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RECEIVED

JUL 16 2014

PUBLIC SERVICE  
COMMISSION

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**OVERNIGHT DELIVERY**

July 15, 2014

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

RE: **Atmos Energy Corporation – Hedging Program**  
**Case No. 2012-00440**

Dear Mr. Derouen:

I am enclosing herewith, an original of the Petition for Confidentiality containing **confidential** information, plus ten (10) redacted copies. There is also enclosed an original of our Motion to Accept Amended and Restate Final Report, plus ten copies. Thanks.

Very truly yours,



Mark R. Hutchinson

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

JUL 16 2014

PUBLIC SERVICE  
COMMISSION

IN THE MATTER OF:

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

Case No. 2012-0040

**MOTION TO ACCEPT AMENDED AND RESTATED FINAL REPORT OF HEDGING PROGRAM  
FOR THE 2013-2014 HEATING SEASON**

Comes now, Atmos Energy Corporation ("Atmos Energy") and files herewith its Amended and Restated Final Report for the 2013-2014 Heating Season identifying, *inter alia*, gas costs realized under Atmos' hedging program. The reason Atmos Energy is filing this Amended and Restated Final Hedging Report is that it recently discovered that the Final Hedging Report filed in this proceeding on April 30, 2014, erroneously utilized the Penultimate Settlement date (second to last day settle) rather than the actual last day settle price. The attached Amended and Restated Final Hedging Report incorporates the last day settle price. Atmos Energy respectfully moves the Commission to accept the attached Amended and Restated Final Hedging Report for the 2013-2014 Heating Season.

Respectfully submitted this 15th day of July, 2014.



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Mark R. Hutchinson  
611 Frederica Street  
Owensboro, Kentucky 42301  
[randy@whplawfirm.com](mailto:randy@whplawfirm.com)

**CERTIFICATE OF SERVICE**

I hereby certify that on the 15th day of July, 2014 the original of this Motion, 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.



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Mark R. Hutchinson

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

JUL 16 2014

PUBLIC SERVICE  
COMMISSION

IN THE MATTER OF:

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

Case No. 2012-00440

**PETITION FOR CONFIDENTIALITY OF ATMOS'  
AMENDED AND RESTATED FINAL 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 for portions of Atmos Energy's Amended and Restated Final 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 Report, together with all of 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. In fact, the same type of information for which confidential protection is sought by this Petition, was granted confidential protection by the Commission in its prior Order in this proceeding dated May 15, 2014.

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 15 day of July, 2014.



Mark R. Hutchinson  
611 Frederica Street  
Owensboro, Kentucky 42301  
[randy@whplawfirm.com](mailto:randy@whplawfirm.com)

#### 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 15 day of July, 2014 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

