

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. 2002-00128
OWENSBORO, KENTUCKY, FOR AN)	
ORDER AUTHORIZING THE CREATION)	
AND ISSUANCE OF UP TO 2,500,000)	
SHARES OF COMMON STOCK)	
THROUGH ITS 1998 LONG-TERM)	
INCENTIVE PLAN)	

O R D E R

On April 10, 2002, Atmos Energy Corporation (Atmos), through its division Western Kentucky Gas Company (Western), filed its application seeking approval to issue up to 2,500,000 shares of Atmos s no par value common stock through its 1998 Long-Term Incentive Plan (Incentive Plan). 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.

Atmos s Board of Directors adopted the Incentive Plan on August 12, 1998 as a method to attract and retain able persons as employees and non-employee Directors and to provide such persons with a proprietary interest in the company using performance-related incentives. The awards that may be granted under the Incentive Plan include incentive stock options, non-qualified stock options, stock option rights, restricted stock units, performance units, performance shares, bonus stock, and other stock unit awards.

Cash bonuses received pursuant to Atmos's Annual Incentive Plan for Management can be converted to shares of stock at the option of the employee, pursuant to the Incentive Plan. The Commission initially approved the Incentive Plan in Case No. 1998-00509.¹

On May 1, 2002, Commission Staff requested additional information from Atmos in the form of a data request. The requested information was provided by Atmos on May 10, 2002.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that the issuance of up to 2,500,000 shares of common stock through Atmos's Incentive Plan is for lawful objectives within the corporate purposes of Atmos, is necessary and appropriate for and consistent with the proper performance of its service to the public, and is reasonably necessary and appropriate for such purposes and should therefore be approved.

IT IS THEREFORE ORDERED that:

1. Atmos is authorized to create and issue up to 2,500,000 shares of its common stock as set forth in the provisions and terms of its application.
2. Within 30 days of filing its Registration Statement with the Securities and Exchange Commission in conjunction with the issuance of the common stock, Atmos shall also file a copy of the Registration Statement with the Commission.

¹ Case No. 1998-00509, The Application of Atmos Energy Corporation, Through Its Division, Western Kentucky Gas Company of Owensboro, Kentucky, for an Order Authorizing the Creation and Issuance of 150,000 Shares of Common Stock Through Its Equity Incentive and Deferred Compensation Plan for Non-Employee Directors and 1,500,000 Shares Through Its 1998 Long-Term Incentive Plan.

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

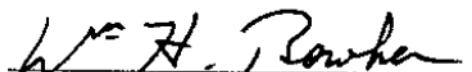
4. The proceeds from the transaction authorized herein shall be used only for the lawful purpose set out in the application.

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 20th day of May, 2002.

By the Commission

ATTEST:


Deputy Executive Director