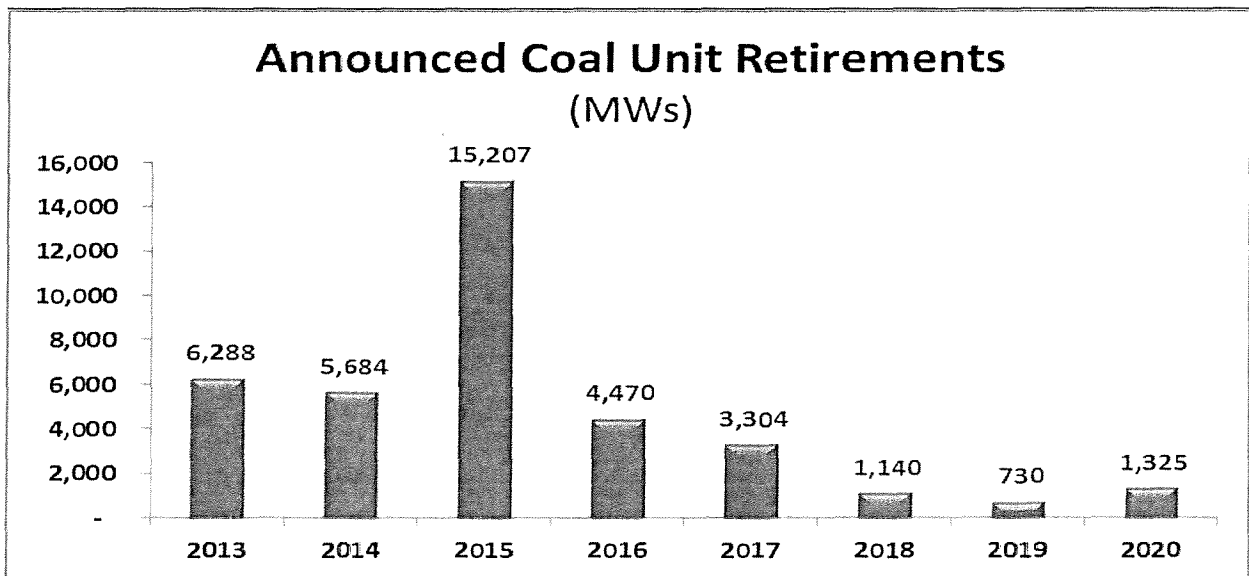
As a result of lower cost and EPA restrictions natural gas has continued to provide a significant portion of electric generation fuel. The chart below shows the three main sources of electricity generation fuel (coal, natural gas and nuclear) in 2005 and again in 2012. Natural gas as a fuel for electricity has increased from 21% in 2005 to 35% in 2012, largely at the expense of coal which has declined from 57% in 2005 to 43% in 2012.



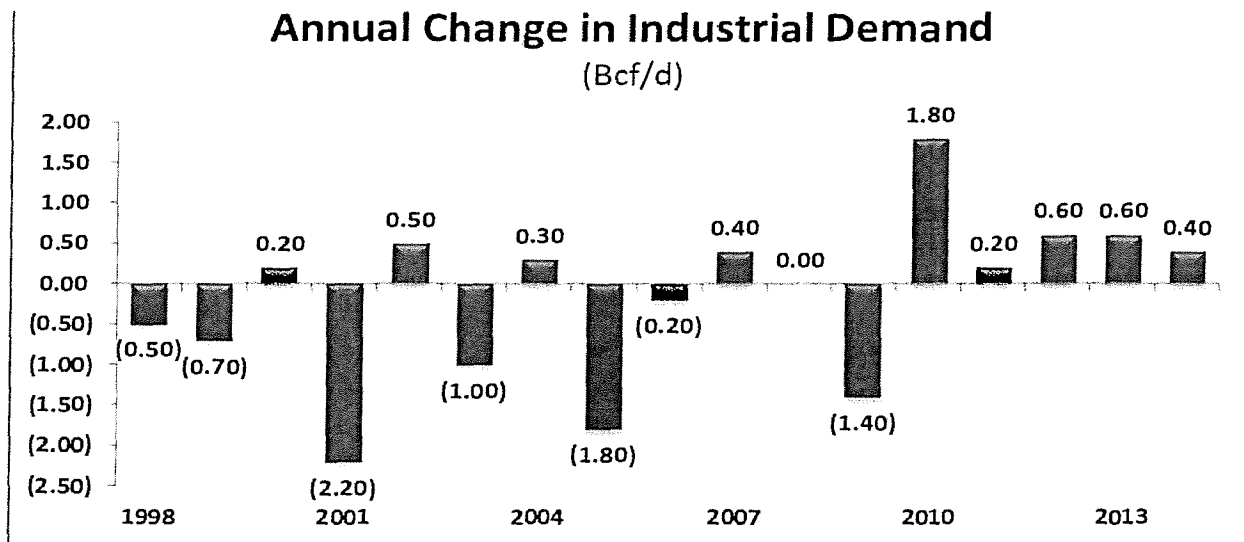
From a volume perspective, natural gas has increased from 5,342 Bcf in 2001 to 9,137 in 2012 or a 71% increase (2013 reflects data through August, the latest available).