# AMENDED AND RESTATED

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

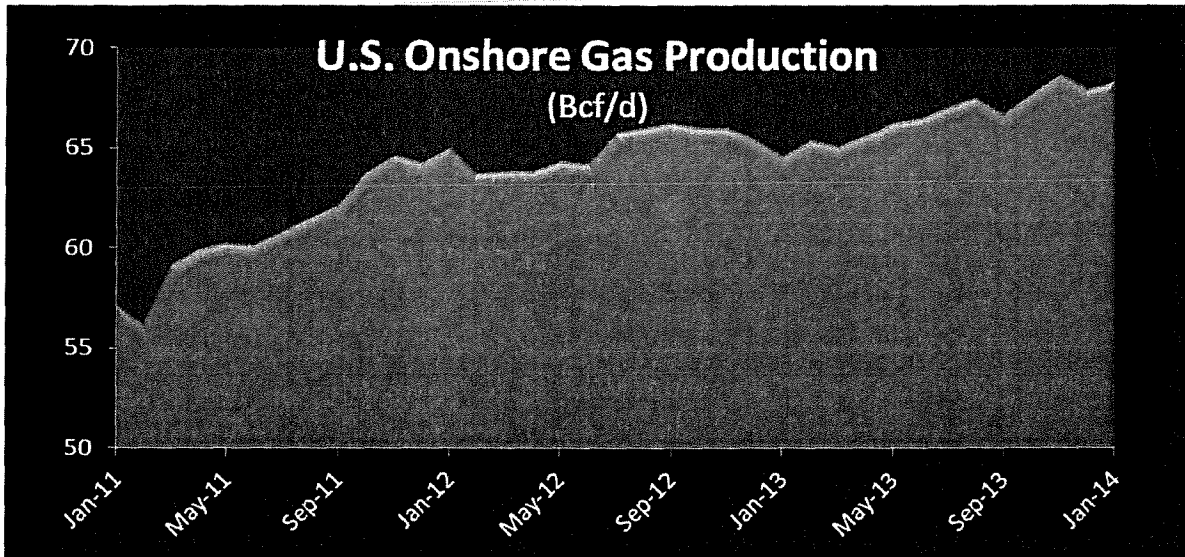
The Kentucky Public Service Commission ("Commission") requested in its Order in Case No. 2012-00440 that Atmos Energy Corporation ("Atmos Energy" or "Atmos") provide the Commission with a final hedging report as required by the Commission in its approvals of Atmos Energy's previous hedging programs. The final hedging report is to be provided within 30 days of March 31, 2014. The report is to "identify any gas cost savings realized under the hedging program and provide the accounting entries made by Atmos Energy to record monthly changes in market prices and the closing of the contracts net settlement." Additionally, the Commission requested a data summary of all hedging transactions, total gas cost by month for the 12-month period ending March 31 and total cost paid (and associated volumes) for gas physically hedged through use of Atmos' company owned storage for the 12-month period ending March 31. The purpose of this report is to provide the requested information pertaining to the 2013-2014 heating season.

### *Atmos Energy's Purchasing Decisions*

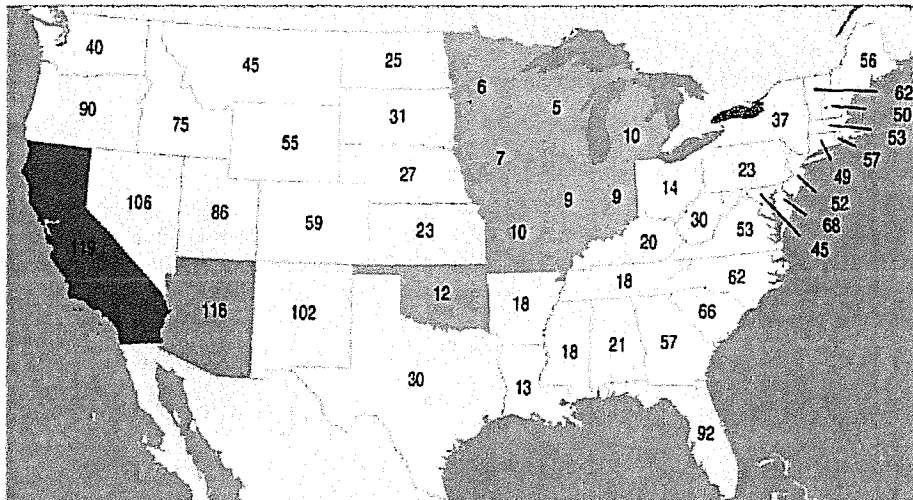
Please refer to the chart below showing the 2013-14 winter strip (contracts November 2013 through March 2014) futures pricing [REDACTED] with points marked indicating days on which Atmos executed hedging transactions [REDACTED]  
[REDACTED]  
[REDACTED] the weighted average settle for the 2013-14 strip was \$4.46. [REDACTED]  
[REDACTED]

