

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF ATMOS	)	
ENERGY CORPORATION, THROUGH	)	
ITS DIVISION, WESTERN KENTUCKY	)	
GAS CORPORATION OF	)	CASE NO. 2000-436
OWENSBORO, KENTUCKY, FOR AN	)	
ORDER AUTHORIZING THE ISSUANCE	)	
OF UP TO 1,655,740 SHARES OF	)	
COMMON STOCK.	)	

O R D E R

On September 18, 2000, Atmos Energy Corporation (“Atmos”), through its division Western Kentucky Gas Company (“Western”), filed its application seeking authority for the issuance of up to 1,655,740 additional shares of common stock, without par value. Western is subject to the jurisdiction of the Kentucky Public Service Commission (“Commission”). As a division of Atmos, Western does not have a separate capital structure, and the securities to be issued by Atmos are subject to the approval of the Commission.

The shares are to be issued pursuant to an Asset Purchase Agreement (“Agreement”) dated August 7, 2000, by and between Atmos, Atmos Energy Marketing, LLC (“Energy”) and Woodward Marketing, Inc. (“WMI”). Energy is a wholly-owned subsidiary of Atmos and currently owns a 45 percent interest in Woodward Marketing, LLC (“Woodward”). In exchange for WMI’s sale of its 55 percent ownership interest in Woodward to Energy, Atmos has agreed to issue up to a maximum of 1,655,740 shares of

common stock to WMI. Atmos will initially issue 1,423,193 shares of common stock to WMI. Subject to conditions outlined in the agreement, Atmos could be responsible for issuing as many as 232,547 additional shares to WMI during the four year period that shall commence one year after the date of closing.

On October 19, 2000, Commission Staff requested additional information. Atmos responded on October 30, 2000. In response to item 8 of the request, Atmos stated, "since Woodward does not and is not expected to provide a material portion of Atmos' revenues, income or cash flow, these losses would be unlikely to have any material adverse effect upon Atmos as a whole, or on any division of Atmos, such as Western."

No acquisition or construction of property in Kentucky is being proposed. The property that Atmos is acquiring will not be subject to the jurisdiction of the Commission. However, since there is no corporate separation of Atmos and Western, the issuance of additional shares of common stock as well as the operation of the unregulated marketing affiliate could affect the cost of capital of Atmos which could in turn affect the cost of capital of Western. In light of the risky nature of the energy marketing business, the Commission believes it is necessary to establish a reporting mechanism for Atmos to advise the Commission in the event of any significant losses incurred by Woodward. Atmos should notify the Commission within ten days of any material losses incurred by Woodward.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that the issuance of up to 1,655,740 shares of no par value common stock by Atmos is for lawful objects within the corporate purposes of Atmos, is necessary and appropriate for and consistent with the proper performance of its service to

the public, is reasonably necessary and appropriate for such purposes, and should therefore be approved.

IT IS THEREFORE ORDERED that:

1. Atmos is authorized to issue up to 1,655,740 shares of its common stock pursuant to its agreement referenced herein.

2. Atmos shall, within 30 days of issuance, report to the Commission the date of issuance, the number of shares issued and the price received for any shares authorized by this Order.

3. In the event that Atmos experiences a loss relating to the purchase or operation of Woodward that has a material adverse effect on Atmos as a whole, Atmos shall notify the Commission within 10 days of the loss, and include a plan demonstrating that Atmos will insulate customers of Western from the negative impact.

4. The proceeds from the transaction authorized herein shall be used only for the lawful purposes set out in the application.

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 17<sup>th</sup> day of November, 2000.

By the Commission

ATTEST:

  
Executive Director