



April 27, 2012

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

RECEIVED

APR 30 2012

PUBLIC SERVICE
COMMISSION

Subject: KPSC Case No. 2007-00551
2011-2012 Final Hedge Report

Dear Mr. Derouen:

Atmos Energy Corporation (Company) herewith submits an original non re-dacted and ten (10) re-dacted copies of the final hedge report pursuant to the Ordering Paragraph 4 of the Commission's Order dated April 8, 2008 in the above referenced proceeding. Exhibits A&B 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
Larry Cook

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

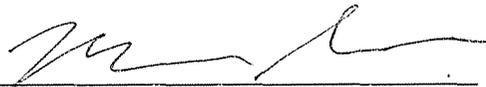
THE FINAL REPORT OF ATMOS ENERGY CORPORATION
ON ITS HEDGING PROGRAM FOR THE 2011-2012
HEATING SEASON

Case No. 2007-00551

**MOTION TO ACCEPT FINAL REPORT OF HEDGING PROGRAM
FOR THE 2011-2012 HEATING SEASON**

Comes now, Atmos Energy Corporation ("Atmos Energy") and pursuant to the Commission's Order of April 8, 2008, files herewith its Final Report for the 2011-2012 Heating Season identifying, inter alia, gas costs realized under Atmos' hedging program. Atmos Energy respectfully moves the Commission to accept the attached Final Hedging Report for the 2011-2012 Heating Season.

Respectfully submitted this 27th day of April, 2012.



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 27th day of April, 2012 this Motion, together with ten (10) copies, were mailed to the Kentucky Public Service Commission, 211 Sower Boulevard, P.O. Box 615, Frankfort, Kentucky 40206, and a copy was mailed to Hon. Dennis Howard and Hon. Lawrence W. Cook, c/o Kentucky Attorney General's Office, 1024 Capital Center Drive, Suite 200, Frankfort, Kentucky 40601-8204.



Mark R. Hutchinson

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

THE FINAL REPORT OF ATMOS ENERGY CORPORATION
ON ITS HEDGING PROGRAM FOR THE 2011-2012
HEATING SEASON

Case No. 2007-00551

**PETITION FOR CONFIDENTIALITY OF SCHEDULES
TO 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 the attached schedules to Atmos Energy's Final Hedging Report for the 2011-2012 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.

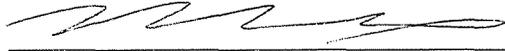
6. Pursuant to 807 KAR 5:001, Section 7 (3), temporary confidentiality of the attached schedules should be maintained until the Commission enters an order as to this Petition. Once the order regarding confidentiality has been issued, Atmos Energy would have twenty (20) days to seek alternative remedies 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 marked as "CONFIDENTIAL".

Respectfully submitted this 27 day of April, 2012.

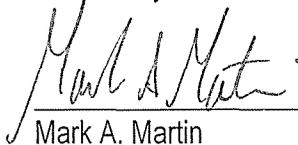


Mark R. Hutchinson
611 Frederica Street
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VERIFICATION

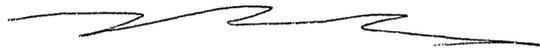
I, Mark A. Martin, being duly sworn under oath state that I am Vice President of Rates and Regulatory Affairs for Atmos Energy Corporation, Kentucky/Midstates Division, and that the statements contained in the foregoing Petition are true as I verily believe.



Mark A. Martin

CERTIFICATE OF SERVICE

I hereby certify that on the 27 day of April, 2012 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 non-redacted copy was mailed to Hon. Dennis Howard and Hon. Lawrence W. Cook, c/o Kentucky Attorney Generals Office, 1024 Capital Center Drive, Suite 200, Frankfort, Kentucky 40601-8204.