### *Market Conditions*

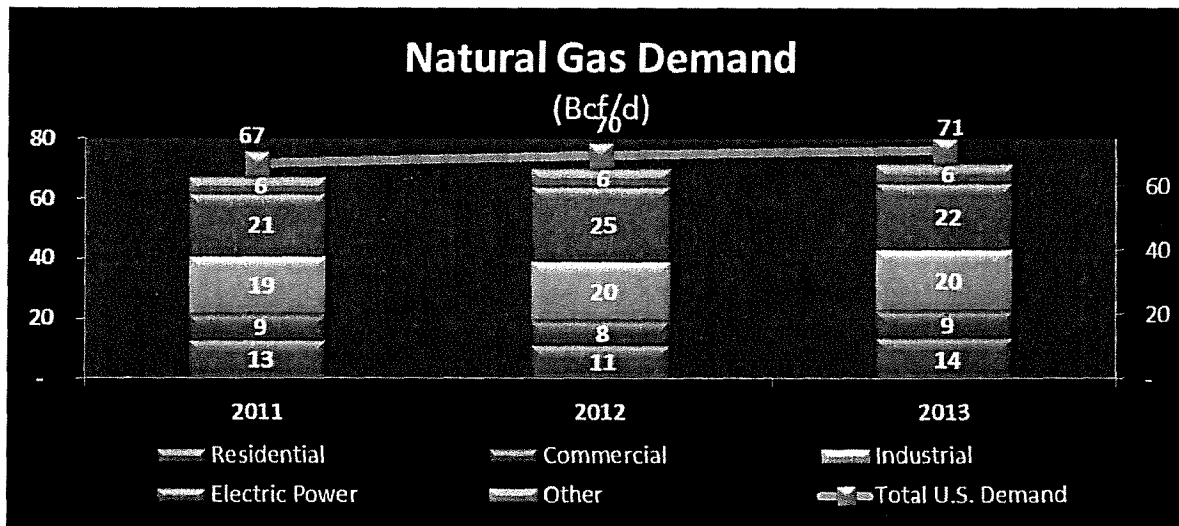
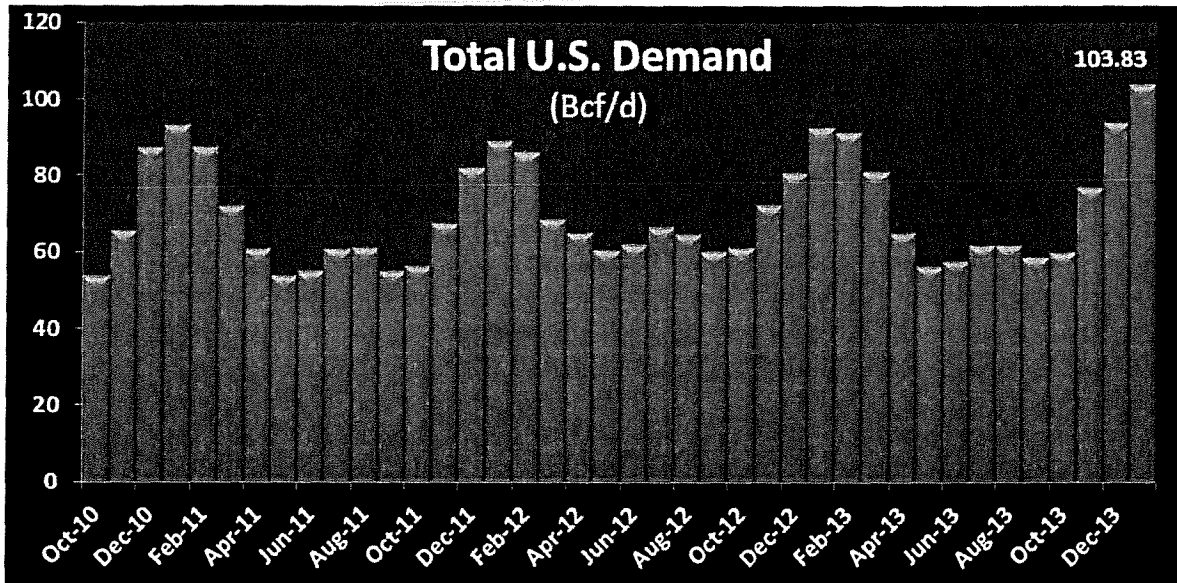
U.S. natural gas dry production averaged 66.58 billion cubic feet per day (Bcf/d) for 2013, peaking in November at 68.64 Bcf/d. Production in January 2014 (the latest available) averaged 68.3 Bcf/d. While producers are still focusing on oil and liquids, associated gas has continued to play a part in overall production levels. Please see the chart below showing production from 2011 through January 2014 as reported by the Energy Information Administration (EIA).



