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COMMISSION

November 29, 2010

Mr. Jeff R. Derouen, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, KY 40601

Subject: KPSC Case No. 2007-00551
Interim Hedge Report

Dear Mr. Derouen:

Atmos Energy Corporation (Company) herewith submits an original non re-dacted and ten (10) re-dacted copies of the interim hedge report pursuant to the Ordering Paragraph 4 of the Commission's Order dated April 8, 2008 in the above referenced proceeding. Exhibits A-C and E and F are CONFIDENTIAL and will be filed with a petition of confidentiality.

Please contact either myself at 270.685.8024 or Len Matheny at 270.685.8062 if the Commission or Staff has any questions regarding the enclosed report.

Sincerely,

A handwritten signature in cursive script that reads "Mark A. Martin".

Mark A. Martin
Vice President, Rates & Regulatory Affairs

Enclosures

cc: Randy Hutchinson
Doug Walther
Don Erickson

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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PUBLIC SERVICE
COMMISSION

IN THE MATTER OF:

THE INTERIM REPORT OF ATMOS ENERGY CORPORATION
ON ITS HEDGING PROGRAM FOR THE 2010-2011
HEATING SEASON

Case No. 2007-00551

**MOTION TO ACCEPT INTERIM REPORT OF HEDGING PROGRAM
FOR THE 2010-2011 HEATING SEASON**

Comes now, Atmos Energy Corporation ("Atmos Energy") and pursuant to the Commission's Order of April 8, 2008, files herewith its Interim Report for the 2010-2011 Heating Season identifying, inter alia, gas costs realized under Atmos' hedging program. Atmos Energy respectfully moves the Commission to accept the attached Interim Hedging Report for the 2010-2011 Heating Season.

Respectfully submitted this 30th day of November, 2010.



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 November, 2010 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 mailed to the Kentucky Public Service Commission, 211 Sower Boulevard, P.O. Box 615, Frankfort, Kentucky 40206.



Mark R. Hutchinson

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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PUBLIC SERVICE
COMMISSION

IN THE MATTER OF:

THE INTERIM REPORT OF ATMOS ENERGY CORPORATION
ON ITS HEDGING PROGRAM FOR THE 2010-2011
HEATING SEASON

Case No. 2007-00551

**PETITION FOR CONFIDENTIALITY OF SCHEDULES
TO 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 the attached schedules to Atmos Energy's Interim Hedging Report for the 2010-2011 heating season.

1. On April 8, 2008 the Commission entered an Order in this proceeding approving Atmos Energy's hedging program for a five (5) year period ending March 31, 2013. The Commission's Order further directed Atmos Energy to file interim and final hedging reports as required by the Commission in its approvals of Atmos' previous hedging programs.

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 attached schedules 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 attached schedules. 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 attached schedules 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 attached schedules 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).

7. In Atmos Energy's previous hedging cases, the Commission has granted confidential protection to

the same type of information for which confidential protection is now requested.

WHEREFORE, Atmos Energy petitions the Commission to treat as confidential the attached schedules consisting of 11 pages and marked as "CONFIDENTIAL".

Respectfully submitted this 30th day of November, 2010.



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 Petition are true as I verily believe.



Mark A. Martin

CERTIFICATE OF SERVICE

I hereby certify that on the 30th day of November, 2010 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 mailed to the Kentucky Public Service Commission, 211 Sower Boulevard, P.O. Box 615, Frankfort, Kentucky 40206, and a redacted copy was also sent by facsimile transmission to the Commission. .



Mark R. Hutchinson

**ATMOS ENERGY CORPORATION
KENTUCKY DIVISION
INTERIM HEDGING REPORT
CASE NO. 2007-00551**

The Kentucky Public Service Commission ("Commission") requested in its Order in Case No. 2007-00551 that Atmos Energy Corporation ("Atmos Energy" or "Atmos") provide the Commission with an interim hedging report as required by the Commission in its approvals of Atmos Energy's previous hedging programs. 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

Atmos Energy's Hedging Strategy

Atmos Energy's management, based on its experience in the past and upon direction from the Commission, developed the following set of parameters under which a hedging program would be initiated. These parameters were put into place before the first purchase was made. The parameters are:

- a. Based on Atmos Energy's supply plan for the winter of 2010-11 requirements, Atmos will purchase financial hedging instruments to stabilize gas prices within a range of 0% to 50% of its expected total requirements.
- b. Purchases for the winter of 2010-11 will be made from April 2009 through October 2009 and April 2010 through October 2010 when upward movements in the price of the winter 2010-11 strip occur. The two year implementation will allow Atmos to weight the price across the projected purchase periods. Following advice from a consultant, Gelber and Associates, Atmos will adjust the timing and volumes of hedge instrument purchases. Atmos will purchase futures contracts and possibly options on futures contracts to stabilize prices in a reasonable range, realizing that achieving the lowest price at any given time is not the ultimate goal.
- c. The Commission, in its Order in Case No. 2003-00192, acknowledged that the goal of a hedging program is to, "provide insurance against events such as price spikes," not to provide the lowest cost. Futures or swap contracts will allow Atmos to set a fixed price which will hedge the price of natural gas for a portion of its supply portfolio.
- d. 100% of all benefits or costs of any hedges will flow directly to customers as gas costs. The Commission, in its Order in Case 2004-00142, stated that, "Since it is customers, not the utility

or its shareholders, who stand to receive the benefits realized through a hedging program, we continue to find that customers should bear the cost of such a program.”

Atmos Energy’s Purchasing Decisions

Exhibit A summarizes hedging transactions, dates and details including forecasts of winter gas prices available at the time of the transactions. Market conditions and the forecasts summarized on the exhibit are discussed below. Atmos executed Swap transactions following upticks in prices. Exhibit B provides a graphic summary of NYMEX daily settlement prices for the November 2010 through March 2011 winter strip during the summer 2009 implementation period (April 2009 through October 2009). Exhibit C provides a graphic summary of NYMEX daily settlement prices for the November 2010 through March 2011 winter strip during the summer 2010 implementation period (April 2010 through October 2010). The points at which Atmos executed futures transactions are also displayed.

Market Conditions

Exhibit C (April 2010 through October 2010) shows mixed movement in winter 2010-11 prices. The period was largely range bound until August when a steady decline began. April began with prices at \$5.33, peaking at \$5.76 on June 15 and declining to a low of \$3.76 by the end of October. The overall movement was attributed to many of the same fundamental conditions that occurred in 2009: large surplus in supply due to land based shale gas plays, demand continuing to struggle due to the economic downturn, no hurricane activity adversely affecting Gulf of Mexico production and historically high national inventory levels. These bearish fundamentals laid the groundwork for downward pressure in prices. Much of the support during the summer stemmed from electricity generation demand due to low natural gas prices competing with coal and warmer than normal seasonal temperatures. For the week ending November 12, 2010 working gas in underground storage reached a new all time high of 3.843 Tcf, exceeding last year’s record of 3.837 Tcf (occurring during the week ending November 27, 2009) by 6 Bcf. Please see Exhibit D for a chart showing current storage levels (blue line) in relation to the previous five-year range (gray area).

Atmos layered in winter season 2010-2011 hedges totaling 1,699,000 MMBtu on nine dates between April 15 and October 6, 2009 and four dates between April 6, 2010 and July 29, 2010 at a weighted average price of \$6.359. No transactions were executed after July 29, 2010 as no triggering event of a material uptick in the 2010-11 winter strip price occurred. All transactions for both implementation periods are summarized on Exhibit A, and details of the hedging transactions are provided in Exhibit E. On Exhibit E, the November 2010 delivery month totals are the actual settlement. December 2010 through March 2011 are mark-to-market amounts based on the NYMEX prices for those months as of November 19, 2010. Actual settlements will vary as the individual months settle. Exhibit F provides the accounting entries made from April 2010 through October 2010.

Impact of Atmos Energy Storage

Atmos develops seasonal summer and winter supply plans which project its storage injection and withdrawal levels. Historically, Atmos has planned to inject on essentially a ratable basis, both Atmos owned storage and pipeline storage, across the injection season (April through October). Withdrawals are similarly scheduled across the winter months; variances from normal weather may cause differentials between planned storage withdrawals and actual withdrawals. Therefore, specific Atmos storage levels are not a factor in determining hedging purchase decisions.

Exhibits A-C and E and F are confidential.

Case No. 2007-0051
Exhibit D