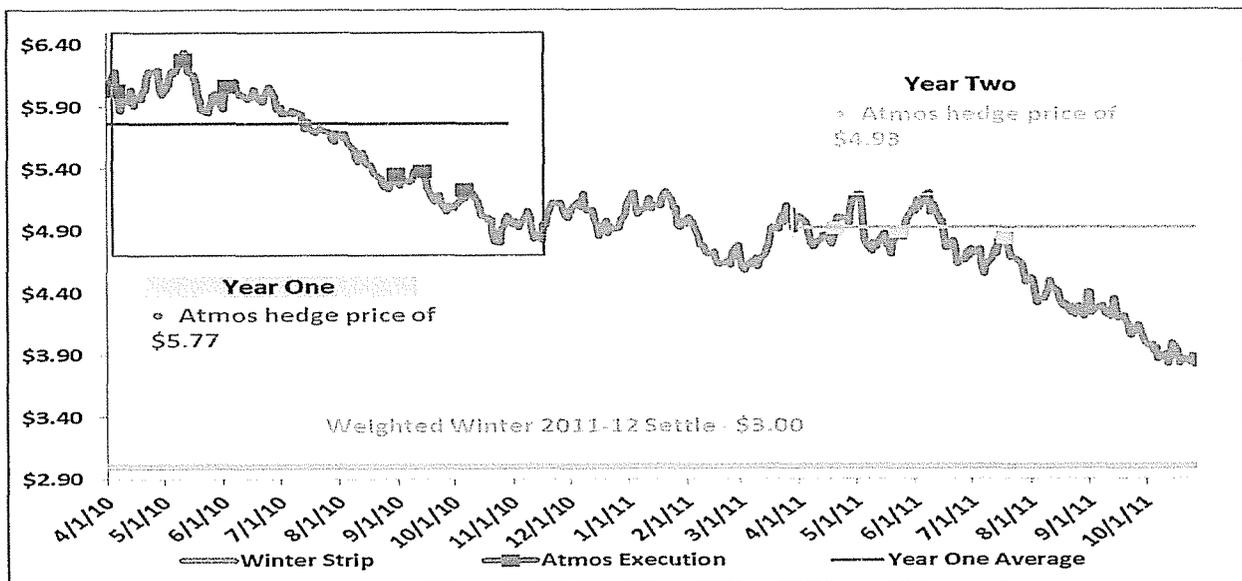
Mark R. Hutchinson

**ATMOS ENERGY CORPORATION
KENTUCKY DIVISION
FINAL 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 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, 2012. 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. The purpose of this report is to provide the requested information pertaining to the 2011-2012 heating season.

