

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF ATMOS)	
ENERGY CORPORATION FOR AN)	
ORDER AUTHORIZING THE)	
IMPLEMENTATION OF A)	
\$2,200,000,000 UNIVERSAL SHELF)	CASE NO. 2004-00300
REGISTRATION FOR DEBT AND)	
EQUITY FINANCING)	

O R D E R

On July 30, 2004, Atmos Energy Corporation (“Atmos”) submitted its application seeking Commission approval to implement a \$2,200,000,000 universal shelf registration for debt and equity financing. Concurrent with its application, Atmos requested that the Commission grant it a deviation from 807 KAR 5:001, Section 6, which requires a financial exhibit covering operations for a 12-month period, ending not more than 90 days prior to the date of the application. On August 25, 2004, the Commission approved Atmos’s request to deviate, allowed Atmos to include financial results for a 12-month period ending March 31, 2004, and accepted the application for filing.

The proposed 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 remainder of the permanent financing for the acquisition of the business of TXU Gas Company;¹ the repayment of all or a portion of Atmos’s outstanding short-

¹ Common equity in the amount of \$236,000,000 was issued pursuant to a previous universal shelf registration that was approved by the Commission in Case No. 2002-00052 and is part of the permanent financing of the acquisition. Short-term debt in the approximate amount of \$1,690,000,000 has been issued to fund the remainder of the purchase price. The net proceeds from the proposed universal shelf registration will be used primarily for permanently financing the short-term portion of the purchase price.

term debt; the acquisition or construction of additional properties, as well as improvements to Atmos's existing utility plant; the refunding of higher coupon long-term debt as market conditions permit; and general corporate purposes. The \$2,200,000,000 universal shelf registration was filed with the Securities and Exchange Commission on August 31, 2004.

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. Atmos's goal is to maintain its debt to capitalization ratio within a range of 50-60 percent, with a reduction to 50-55 percent within five years. Atmos further states that it does not plan to implement the universal shelf registration in a manner that would materially affect such a target range. 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.

Upon the issuance of these securities, Atmos should notify the Commission of the interest rate alternative selected for the issue. It should explain how the alternative chosen represents the most reasonable interest rate available at the time of issuance. Atmos 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 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 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 \$2,200,000,000 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, Atmos 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. Atmos 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, Atmos shall include an explanation as to how the interest rate alternative chosen represents the most reasonable interest rate available at the time of 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 6th day of October, 2004.

By the Commission

ATTEST:

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke at the bottom.

Executive Director

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