

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF ATMOS ENERGY	)	
CORPORATION (ATMOS), THROUGH ITS	)	
DIVISION, WESTERN KENTUCKY GAS COMPANY	)	
OF OWENSBORO, KENTUCKY, FOR AN ORDER	)	CASE NO. 2000-078
AUTHORIZING THE CREATION AND ISSUANCE	)	
OF COMMON STOCK THROUGH ITS DIRECT	)	
STOCK PURCHASE PLAN	)	

O R D E R

On May 2, 2000, Atmos Energy Corporation (“Atmos”), through its division Western Kentucky Gas Company (“Western”), filed its application seeking Commission approval to create and issue an additional 2,000,000 shares of common stock through its Direct Stock Purchase Plan (“DSPP”).<sup>1</sup> While Western is subject to the jurisdiction of the Commission, as a division of Atmos it does not have a separate capital structure, and the securities are to be issued by Atmos subject to the approval of this Commission.<sup>2</sup> The common stock may be issued in one or more series. The net proceeds will be expended for one or more of the following purposes: to fund capital

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<sup>1</sup> Western originally submitted its application on February 18, 2000. On March 21, 2000, the Commission informed Western that its application was deficient, and would not be considered filed until the filing deficiencies were cured. Western amended its application on May 2, 2000, to cure the cited deficiencies. Western’s application was accepted as filed as of May 2, 2000.

<sup>2</sup> Atmos provides gas distribution, transmission, and transportation service to retail customers in Colorado, Georgia, Illinois, Iowa, Kansas, Kentucky, Louisiana, Missouri, South Carolina, Tennessee, Texas, and Virginia. To the extent necessary, Atmos will secure the appropriate approvals from the regulatory commissions in these states for the additional shares issued through its DSPP.

expenditures, to fund its operating expenses, to reduce debt, to improve its capitalization ratios and to preserve its credit ratings.

Western has filed information indicating that during fiscal years 1998 and 1999, total cash outflows exceeded total cash inflows due to lower than normal cash flows from operating activities as a result of warmer than normal weather, higher than normal capital expenditures and mandatory long-term debt retirement. The cash shortfall was financed with short-term debt and sales of common stock through the Company's Employee Stock Purchase Ownership Plan ("ESOP") and its DSPP. This has increased Atmos's debt as a percentage of total capitalization. Atmos's long-term plans are to decrease the debt to capitalization ratio to the target range of 50-52 percent through cash flows from operations, continued issuance of new common stock under Atmos's DSPP and ESOP plans and reduction of capital expenditures.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds as follows:

1. The creation and issuance of 2,000,000 additional shares through Atmos's DSPP is for lawful objects within the corporate purposes of Atmos, is necessary and appropriate for and consistent with the proper performance by the utility of its service to the public and will not impair its ability to perform that service, and is reasonable, necessary, and appropriate for such purposes.

2. The Commission has generally held that it is not appropriate to issue long-term financing to fund operating expenses, and Western should not apply the proceeds of this financing toward the payment of operating expenses as it stated in its May 2, 2000 supplemental filing with the Commission.

3. The proceeds from the proposed stock issue may be used for the lawful purposes set out in the application with the exception of the funding of operating expenses.

4. The creation and issuance of additional shares through the DSPP proposed by Atmos should be approved.

IT IS THEREFORE ORDERED that:

1. Atmos is authorized to issue 2,000,000 additional shares of common stock through Atmos's DSPP subject to the provisions and terms contained within its application.

2. The proceeds from the transaction authorized herein shall be used only for the lawful purposes set out in the application with the exception of the funding of operating expenses.

3. Atmos shall provide an updated copy of the prospectus showing the changes made as a result of the change in the number of shares authorized for the program.

4. From the date of this Order, Atmos shall semiannually file, as a supplement to its monthly financial report to the Commission, a statement setting forth the number of shares issued through its DSPP, the proceeds received, and details about the use of the proceeds.

Nothing contained herein shall be deemed a warranty or finding of value of securities or financing authorized herein on the part of the Commonwealth of Kentucky or any agency thereof.

Done at Frankfort, Kentucky, this 1<sup>st</sup> day of June, 2000.

By the Commission

ATTEST:

  
Executive Director