Atmos Energy’s Purchasing Decisions

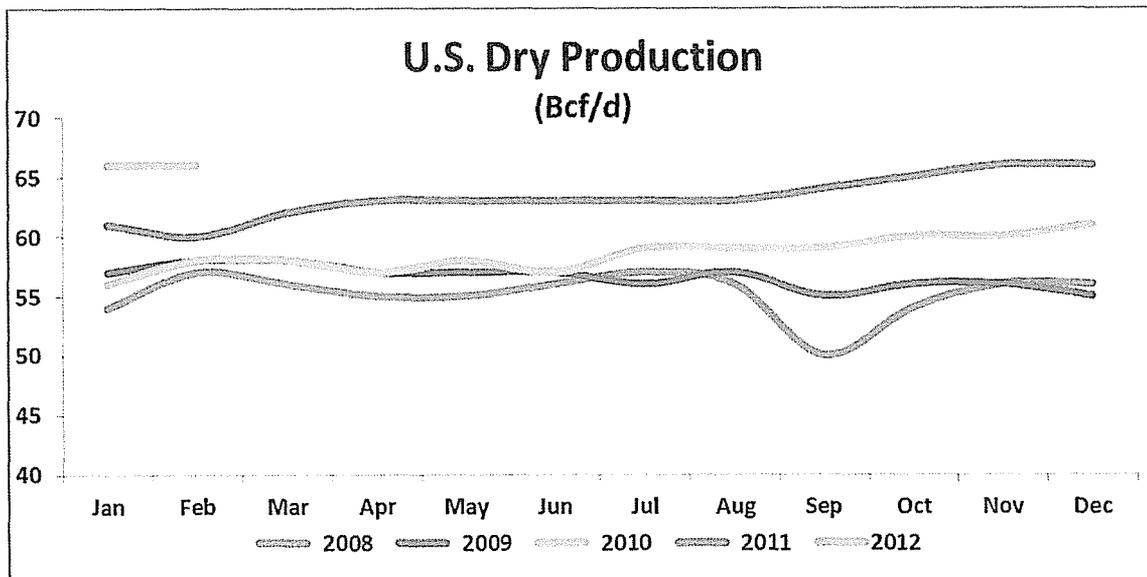
Please refer to the chart below showing the 2011-12 winter strip (contracts November 2011 through March 2012) futures pricing from April 2010 through October 2011 with points marked indicating days on which Atmos executed futures transactions. Atmos implemented over two periods from April 2010 through October 2010 and April 2011 through October 2011. During the period of April 2010 through October 2010 Atmos hedged at a weighted average price of \$5.77. From April 2011 through October 2011 Atmos hedged at a weighted average price of \$4.93. The total weighted average hedge price for the 2011-12 Atmos Kentucky winter period was \$5.38 and the weighted average settle for the 2011-12 strip was \$3.00. Atmos’ hedging plan allows up to 50% (2,230,000 MMBtu) and hedged 21% (956,100 MMBtu) of expected normal purchases. This lower volume hedged added value to Atmos’ customers due to the declining market experienced for winter 2011-12.



Market Conditions

The natural gas market for winter 2011-12 faced a domino effect of bearish fundamentals from increased production, warmer than normal weather and record storage levels. These factors, discussed below, caused prices to decrease throughout the winter period and settled at a simple average of \$3.019 with an effective price of \$3.00 weighted for Atmos' expected usage.

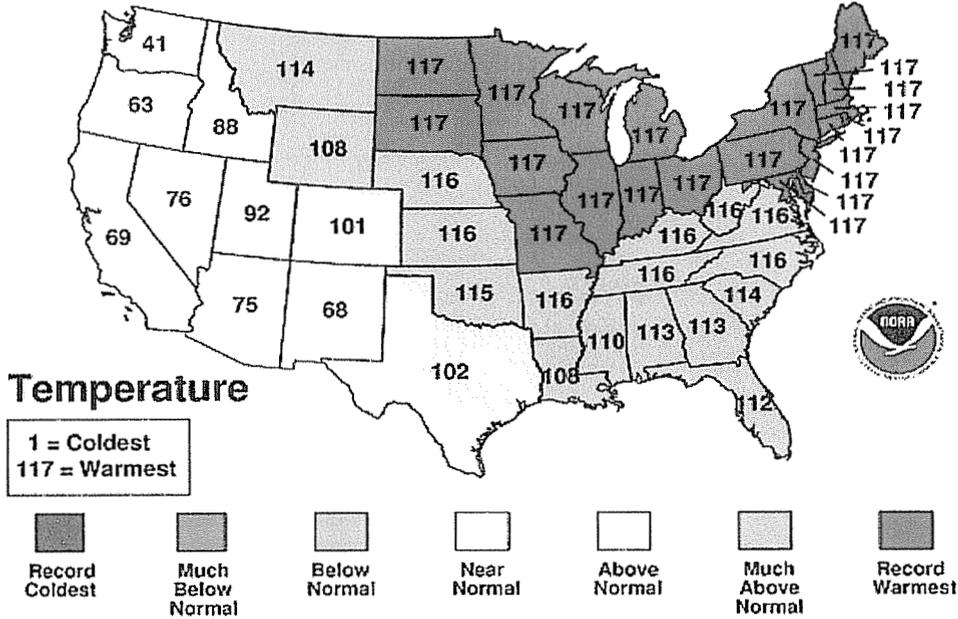
U.S. natural gas dry production has increased from an average of 58 billion cubic feet per day (Bcf/d) for 2010 to 63 Bcf/d for 2011 mainly due to shale gas drilling and associated gas comingled with oil and liquids drilling. Please see the chart below showing production from 2008 through January 2012 as reported by the Energy Information Administration (EIA).