In order to comply with emission guidelines, generators have responded by retiring older coal power plants and replaced them with natural gas fired plants. The chart below shows planned coal retirements over the next seven years.



Lower costs have also caused industrial demand to reverse from a long term declining trend to an increasing one. The chart below shows the annual change in industrial demand for natural gas (in Bcf) from 1998 to 2013.



Industrial demand for natural gas is expected to continue to increase as more companies continue to grow their natural gas intensive plants such as ammonia and fertilizer. Below is a list showing the companies, locations and products of some of the larger scale projects that have been announced.

Owner	Location	Region	Product
OCI North America	Beaumont, TX	Southeast	Methanol
LyondellBasell	Channelview, TX	Southeast	Methanol
Methanex	Chile // Geismar, LA	Southeast	Methanol
Celanese	Clear Lake, TX	Southeast	Methanol
OCI North America	Beaumont, TX	Southeast	Ammonia / Fertilizer
OCI North America	Lee County, IA	Midwest	Ammonia / Fertilizer
Potash Corp	Geismar, LA	Southeast	Ammonia / Fertilizer
Potash Corp	Augusta, GA	Southeast	Ammonia / Fertilizer
Rentech Nitrogen	East Dubuque, IL	Midwest	Ammonia / Fertilizer
Austin Powder	Mosheim, TN	Southeast	Ammonia / Fertilizer
CF industries	Donaldsville, LA	Southeast	Ammonia / Fertilizer
CF Industries	Port Neal, IA	Midwest	Ammonia / Fertilizer
incitec Pivot	Louisiana	Southeast	Ammonia / Fertilizer
Koch Fertilizer	Ft. Dodge, IA among othe	Midwest	Ammonia / Fertilizer
LSB Industries	Pryor, OK	Midwest	Ammonia / Fertilizer
Dyno Nobel	Waggaman, LA	Southeast	Ammonia / Fertilizer
CHS Inc.	North Dakota	Northwest	Ammonia / Fertilizer
Agrium	Midwest	Midwest	Ammonia / Fertilizer
Dakota Gas	Beulah, ND	Northwest	Ammonia / Fertilizer
ND Corn Growers Assn.	North Dakota	Northwest	Ammonia / Fertilizer
Ohio Valley Resources	Rockport, IN	Midwest	Ammonia / Fertilizer
Mosaic	St. James Parish, LA	Southeast	Ammonia / Fertilizer

In the next several years liquefied natural gas (LNG) exports are expected to begin and could utilize a significant amount of current production levels. Currently there are four LNG export projects approved by the FERC with export capacities of approximately 6.37 Bcf per day or 9.5% of current production levels. The table below shows the four projects with volume and expected in service dates. More projects are currently awaiting approval from the FERC and the Freeport LNG and Sabine Pass projects listed below have filed for approval of additional export capacity for expected growth.

Facility	Volume (Bcf/d)	Expected Date
Freeport LNG	1.4	2018-19
Sabine Pass	2.2	2015
Lake Charles Exports	2.0	2019
Dominion Cove Point	0.77	2017
Total LNG Exports	6.37	2,325 Bcfly

Total Gas Cost

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Year	Total Gas Cost	Incremental Hedging Costs	Incremental Hedging Cost as Percent of Total Gas Cost	Percent of Normal Winter Purchases Hedged
[REDACTED]				
[REDACTED]				
[REDACTED]				
[REDACTED]				
[REDACTED]				
[REDACTED]				
[REDACTED]				
[REDACTED]				
[REDACTED]				

[REDACTED]
[REDACTED]
[REDACTED]

Impact of Atmos Energy Storage

[REDACTED]
[REDACTED]
[REDACTED]

[REDACTED]

Please see Exhibit B for total cost paid and associated volumes for gas physically hedged through use of Atmos' company owned storage by month for the past five years.

Data Summary of All Hedging Transactions

[REDACTED]

Sources:
Baker Hughes Rig Count: <http://phx.corporate-ir.net/phoenix.zhtml?c=79687&p=irol-reports>
EIA Natural Gas Production: http://www.eia.gov/dnav/ng/ng_prod_sum_dcu_NUS_m.htm
EIA Storage Report: <http://ir.eia.gov/ngs/ngs.html>
EIA Electricity Generation by Fuel: <http://www.eia.gov/forecasts/steo/report/electricity.cfm>
EIA Nat. Gas Deliveries to Electric Power Consumers:
<http://www.eia.gov/dnav/ng/hist/n3045us2m.htm>

Exhibit A
Case No. 2012-00440
ATMOS ENERGY CORPORATION
SUMMARY OF HEDGE TRANSACTIONS
WINTER 2013-14

Date	Instrument	Contract Month	Transaction Price	NYMEX Close Price
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CONFIDENTIAL

Exhibit B
Case No. 2012-00440
KY Recoverable Gas Cost
Confidential

CONFIDENTIAL

Atmos Energy Corporation

Kentucky Rate Division

Case No. 2012-00440 Exhibit C

Natural Gas Hedging Journal Entries

Month

Name

Account

Sub Account

Category

Description

Total

CONFIDENTIAL

Case No. 2012-00440

Exhibit D

Confidential

Atmos Energy Corporation - Hedging Report *Regulatory Contract*

Market Price Date: 11/21/2013

Transaction Date: 11/22/2013