



RE-DACTED COPY

November 30, 2011

Mr. Jeff Derouen, Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, KY 40601

Subject: KPSC Case No. 2007-00551  
Interim Hedge Report

RECEIVED

NOV 30 2011

PUBLIC SERVICE  
COMMISSION

Dear Mr. Derouen:

Atmos Energy Corporation (Company) herewith submits an original non re-dacted and ten (10) re-dacted copies of the interim hedge report pursuant to the Ordering Paragraph 4 of the Commission's Order dated April 8, 2008 in the above referenced proceeding. Exhibits A-C, E and F are CONFIDENTIAL and will be filed with a petition of confidentiality.

Please contact either myself at 270.685.8024 or Len Matheny at 270.685.8062 if the Commission or Staff has any questions regarding the enclosed report.

Sincerely,

A handwritten signature in black ink that reads "Mark A. Martin".

Mark A. Martin  
Vice President, Rates & Regulatory Affairs

Enclosures

cc: Randy Hutchinson  
Doug Walther  
Don Erickson

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

THE INTERIM REPORT OF ATMOS ENERGY CORPORATION  
ON ITS HEDGING PROGRAM FOR THE 2011-2012  
HEATING SEASON

Case No. 2007-00551

**PETITION FOR CONFIDENTIALITY OF SCHEDULES  
TO ATMOS' INTERIM HEDGING REPORT**

Atmos Energy Corporation ("Atmos Energy") respectfully petitions the Kentucky Public Service Commission ("Commission"), pursuant to 807 KAR 5:001 Section 7, and all other applicable law, for confidential treatment of the attached schedules to Atmos Energy's Interim Hedging Report for the 2011-2012 heating season.

1. On April 8, 2008 the Commission entered an Order in this proceeding approving Atmos Energy's hedging program for a five (5) year period ending March 31, 2013. The Commission's Order further directed Atmos Energy to file interim and final hedging reports as required by the Commission in its approvals of Atmos' previous hedging programs.

2. The attachments to the Petition contain sensitive pricing information and confidential information about Atmos Energy's hedging strategies. Atmos Energy's hedging strategies (including the prices Atmos Energy would likely pay for hedging contracts under various market conditions) constitutes sensitive, proprietary information which if publicly disclosed could put Atmos Energy at a commercial disadvantage in future hedging negotiations. Prospective brokers of hedging devices would gain insight into how Atmos Energy is likely to react to changing market conditions in terms of what Atmos Energy might be willing to pay for hedging contracts. This information would not otherwise be available. Although the full extent to which Atmos Energy would be disadvantaged in future negotiations is difficult to predict, it is clear that Atmos Energy would likely be disadvantaged in future negotiations if the information contained in the attachments to this Petition is made public.

3. Atmos Energy would not, as a matter of company policy, disclose information like that contained in the attachments to any person or entity, except as required by law or pursuant to a court order or subpoena. Atmos Energy's internal practices and policies are directed towards non-disclosure of the attached information. In fact, the information contained in the attached schedules is not disclosed to any personnel of Atmos Energy except those who need to know in order to discharge their responsibility. Atmos Energy has never disclosed such information publicly. This information is not customarily disclosed to the public and is generally recognized as confidential and proprietary in the industry. The Commission has historically granted Atmos Energy confidential protection to information concerning the actual price being paid by Atmos Energy to individual marketing companies and other suppliers of natural gas.

4. There is no significant interest in public disclosure of the information contained in the attached schedules. Any public interest in favor of disclosure of the information is out weighed by the competitive interest in keeping the information confidential.

5. The information contained in the attached schedules is also entitled to confidential treatment because it constitutes a trade secret under the two prong test of KRS 265.880: (a) the economic value of the information is derived by not being readily ascertainable by other persons who might obtain economic value by its disclosure and (b) the information is the subject of efforts that are reasonable under the circumstances to maintain its secrecy. The economic value of this information is derived by Atmos Energy maintaining the confidentiality of the information since prospective brokers could obtain economic value by its disclosure.

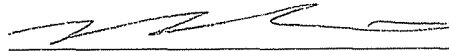
6. Pursuant to 807 KAR 5:001, Section 7 (3), temporary confidentiality of the attached schedules should be maintained until the Commission enters an order as to this Petition. Once the order regarding confidentiality has been issued, Atmos Energy would have twenty (20) days to seek alternative remedies pursuant to 807 KAR 5:0001, Section 7 (4).

7. In Atmos Energy's previous hedging cases, the Commission has granted confidential protection to

the same type of information for which confidential protection is now requested.

WHEREFORE, Atmos Energy petitions the Commission to treat as confidential the attached schedules consisting of \_\_\_\_ pages and marked as "CONFIDENTIAL".

Respectfully submitted this 29<sup>th</sup> day of November, 2011.