The U.S. 2013-14 winter period over the lower 48 states, as reported by the National Oceanic and Atmospheric Administration (NOAA), was overall colder than normal. The national average temperature for the 2013-14 heating season was 38.2°F or 0.4°F below the 20<sup>th</sup> century average. The 2013-14 heating season, as reported by NOAA was the coldest since 2000-01. Please see the map below ranking each state in relation to its temperature as compared to normal for the 2013-14 winter.

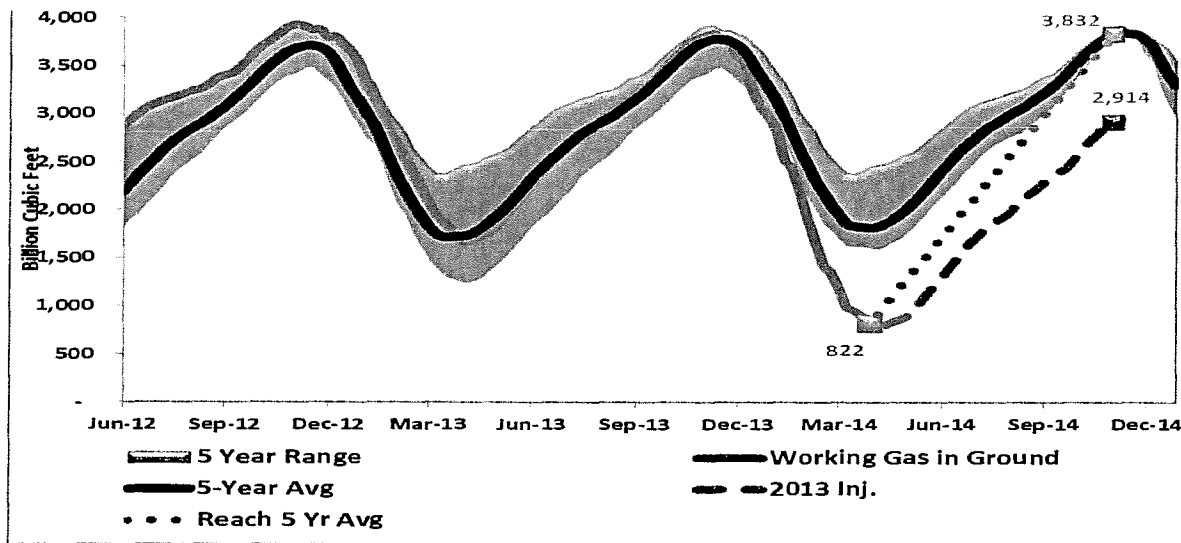


Total natural gas demand in the U.S. averaged 103.83 Bcf per day for the month of January 2014, an all-time high. Natural Gas usage in 2013 averaged 71 Bcf per day compared to 70 Bcf per day in 2012 and 67 Bcf per day in 2011. Please see the charts below showing the overall demand and the sources of demand for the past three years.