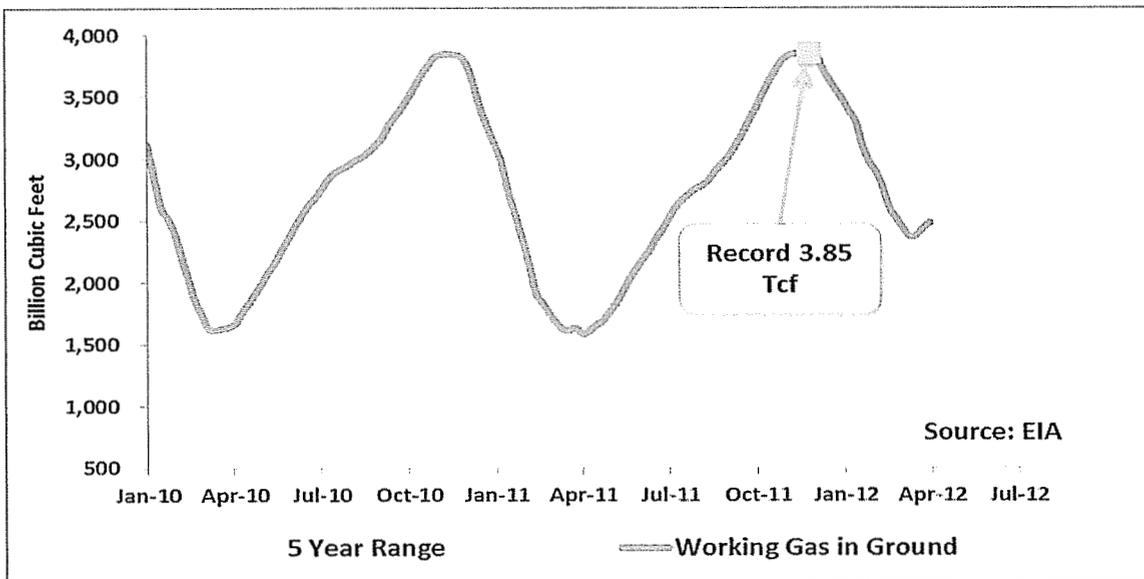
The 2011-12 heating season, as reported by the National Oceanic and Atmospheric Administration (NOAA), was the second warmest on record (going back to 1895). The national average temperature was 3.8° above average. The month of March 2012 was the warmest on record with an average temperature of 51.1°, 0.5° warmer than the previous warmest March in 1910. Please see the map below showing the overall temperature for the 2011-12 heating season by state.

