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COMMISSION

April 30, 2008

Stephanie Stumbo, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602

Subject: Final Hedging Report and Proposal to Conduct a Hedging Program for the Winters of 2008-2009 & Potentially 2009-2010

Dear Ms. Stumbo:

Enclosed herein are one original and ten copies of Atmos Energy's final hedging report for financial hedges purchased for the winter of 2007-2008, as required by the Commission's Order in Case No. 2007-00551, dated April 8, 2008.

Please note that the Company has filed certain exhibits in the report under a petition for confidentiality.

Also, please note that the Company is proposing a hedging plan for the upcoming winter periods of 2008-2009 in conjunction with the submittal of this report. The Company's proposed hedging plan for the upcoming winter is consistent with the plan approved by the Commission for the past five winter periods.

Please contact me (270 685-8062) or Mark Martin (270 685-8024) at your earliest convenience should the Commission or Staff have any questions regarding the enclosed report.

Sincerely,

A handwritten signature in black ink that reads "Leonard R. Matheny".

Leonard R. Matheny
Rates Analyst

Enclosures

Cc: Hon. Larry Cook

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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PUBLIC SERVICE
COMMISSION

IN THE MATTER OF:


THE FINAL REPORT OF ATMOS ENERGY CORPORATION
ON ITS HEDGING PROGRAM FOR THE 2007-2008
HEATING SEASON

Case No. 2007-00551
(Case No. 2006-00177)

**MOTION TO ACCEPT FINAL REPORT OF HEDGING PROGRAM
FOR THE 2007-2008 HEATING SEASON**

Comes now, Atmos Energy Corporation ("Atmos Energy") and pursuant to the Commission's Order of June 5, 2007 (Case No. 2006-00177), files herewith its final hedging report for the 2007-2008 heating season identifying, inter alia, gas costs realized under Atmos Energy's hedging program. Atmos Energy respectfully moves the Commission to accept the attached final hedging report for the 2007-2008 heating season. Atmos Energy previously filed its interim hedging report for the 2007-2008 heating season in Case No. 2006-00177 and the Commission accepted it on April 8, 2008 in Case No. 2007-00551.

Respectfully submitted this 30th day of April, 2008.



Mark R. Hutchinson
611 Frederica Street
Owensboro, Kentucky 42301

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

CERTIFICATE OF SERVICE

I hereby certify that on the 30th day of April, 2008 the original of this Motion, together with ten (10) copies were filed with the Kentucky Public Service Commission, 211 Sower Boulevard, P.O. Box 615,

Frankfort, Kentucky 40206 and a copy of same was mailed to Lawrence W. Cook and Paul D. Adams, Assistant Attorneys General, 1024 Capital Center Drive, Suite 200, Frankfort, Kentucky 40601-8204.



Mark R. Hutchinson

ATMOSICASE NO.2007-005511
MOTION TO ACCEPT FINAL
HEDGING REPORT

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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PUBLIC SERVICE
COMMISSION

IN THE MATTER OF:

THE FINAL REPORT OF ATMOS ENERGY CORPORATION
ON ITS HEDGING PROGRAM FOR THE 2007-2008
HEATING SEASON

Case No. 2007-00551
(Case No. 2006-00177)

**PETITION FOR CONFIDENTIALITY OF ATMOS'
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 of Atmos Energy's Final Hedging Report for the 2007-2008 heating season.

1. On June 5, 2007 the Commission entered an Order in Case No. 2006-00177 approving Atmos Energy's hedging program for the 2007-2008 heating season. The Commission's Order further directed Atmos Energy to file a final hedging report within thirty (30) days of the end of the 2007-2008 heating season which ended on March 31, 2008. Atmos Energy previously filed its interim report with the Commission on or about November 29, 2007 in Case No. 2006-00177, which was accepted by the Commission on April 8, 2008 in Case No. 2007-00661.

2. *The attachments to the Petition 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 Exhibit "A" marked CONFIDENTIAL.

Respectfully submitted this 30th day of April, 2008.

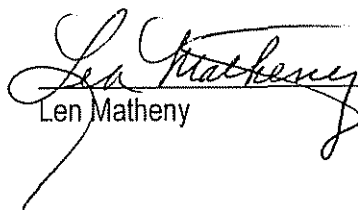


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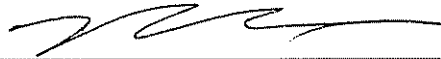
VERIFICATION

I, Len Matheny, being duly sworn under oath state that I am Rates Analyst for Atmos Energy Corporation, and that the statements contained in the foregoing Petition are true as I verily believe.


Len Matheny

CERTIFICATE OF SERVICE

I hereby certify that on the 30th day of April, 2008 the original of this Petition, with information for which confidential treatment is sought, together with ten (10) copies of the Petition without the confidential information, were filed with the Kentucky Public Service Commission, 211 Sower Boulevard, P.O. Box 615, Frankfort, Kentucky 40206, and a copy, with the information for which confidential treatment is sought, was delivered to Lawrence W. Cook and Paul D. Adams, Assistant Attorneys General, 1024 Capital Center Drive, Suite 200, Frankfort, Kentucky 40601-8204.