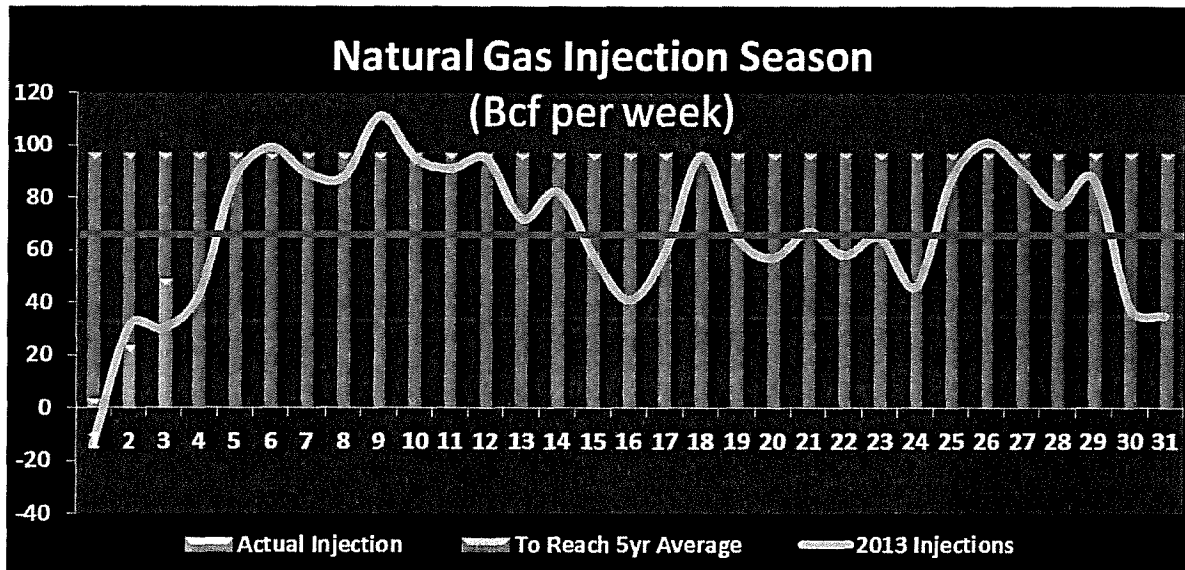


A record 285 Bcf withdrawal from storage occurred for the week ending December 13, 2013 only to be broken four weeks later with a withdrawal of 287 Bcf for the week ending January 10, 2014. Withdrawals of over 200 Bcf occurred four more times throughout the rest of January and into February. By the end of March national storage levels declined to 822 Bcf, the lowest levels since 2003. The five year average end of injection season gas in the ground (ending inventory) is 3,832 Bcf. If storage injections for 2014 match what occurred in 2013, ending inventory would reach 2,914 Bcf by the end of October or a deficit to the five year average by 918 Bcf. In order for storage levels to reach the five year average ending inventory, 2014 injections would have to average 97 Bcf every week for the 2014 injection period. The chart below shows the five year range (gray area), five year average (black line), storage levels from June 2012 to March 2014 (blue line), where storage would be if 2014 injections match 2013 (teal dashed line) and injections to reach the five year average ending inventory (orange dotted line).





The chart below shows the average five year injection of 65.1 Bcf per week (red line), the 2013 injection activity (green line) what storage would have to be to reach the five year average ending inventory (blue bars) and last three weeks of actual activity (orange bars).



EIA Dry Production Data: [http://tonto.eia.doe.gov/dnav/ng/ng\\_prod\\_sum\\_dc\\_u\\_NUS\\_m.htm](http://tonto.eia.doe.gov/dnav/ng/ng_prod_sum_dc_u_NUS_m.htm)  
 EIA Storage Data: <http://ir.eia.gov/ngs/ngs.html>  
 NOAA: <http://www.noaa.gov/>

Exhibit A shows details of the hedging implementations and results for winter 2013-2014. Atmos financially hedged [REDACTED] with a total incremental benefit of [REDACTED]. The Atmos hedging program was successful in stabilizing gas costs for its customers, and will continue to provide value to Atmos' customers through implementation of price stabilization programs.

*Atmos Energy's Hedging Program Contract Monthly Changes, Settlements and Accounting Entries*

Please refer to Exhibit B for the accounting entries related to Atmos' hedging program for winter 2013-14.