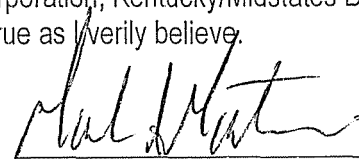


Mark R. Hutchinson  
611 Frederica Street  
Owensboro, Kentucky 42301

Douglas Walther  
ATMOS ENERGY CORPORATION  
PO Box 650250  
Dallas, Texas 75265

#### VERIFICATION

I, Mark A. Martin, being duly sworn under oath state that I am Vice President of Rates and Regulatory Affairs for Atmos Energy Corporation, Kentucky/Midstates Division, and that the statements contained in the foregoing Petition are true as I verily believe.

  
\_\_\_\_\_  
Mark A. Martin

#### CERTIFICATE OF SERVICE

I hereby certify that on the 29th day of November, 2011 the original of this Petition, with the Confidential Information for which confidential treatment is sought, together with ten (10) copies of the Petition without the confidential information, were mailed to the Kentucky Public Service Commission, 211 Sower Boulevard, P.O. Box 615, Frankfort, Kentucky 40206, and a redacted copy was also sent by facsimile transmission to the Commission. .



Mark R. Hutchinson

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

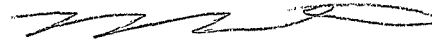
THE INTERIM REPORT OF ATMOS ENERGY CORPORATION  
ON ITS HEDGING PROGRAM FOR THE 2011-2012  
HEATING SEASON

Case No. 2007-00551

**MOTION TO ACCEPT INTERIM REPORT OF HEDGING PROGRAM  
FOR THE 2011-2012 HEATING SEASON**

Comes now, Atmos Energy Corporation ("Atmos Energy") and pursuant to the Commission's Order of April 8, 2008, files herewith its Interim Report for the 2011-2012 Heating Season identifying, inter alia, gas costs realized under Atmos' hedging program. Atmos Energy respectfully moves the Commission to accept the attached Interim Hedging Report for the 2011-2012 Heating Season.

Respectfully submitted this 29th day of November, 2011.



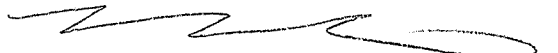
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Mark R. Hutchinson

**ATMOS ENERGY CORPORATION  
KENTUCKY DIVISION  
INTERIM HEDGING REPORT  
CASE NO. 2007-00551**

The Kentucky Public Service Commission (“Commission”) requested in its Order in Case No. 2007-00551 that Atmos Energy Corporation (“Atmos Energy” or “Atmos”) provide the Commission with an interim hedging report. The report is to follow the requirements outlined in Case No. 1997-00513 to provide a brief narrative discussion of the factors that influenced Atmos Energy’s purchasing decisions, including, but not limited to:

1. Futures prices at the time of purchasing decisions
2. Market price trends at the time of purchasing decisions
3. Market price forecasts at the time of purchasing decisions
4. Nationwide storage levels, and Atmos’ own on-system storage levels, at the time of purchasing decisions
5. Data summary of all hedging transactions
6. Hedge transactions accounting entries

**Atmos Energy’s Hedging Strategy**

Atmos Energy’s management, based on its experience in the past and upon direction from the Commission, developed the following set of parameters under which a hedging program would be initiated. These parameters were put into place before the first purchase was made. The parameters for winter 2011-12 were:

- a. Hedging term is for up to two winter seasons (November through March).
- b. Financial hedges would consist of swaps.
- c. Upon completion of the 2011 implementation period a minimum of 0% and a maximum of 50% of normalized expected purchases net of storage will be hedged for each 2011-12 winter month.
- d. The hedging plan incorporates the most recent load stud volumes available. Plan volumes will be updated when a more current load study is available and the updated volumes materially impact the remaining non-hedged volume.
- e. The Kentucky public service commission will be notified of material variances from the plan.
- f. Atmos will enter hedging arrangements in response to changes in market conditions as directed in case no. 2003-00192. For winter 2011-12 purchases will be made from April 2010 through October 2010 and April 2011 through October 2011. The two year implementation will allow Atmos to weigh the price across the projected purchase periods. Following advice from Atmos’ consultant, Gelber and Associates, Atmos will adjust the timing and volumes of hedge instrument purchases.

## **Atmos Energy's Purchasing Decisions**

Exhibit A summarizes hedging transactions, dates and details including forecasts of winter gas prices available at the time of the transactions. Market conditions and the forecasts summarized on the exhibit are discussed below. Atmos executed Swap transactions following upticks in prices. Exhibit B provides a graphic summary of NYMEX daily settlement prices for the November 2011 through March 2012 winter strip during the summer 2010 implementation period (April 2010 through October 2010). Exhibit C provides a graphic summary of NYMEX daily settlement prices for the November 2011 through March 2012 winter strip during the summer 2011 implementation period (April 2011 through October 2011). The points at which Atmos executed futures transactions are also displayed.