Oct 2011-Mar 2012 Statewide Ranks

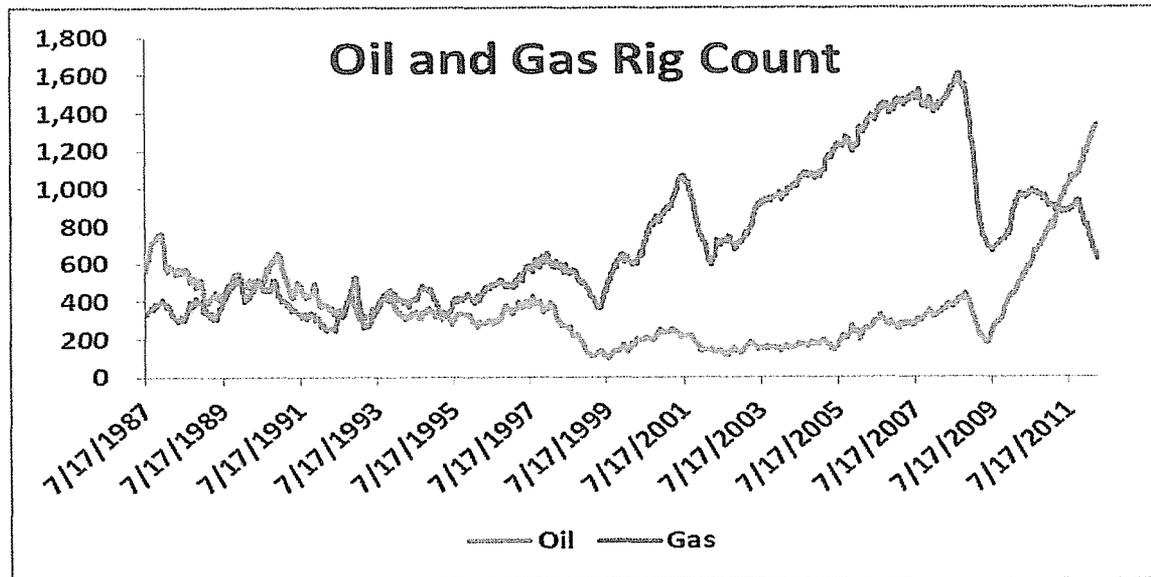
National Climatic Data Center/NESDIS/NOAA



Due to the increased domestic production and historic warmer than normal weather, working gas in underground storage reached a new all time high of 3.85 trillion cubic feet for the week ending November 25, 2011. Storage levels remained at seasonal record levels throughout the winter due to a lack of cold weather. Please see the chart below showing working gas in the ground compared to the five year range.



The natural gas rig count, as reported by Baker Hughes, has fallen by 305 rigs since October 2011 from 936 to 631 for the week ending April 20th, 2012. The oil rig count over the same period has increased by 257 from 1,080 to 1,337. While the natural gas rig count is lower, overall production remains high as producers are targeting the more lucrative oil shale plays which produce associated natural gas. Please see the chart below for the oil and natural gas rig count from 1987 through April 20th, 2012.



Baker Hughes Rig Count: http://investor.shareholder.com/bhi/rig_counts/rc_index.cfm

EIA Dry Production Data: http://tonto.eia.doe.gov/dnav/ng/ng_prod_sum_dcua_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 2011-2012. Atmos financially hedged 956,100 MMBtu at a weighted price of \$5.38 with a total incremental cost of \$2,275,590. 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. 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 refer to Exhibit B for the accounting entries related to the program.

Atmos Energy's Hedging Program for Winter 2012-2013 and Winter 2013-2014

Atmos Energy's hedging plan for winter 2012-2013 and winter 2013-2014 is to continue to utilize a portfolio-like approach, dividing its commodity gas purchases between company owned storage, market purchases and financial hedges. Approximately 68% of the normal expected winter requirements is planned to utilize storage over the winter period and is typically injected from April through October. Of the remaining winter requirements, up to 50% of the gas purchases could be financially hedged (or 16% of total winter normal requirements), with the balance of requirements purchased at market prices.

In recognition of Commission guidance in Case No. 2003-001982 on recognizing a change in the plan when conditions warrant, Atmos proposed to staff on March 8, 2012 to incorporate the use of options in its hedging program. On March 22, 2012 Atmos filed an application for clarification or approval in the use of options in its natural gas hedging program. The Commission granted approval on April 24, 2012.

Atmos Energy plans to hedge for up to two winter seasons (November through March) with the implementation period which started April 2012 and ends October 2012. Financial hedges could consist of swaps, futures, options or a combination of instruments. Upon completion of the implementation period a minimum of 25% and a maximum of 50% of normalized expected purchases net of storage will be hedged for each 2012-2013 winter month. Upon completion of the implementation period a minimum of 0% and a maximum of 25% of normalized expected purchases net of storage will be hedged for each 2013-2014 winter month.