*Atmos Energy's Total Gas Cost by Month*

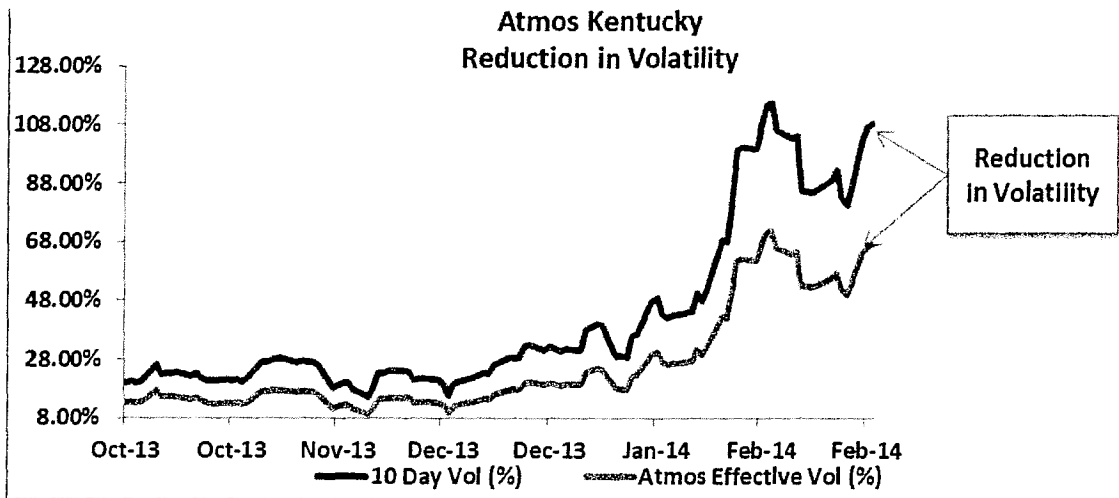
Please see Exhibit C showing total gas cost (including storage) and associated volume by month for the 12-month period beginning with March 2013 production (April 2013 General Ledger) and ending February 2014 production (March 2014 General Ledger, latest available). [REDACTED]  
[REDACTED]

*Volatility Results from Atmos Energy's Hedging Program*

The sustained cold weather during winter 2013-14 increased demand on production gas and storage inventories which put upward pressure on prices in both the spot market (next day gas) and the prompt month trading on the NYMEX. The result was a surge in volatility during January and February as the markets responded to storage activity and weather forecasts.

Estimated volatility for the winter 2013-14 diminishing winter strip was 108%. Had Atmos not financially hedged, all of its expected winter purchases would have been exposed to the volatility of the market for winter 2013-14. Through Atmos' financial hedging program, the effective volatility for normal winter purchases exposed to market prices was 67% or a 61% reduction. As volume was hedged throughout the two year implementation period, exposure to market price volatility was reduced.

Please see the chart below showing the movement of NYMEX 2013-14 winter strip, price volatility and effective volatility (when taking into account the volume hedged) from [REDACTED] [REDACTED]. The second chart is the same data but focuses in on the months of October 2013 through February 2014 to provide additional detail during the more volatile months.



*Atmos Energy's Hedging Program for Winter 2014-15 and Winter 2015-16*

Atmos Energy's hedging plan for winter 2014-15 and winter 2015-16 is to continue to utilize a portfolio-like approach, dividing its commodity gas purchases among company owned storage, market purchases and financial hedges. [REDACTED]

[REDACTED]

[REDACTED]

Atmos will file both an interim and final report on its hedging plan consistent with the requirements of previous hedging programs. The interim report will be filed within 30 days of the November 1, 2014 start of the winter season and the final report filed within 30 days of the March 31, 2015 end of the heating season. Atmos remains convinced that a disciplined hedging strategy is essential risk management for Kentucky rate payers in response to natural gas price volatility and market uncertainty.

*Atmos Energy Corporation - Hedging Report*

*Regulatory Contract*

*Market Price Date: 06/27/2014*

*Transaction Date: 07/02/2014*



Case No. 2013-00421  
Exhibit C

Atmos Energy - Kentucky Division  
12 Month Gas Cost

Confidential