## **Market Conditions**

Exhibit C (April 2011 through October 2011) shows the winter 2011-12 strip moving in a similar pattern the winter 2010-11 strip experienced during April 2010 through October 2010. From April 2011 the winter strip began trading at \$5.05 and through mid-July it traded in a fairly tight \$0.65 range between \$5.23 and \$4.58. From July 18 the strip traded steadily downward with some small upward movement that ended up being mere "noise" and not a true change in direction of the overall trend and by the end of October it declined to \$3.83. The fundamental conditions have remained fairly consistent over the past two years with increased production (mainly from shale basins), record storage levels and economic challenges limiting demand growth. U.S. dry production has averaged 62 Bcf per day through August (latest the EIA had available at this time) compared to 55, 56 and 59 Bcf per day for 2008, 2009 and 2010 (respectively). The latest EIA natural gas storage report for week ending November 11, 2011 puts working gas in the ground at 3.85 trillion cubic feet (Tcf), a new all-time high, 15 Bcf higher than the previous record of 3.84 Tcf. Please see Exhibit D for a chart showing current storage levels (blue line) in relation to the previous five-year range (gray area).

Atmos layered in winter season 2011-2012 hedges totaling 956,100 MMBtu on six dates between April 6, 2010 and October 6, 2010 and three dates between April 20, 2011 and July 18, 2011 at a weighted average price of \$5.378. No transactions were executed after July 18, 2011 as no triggering event of a material uptick in the 2011-12 winter strip price occurred as prices steadily declined. All transactions for both implementation periods are summarized in Exhibit A, and details of the hedging transactions are provided in Exhibit E. On Exhibit E, the November 2011 delivery month totals are the actual settlement. December 2011 through March 2012 are mark-to-market amounts based on the NYMEX prices for those months as of November 10, 2011. Actual settlements will vary as the delivery months of December 2011 through March 2012 settle. Exhibit F provides the accounting entries made from April 2011 through October 2011.

### **Impact of Atmos Energy Storage**

Atmos develops seasonal summer and winter supply plans which project its storage injection and withdrawal levels. Historically, Atmos has planned to inject on essentially a ratable basis, both Atmos owned storage and pipeline storage, across the injection season (April through October). Withdrawals are similarly scheduled across the winter months; variances from normal weather may cause differentials between planned storage withdrawals and actual withdrawals. Therefore, specific Atmos storage levels are not a factor in determining hedging purchase decisions.



Case No. 2007-00551

Exhibit A

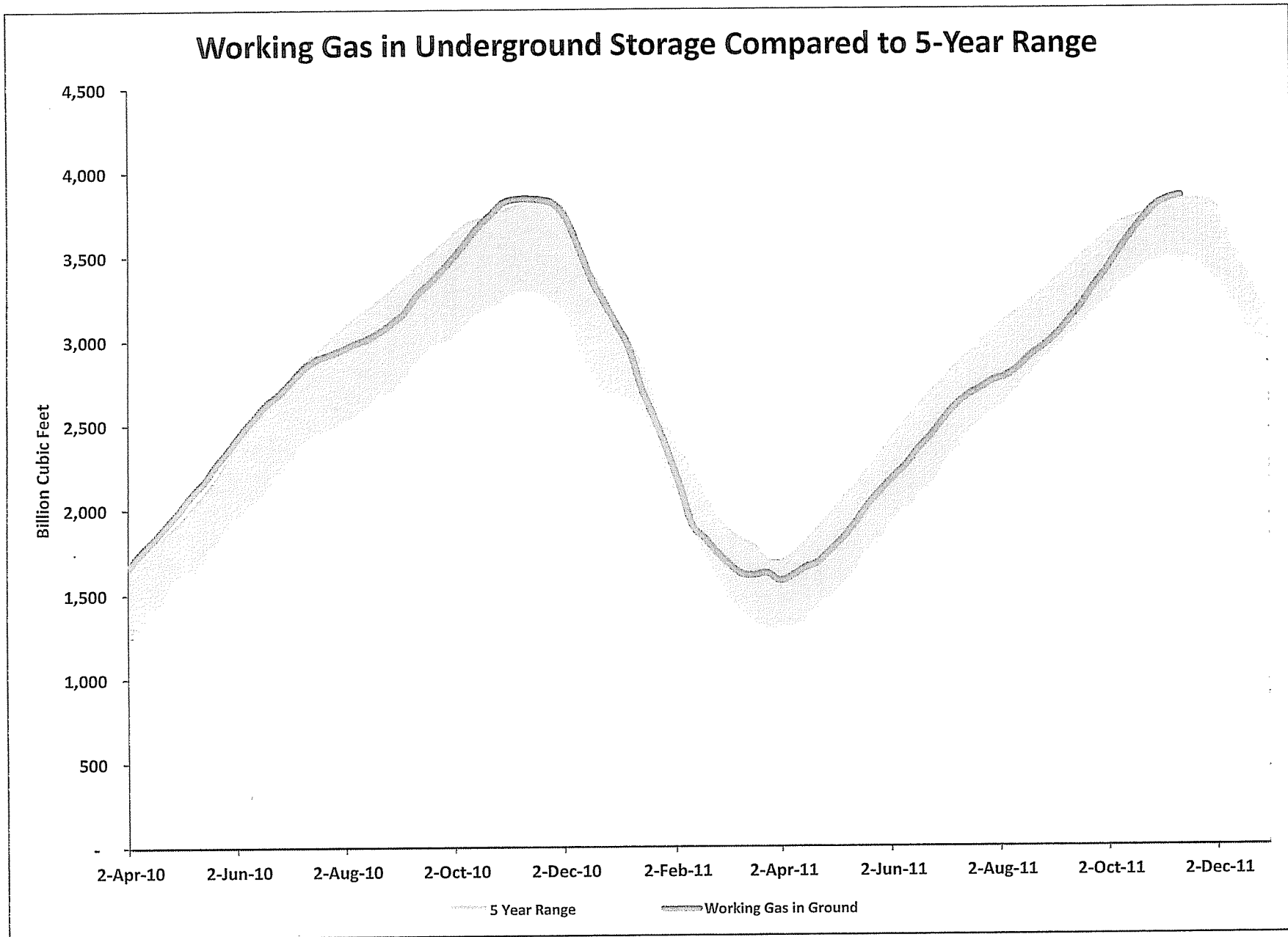
ATMOS ENERGY CORPORATION  
SUMMARY OF HEDGE TRANSACTIONS  
WINTER 2011-12