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, 2012 start of the winter season and the final report filed within 30 days of the March 31, 2013 end of the heating season. Atmos remains convinced that a disciplined hedging strategy is essential to ensure affordable and manageable gas costs for Kentucky rate payers in response to natural gas price volatility and market uncertainty.

Atmos Energy Corporation - Hedging Report

Regulatory Contract

Market Price Date: 03/30/2012

Transaction Date: 04/24/2012

Delivery Month is between 11/1/2011 and 3/1/2012 and Transaction Date is less than or equal to 4/24/2012
 and State is equal to Kentucky
 This report contains all subreports.

Delivery Month: 11/1/2011

Futures/Swaps

Transaction Date	Counter Party Name	Buy	Sell	Delivery Month	Transaction Price	Transaction Fee	Total Price	Market Price	Market Value	Market Index	Confirmation Number
04/06/2010											
05/11/2010											
06/03/2010											
08/31/2010											
09/14/2010											
10/06/2010											
04/20/2011											
05/23/2011											
07/18/2011											

Volume	Weighted Avg.	Premium Value	Market Value	Total Value	Settlement Value

11/1/2011

Exhibit A: Case No. 2007-00551
 Delivery Month: 12/1/2011

Futures/Swaps

Confirmation Number
 49,140,007

Transaction Date	Counter Party Name	Buy	Sell	Delivery Month	Volume	Transaction Price	Transaction Fee	Total Price	Market Price	Market Value	Market Index	Confirmation Number
04/06/2010												
05/11/2010												
06/03/2010												
08/31/2010												
09/14/2010												
10/06/2010												
04/20/2011												
05/23/2011												
07/18/2011												

12/1/2011

Futures Totals
 Delivery Month Totals

Delivery Month: 1/1/2012

Futures/Swaps

Confirmation Number

Transaction Date	Counter Party Name	Buy	Sell	Delivery Month	Volume	Transaction Price	Transaction Fee	Total Price	Market Price	Market Value	Market Index	Confirmation Number
04/06/2010												
05/11/2010												
06/03/2010												
08/31/2010												
09/14/2010												
10/06/2010												
04/20/2011												
05/23/2011												
07/18/2011												

Negative market values are costs. Positive market values are benefits.

1/1/2012

Volume	Weighted Avg.	Premium Value	Market Value	Total Value	Confidential Settlement Value
291,500	\$5.4811	\$0	(\$698,746)	(\$698,746)	(\$698,746)
Futures Totals					
291,500	\$5.4811	\$0	(\$698,746)	(\$698,746)	(\$698,746)
Delivery Month Totals					

Delivery Month: 2/1/2012

Futures/Swaps

Transaction	Date	Counter Party Name	Buy	Sell	Delivery Month	Volume	Transaction Price	Transaction Fee	Total Price	Market Price	Market Value	Market Index	Confirmation Number
	04/06/2010												
	05/11/2010												
	06/03/2010												
	08/31/2010												
	09/14/2010												
	10/06/2010												
	04/20/2011												
	05/23/2011												
	07/18/2011												

2/1/2012

Volume	Weighted Avg.	Premium Value	Market Value	Total Value	Settlement Value
Futures Totals					
Delivery Month Totals					

Negative market values are costs. Positive market values are benefits.

Exhibit A: Case No. 2007-00551
 Delivery Month: 3/1/2012

Futures/Swaps

Transaction Date	Counter Party Name	Buy	Sell	Delivery Month	Volume	Transaction Price	Transaction Fee	Total Price	Market Price	Market Value	Market Index:	Confirmation Number
04/06/2010												
05/11/2010												
06/03/2010												
08/31/2010												
09/14/2010												
10/06/2010												
04/20/2011												
05/23/2011												
07/18/2011												

3/1/2012

Report Totals

Volume	Weighted Avg.	Premium Value	Market Value	Total Value	Settlement Value

