

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF ATMOS)	
ENERGY CORPORATION, THROUGH)	
ITS DIVISION, WESTERN KENTUCKY)	
GAS COMPANY OF OWENSBORO,)	
KENTUCKY, FOR AN ORDER)	CASE NO. 2002-00052
AUTHORIZING THE IMPLEMENTATION)	
OF A \$600,000,000 UNIVERSAL SHELF)	
REGISTRATION FOR DEBT AND)	
EQUITY FINANCING)	

O R D E R

On February 20, 2002, Atmos Energy Corporation (Atmos), through its division Western Kentucky Gas Company (Western), filed its application seeking Commission approval to implement a \$600,000,000 universal shelf registration for debt and equity financing. 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 to be issued by Atmos are subject to the approval of this Commission.¹ The debt securities and/or common stock may be issued in one or more series. The net proceeds will be expended for one or more of the following purposes: the repayment of all or a portion of Atmos s outstanding short-term debt; the purchase, acquisition, and construction of additional properties, as well as improvements to Atmos s existing utility plant; the refunding of higher rate long-term debt as market conditions permit; and general

¹ 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.

corporate purposes. Western has provided copies of Atmos's Securities and Exchange Commission filing.

As the proposed financing is a universal shelf registration, it is difficult at this time for Atmos to state exactly what mix of equity and debt financing will be utilized. Consequently, the specific terms and conditions of each issuance under the universal shelf registration are not known. Western has indicated that Atmos's goal is to maintain its debt to capitalization ratio at or below a range of 50-60 percent. Atmos does not plan to utilize the universal shelf registration for purposes of funding the stock portion of the acquisition price in connection with Atmos's acquisition of Mississippi Valley Gas Company. Atmos has filed a separate application with the Commission for approval of that stock issuance. Further, Atmos believes the use of the proposed universal shelf registration will allow it to maintain the flexibility necessary to utilize the most favorable financing option available at a particular time.

Atmos was unable to supply a range or a cap for the interest rate applicable to any debt that it may issue pursuant to the shelf registration. It states that the interest rate will be determined by market factors such as the yield on the Treasury security used as the pricing reference and the spread over that Treasury yield. The Commission is concerned about Western's request for market-based limits on the interest rates for the proposed securities. In Case No. 1999-00465,² the interest rates on the securities

² Case No. 1999-00465, The Application of Atmos Energy Corporation (Atmos), Through its Division, Western Kentucky Gas Company of Owensboro, Kentucky, for an Order Authorizing the Implementation of a \$500,000,000 Universal Shelf Registration for Debt and Equity Financing.

authorized could not exceed a specific number of basis points above the yield to maturity of United States Treasury Notes of comparable maturity at the time of pricing.

For these proposed securities, the Commission will allow Western to utilize market-based limits on the interest rates. However, upon the issuance of these securities, Western should notify the Commission of the interest rate alternative selected for the issue. It should provide a detailed explanation as to how the alternative chosen represents the most reasonable interest rate available at the time of issuance. This explanation should include a description of the specific interest rate management techniques and interest rate management agreements utilized by Western for each issuance. Western should also file copies of any interest rate management agreements executed in conjunction with the issuance.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that the approval of the universal shelf registration and the associated creation and issuance of related securities is for lawful objects within the corporate purposes of Western, 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 reasonably necessary and appropriate for such purposes. Therefore, the universal shelf registration proposed by Atmos should be approved.

IT IS THEREFORE ORDERED that:

1. Atmos is authorized to implement a \$600,000,000 universal shelf registration for equity and debt financing, 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.

3. For any issuance of equity under the universal shelf registration, Western shall include with its monthly financial report to the Commission a supplemental report detailing the terms and conditions of such equity financing. The supplemental report shall be included with the financial report covering the month of issuance.

4. Western shall, within 10 days after each issuance of the securities referred to herein, file with the Commission a statement setting forth the date or dates of issuance, the price paid, the interest rate, the purchasers, and all fees and expenses, including underwriting discounts or commission or other compensation, involved in the issuance. In addition, Western shall include a detailed explanation as to how the interest rate alternative chosen represents the most reasonable interest rate available at the time of issuance. The explanation shall include a description of the specific interest rate management techniques and interest rate management agreements utilized by Western for each issuance, as well as copies of any executed interest rate management agreements.

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 10th day of April, 2002.

By the Commission

ATTEST:


Executive Director