

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE FINAL REPORT OF WESTERN KENTUCKY)	
GAS ON ITS HEDGING PROGRAM FOR THE)	
2001-2002 HEATING SEASON AND MOTION TO)	CASE NO. 2002-00093
CONDUCT A HEDGING PROGRAM FOR THE)	
2002-2003 HEATING SEASON)	

ORDER

On April 15, 2003, Atmos Energy Corporation, formerly Western Kentucky Gas, (Atmos) filed its final report on its hedging program for the 2002-2003 winter heating season. The sole intervenor in this proceeding is the Attorney General of the Commonwealth of Kentucky, through his Office of Rate Intervention (AG). Atmos s report did not propose a specific hedging plan for the 2003-2004 winter heating season, citing a recommendation in the Commission s recent gas cost management audit, which suggested that the Commission meet with Atmos and the other local distribution companies to develop objectives for natural gas hedging programs.¹

Historically, Atmos has used storage as a natural hedge for approximately 50 percent of its winter supply and purchased the other 50 percent at market prices through the winter heating season. Atmos first employed a formal hedging plan for the 2001-2002 heating season during which it continued to rely on storage to supply 50 percent of the winter supply and hedged approximately 25 percent of its load with

¹ Administrative Case No. 384, An Investigation of Increasing Wholesale Natural Gas Prices and the Impacts of Such Increases on the Retail Customer Served by Kentucky s Jurisdictional Natural Gas Distribution Companies, Order dated July 17, 2001.

futures contracts. The plan implemented by Atmos for the 2002-2003 heating season provided for Atmos to employ both futures contracts and costless collars. Atmos continued its combination of relying on storage for 50 percent of its winter supply and hedging 25 percent of its winter supply. Atmos reported that it hedged 1,480,000 MMBtu using futures contracts at an average weighted price of \$3.776 and 1,490,000 MMBtu using costless collars at an average weighted ceiling of \$5.159. After accounting for transaction and premium costs, the total benefit to customers was \$3,618,385 during the past winter heating season.

Based on the evidence of record and being otherwise sufficiently advised, the Commission finds that Atmos's interim and final reports on its 2002-2003 hedging plan should be accepted.

IT IS THEREFORE ORDERED that:

1. Atmos's interim and final reports on its 2002-2003 hedging plan are accepted.
2. This case is closed and shall be removed from the Commission's docket.

Done at Frankfort, Kentucky, this 20th day of May, 2003.

By the Commission

ATTEST:


Executive Director