

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE FINAL REPORT OF ATMOS ENERGY)	
CORPORATION ON ITS HEDGING)	
PROGRAM FOR THE 2004-2005 HEATING)	CASE NO. 2005-00175
SEASON AND MOTION TO CONDUCT A)	
HEDGING PROGRAM FOR THE 2005-2006)	
HEATING SEASON)	

O R D E R

On April 29, 2005, Atmos Energy Corporation (Atmos") filed the final report on its natural gas hedging activities for the 2004-2005 heating season. It also filed an application for approval to continue its hedging program for the 2005-2006 heating season, which will cover the period from November 2005 through March 2006. Atmos has had a Commission approved hedging program in place since June 2001; the most recent version was approved in July 2004 for the 2004-2005 heating season. On June 3, 2005, the Office of the Attorney General, through his Office of Rate Intervention ("AG"), requested intervention, which was subsequently granted. All parties were given an opportunity to file comments and/or request a hearing. No such comments or requests were received and the matter now stands submitted for a decision.

Atmos proposes to continue its hedging activities for the upcoming 2005-2006 heating season. The proposed hedging plan consists of futures and no-cost collars, which are the same hedging instruments used by Atmos for most of its hedged transactions during the 4 previous heating seasons. Atmos also indicated that it may soon file a hedging proposal for the winter period of 2006-2007.

Atmos plans to supply approximately 66 percent of its winter gas requirements from company owned storage and pipeline storage. The remaining required winter volumes will be divided between market purchases and financial hedges with no floor for its hedged purchase volumes. Any financial hedging transactions will be executed between the time of Commission approval of the plan and October 31, 2005. Atmos will continue to file interim and final reports on its hedging activities as required by the Commission in its approvals of Atmos's previous hedging programs.

Although a hedging program is not designed to produce the lowest purchase cost, Atmos's report shows that its customers experienced approximately \$307,000 in savings during the last winter heating season as a result of its hedging program. Atmos believes that the hedging program has helped stabilize gas costs for customers, which has been the Commission's main stated objective, both in Administrative Case No. 384¹ and in past hedging plan cases. We agree. Atmos's substantial storage gas and its hedging program can provide approximately 80 percent of its winter gas needs at costs that are not subject to the market pressures that can occur during the winter heating season. We agree with Atmos that its hedging programs have addressed the Commission's concerns regarding price stability for retail customers and that the program's costs have not exceed its benefits.

Based on the evidence of record and being otherwise sufficiently advised, the Commission finds that:

¹ Administrative Case No. 384, An Investigation of Increasing Wholesale Natural Gas Prices and the Impact of Such Increases on the Retail Customers Served by Kentucky Jurisdictional Natural Gas Distribution Companies, Order dated January 30, 2001.

1. Atmos's report on its natural gas hedging activities for the 2004-2005 heating season should be accepted.

2. Atmos's request to continue its natural gas hedging plan through March 31, 2006 should be approved.

3. Atmos should file interim and final reports on its hedging activities as required by the Commission in its approvals of Atmos's previous hedging programs.

IT IS THEREFORE ORDERED that:

1. Atmos's report on its natural gas hedging activities for the 2004-2005 heating season is accepted.

2. Atmos's application to continue its natural gas hedging plan through March 31, 2006 is approved.

3. Atmos shall file interim and final reports as required by the Commission in its approvals of Atmos's previous hedging programs.

Done at Frankfort, Kentucky, this 20th day of July, 2005.

By the Commission

ATTEST:


Executive Director