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DEC 27 2006

PUBLIC SERVICE  
COMMISSION

December 20, 2006

Honorable Elizabeth O'Donnell  
Executive Director  
211 Sower Boulevard  
Frankfort, KY 40602-0615

Re: Atmos Energy Corporation  
Case No. 2006-00425

Dear Ms. O'Donnell:

Pursuant to the Order of the Commonwealth of Kentucky dated December 1, 2006 in the above referenced docket, enclosed is the report of action from Atmos Energy Corporation for the implementation of the \$600 million five-year revolving credit facility.

If you have any questions or require further information, please do not hesitate to contact me at (972) 855-9755. Thank you for your assistance.

Sincerely,

  
Stephanie Castle  
Assistant Treasurer

Enclosures

Cc: Gary Smith  
Doug Walther  
Laurie Sherwood

**COMMONWEALTH OF KENTUCKY  
CASE NO. 2006-00425**

**REPORT OF ACTION  
Prepared December 19, 2006**

Reference is made to the order entered into on December 1, 2006, which requires the Company make a report to the Commission concerning the implementation of a five-year revolving credit facility.

Atmos hereby reports:

On December 15, 2006, Atmos Energy Corporation, entered into a Revolving Credit Agreement with SunTrust Bank, as administrative agent; Wachovia Bank, National Association, as syndication agent; Bank of America, N.A., JP Morgan Chase Bank, and The Royal Bank of Scotland plc, as Co-Documentation Agents; The Bank of Tokyo-Mitsubishi, Ltd., Merrill Lynch Bank USA, The Bank of New York, Societe Generale, U.S. Bank National Association, UBS Loan Finance LLC, Citibank, N.A, Goldman Sachs, Lehman Brothers and Comerica Bank as lenders (the "credit facility"). The credit facility replaced Atmos' \$600 million three-year credit facility entered into on October 18, 2005 and contains substantially the same terms and conditions as the prior facility. The credit facility will primarily serve as backstop liquidity for Atmos' \$600 million commercial paper program, but may also be used for direct borrowings from the capital markets. The proceeds will be used to refinance existing short-term debt and to purchase, acquire or construct additional facilities, as well as to make improvements to the existing utility plant and for general corporate purposes.

Borrowings under the credit facility will bear interest at a rate dependent on the Company's credit ratings at the time of such borrowing and based, at the Company's election, on a base rate or LIBOR. Borrowings based on LIBOR would bear interest at a rate ranging from LIBOR for the applicable interest period, plus 0.300% to 0.750%. Based upon the Company's current credit ratings, LIBOR-based borrowings would bear interest at LIBOR plus 0.450%. The Company must also pay utilization fees, quarterly in arrears, on the principal amount of all outstanding loans, but only to the extent that the aggregate principal amount of such outstanding loans is equal to or exceeds 50% of the aggregate commitments of the lenders. The utilization fees will be at rates ranging from 0.050% to 0.100% of such excess amount, dependent on the Company's credit ratings. Based upon the Company's current credit ratings, the utilization fee would be at the rate of 0.050%.

Atmos paid financing fees at closing in the amount of \$460,346 plus an additional \$40,000 annual fee due to the administrative agent. Atmos will also pay commitment fees each quarter in arrears on the average daily unused portion of the credit facility at rates ranging from 0.06% to 0.1250% depending on Atmos' credit

rating. Based upon Atmos' current credit ratings, the commitment fee would be 0.090%.

Atmos may, at its option and upon the receipt of all required regulatory approvals, so long as no default or event of default has occurred and is continuing, elect to increase the credit facility up to an aggregate amount of commitments not to exceed \$900,000,000 through the addition of new lenders or increases of commitments by existing lenders.

The credit facility will expire on December 15, 2011, at which time all outstanding amounts under the credit facility will be due and payable. The credit facility contains usual and customary covenants for transactions of this type, including covenants limiting liens, substantial asset sales and mergers. In addition, the credit facility provides that during the term of the facility, the Company's debt to capitalization ratio as of the last day of each of its fiscal quarters shall be less than or equal to 0.70 to 1.00, excluding from the calculation of debt (i) any pension and other post-retirement benefits liability adjustments recorded in accordance with generally accepted accounting principles; and (ii) an amount of hybrid securities, as defined in the credit facility (generally, deferrable interest subordinated debt with a maturity of at least 20 years), not to exceed a total of 15% of capitalization.

In the event of a default by the Company under the credit facility, including cross-defaults relating to specified other indebtedness of the Company, SunTrust Bank may, upon the consent of a certain minimum number of lenders, and shall, upon the request and direction of such lenders, terminate the commitments made under the credit facility, declare the amount outstanding, including all accrued interest and unpaid fees, payable immediately, and enforce any and all rights and interests created and existing under the credit facility documents, including, without limitation, all rights of set-off and all other rights available under the law. For certain events of default relating to insolvency, bankruptcy or receivership, the commitments are automatically terminated and the amounts outstanding automatically become payable immediately.

Atmos Energy Corporation

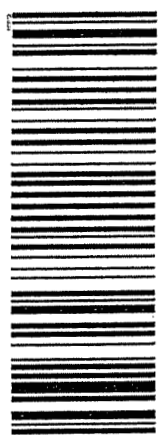
  
Stephanie Castle  
Assistant Treasurer



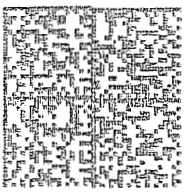
Stephanie Castle  
Atmos Energy Corporation  
P.O. Box 650205  
Dallas, Texas 75265-0205

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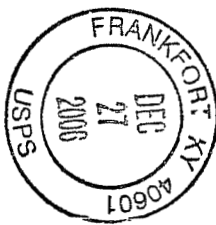


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Honorable Elizabeth O'Donnell  
Executive Director  
211 Sower Boulevard  
Frankfort, KY 40602-0615



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Stephanie Castle  
Atmos Energy Corporation  
P.O. Box 650205  
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**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- Addressee's Address
- Restricted Delivery
- Consult postmaster for fee.

**3. Article Addressed to:**

Honorable Elizabeth O'Donnell  
Executive Director  
211 Sower Boulevard  
Frankfort, KY 40602-0615

**4a. Article Number**

7002 0510 0002 0666 4661

**4b. Service Type**

- Registered
- Express Mail
- Return Receipt for Merchandise
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- Insured
- COD

**7. Date of Delivery**

DEC 27 2006

**8. Addressee's Address (Only if requested and fee is paid)**

5. Received By: (Print Name)  
STEPHANIE CASTLE

6. Signature: (Addressee or Agent)  
STEPHANIE CASTLE

102556-97-B-0179

PS Form 3811, December-1994 Domestic Return Receipt