Date	Instrument	Contract Month	Transaction Price	NMMEX Close Price	Unweighted Mkt Forecast**
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**NYMEX 2011-12 Winter Strip**  
Apr 10-Oct 10

**NYMEX 2011-12 Winter Strip**

Apr 11-Oct 11



*Atmos Energy Corporation - Hedging Report*

Regulatory Contract

Market Price Date: 11/10/2011

Transaction Date: 11/11/2011

*Delivery Month is between 11/1/2011 and 3/1/2012 and Transaction Date is less than or equal to 11/11/2011 and State is equal to Kentucky  
This report contains all subreports.*

*Delivery Month: 11/1/2011*

*Futures/Swaps*

<i>Transaction Date</i>	<i>Counter Party Name</i>	<i>Buy Sell</i>	<i>Delivery Month</i>	<i>Volume</i>	<i>Transaction Price</i>	<i>Transaction Fee</i>	<i>Total Price</i>	<i>Market Price</i>	<i>Market Value</i>	<i>Market Index:</i>	<i>Confirmation Number</i>
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*Delivery Month: 12/1/2011*

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*Futures/Swaps*

<i>Transaction</i>	<i>Buy</i>	<i>Delivery</i>	<i>Transaction</i>	<i>Transaction</i>	<i>Total</i>	<i>Market</i>	<i>Market</i>	<i>Confirmation</i>	
<i>Date</i>	<i>Sell</i>	<i>Month</i>	<i>Volume</i>	<i>Price</i>	<i>Fee</i>	<i>Price</i>	<i>Price</i>	<i>Market Index:</i>	<i>Number</i>

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1/1/2012

	<i>Volume</i>	<i>Weighted Avg.</i>	<i>Premium Value</i>	<i>Market Value</i>	<i>Total Value</i>
<i>Futures Totals</i>	291,500	\$5.4811	\$0	(\$505,481)	(\$505,481)
<i>Delivery Month Totals</i>	291,500	\$5.4811	\$0	(\$505,481)	(\$505,481)

*Delivery Month: 2/1/2012*

*Futures/Swaps*

<i>Transaction Date</i>	<i>Counter Party Name</i>	<i>Buy Sell</i>	<i>Delivery Month</i>	<i>Volume</i>	<i>Transaction Price</i>	<i>Transaction Fee</i>	<i>Total Price</i>	<i>Market Price</i>	<i>Market Value</i>	<i>Market Index:</i>	<i>Confirmation Number</i>
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*Delivery Month: 3/1/2012*

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*Futures/Swaps*

<i>Transaction Date</i>	<i>Counter Party Name</i>	<i>Buy Sell</i>	<i>Delivery Month</i>	<i>Volume</i>	<i>Transaction Price</i>	<i>Transaction Fee</i>	<i>Total Price</i>	<i>Market Price</i>	<i>Market Value</i>	<i>Market Index:</i>	<i>Confirmation Number</i>
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