Mark R. Hutchinson

ATMOS ENERGY – Kentucky Division
FINAL HEDGING REPORT: WINTER 2007-2008
April 29, 2008

The Kentucky Public Service Commission (“Commission”) in its Order in Case No. 2007-00551, dated April 8, 2007, found that:

1. Atmos’s report on its natural gas hedging activities for the 2007-2008 heating season is accepted.
2. Atmos’s request to hedge year round for multiple winters is approved.
3. The hedging program is extended for 5 years, through March 31, 2013.
4. Atmos shall file interim and final reports as required by the Commission in its approvals of Atmos’s previous hedging programs.
5. In order to continue its hedging program beyond March 31, 2013, Atmos shall apply for such continuation by no later than September 30, 2012

The final hedging report is to be provided within 30 days of the March 31, 2008 end of the heating season. The report is to “identify any gas costs 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 and net settlement”. Additionally, the Commission requested a data summary of all hedging transactions. The purpose of this report is to provide the requested information pertaining to the 2007-2008 heating season.

Market Conditions

Please refer to Exhibit A “Winter 2007-2008 NYMEX Strip” for a chart showing the winter month futures pricing from April 2007 to October 2007. Exhibit A includes the June 2007 through October 2007 Kentucky implementation period.

In spring and early summer 2007 the natural gas market was characterized by relatively mild weather and high spot LNG imports. These forces contributed to record high nationwide storage levels relative to the previous five years. In the face of such bearish developments prices remained stubbornly high at levels above \$9.50 for the upcoming 2007-2008 winter strip. By mid-June the bulls succumbed to the loosening market indicated by the large storage surplus. Prices declined to below \$7.50 by early September. The winter months settled between \$7.17 and \$7.27 in November 2007 through January 2008 then rose to settle at \$7.996 and \$8.93, respectively, in February and March 2008.

Please refer to Exhibit B for details of hedging implementation and the results for winter season 2007-08. Implementation of Atmos Energy’s 2007-2008 program protected customers from absorbing the full impact of potential winter natural gas price spikes had such events occurred. Actual market benefits were achieved only in March due to the market forces discussed above. The March benefit was more than offset by additional costs experienced in the first four winter months. Exhibit B shows that 1,100,000

MMBtu were hedged at a weighted average price of \$8.288. Total costs amounted to \$670,870. Atmos Energy believes the program was successful in stabilizing gas costs for its customers and believes programs put in place in the future continue to hold value for our customers. As stated in the Commission's Order in Case No. 2003-00192 "achieving price stability, not (necessarily) the lowest possible cost, is the (primary) goal of a hedging program."

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

Please Review the attached Exhibit C for the accounting entries related to the program.

Atmos Energy's Hedging Program Proposed for winter 2008-2009

Atmos Energy's proposal for the 2008-2009 season is to continue dividing its commodity gas purchases between company owned and pipeline storage, market purchases and financial hedges. Approximately 66% of the normal winter volumes will be stored during the injection season for use next winter. Of the remaining winter requirements, up to 50% of the gas purchases will be financially hedged (or 15% of the total winter requirements), with the balance of requirements purchased at market prices. Consistent with recent hedging programs, we believe this strategy will provide a measure of protection for consumers from significant upward price spikes. In recognition of Commission guidance in Case No. 2003-00192, the Company will enter its hedging arrangements in response to changes in market conditions. No minimum or "floor" percentage of hedge volumes is proposed. Atmos may also respond to market condition changes by entering into financial hedging arrangements for the 2009-2010 winter season.

Atmos Energy, for the seventh consecutive year, proposes to purchase futures contracts and possibly call/put options in the form of "costless collars", depending on the premium. Collars allow a utility to establish a range, between a ceiling price and a floor price, for the price of gas, rather than a single price, as with futures. A costless collar is the simultaneous purchase of call options and sale of put options at identical or nearly identical premiums. That is, the premiums paid to purchase call options are offset by the premiums earned in selling the corresponding put option. Hence, the option premiums net out to be "costless" (or as "costless" as possible). Atmos Energy's financial hedges for the upcoming winter will be executed during the period between May 1, 2008 and October 31, 2008.

The Company proposes to file both an interim and final report on its hedging plan consistent with requirements of previous hedging programs. The interim report will be filed within 30 days of the November 1, 2008 start of the upcoming heating season and the final report filed within 30 days of the March 31, 2009 end of the heating season.

The Company remains convinced that a disciplined hedging strategy is essential to ensure affordable and manageable gas costs for Kentucky ratepayers in response to continued gas price volatility and market uncertainty.

REDACTED

**Exhibit A: NYMEX November 2007 – March 2008 Winter
Strip**

REDACTED

**Exhibit B: Details of Winter Hedging Implementation and
Results for 2007 - 2008**

REDACTED

**Exhibit C: Hedging Summary Monthly Accounting
Entries**