MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. GR-2007-0403, Atmos Energy Corporation

FROM: David M. Sommerer, Manager - Procurement Analysis Department
Phil Lock, Regulatory Auditor - Procurement Analysis Department
Kwang Choe, Ph.D., Regulatory Economist - Procurement Analysis Department
Derick Miles, Utility Engineering Specialist - Procurement Analysis Department
Lesa Jenkins, P.E., Regulatory Engineer - Procurement Analysis Department

/s/ David M. Sommerer, 12/29/2008	/s/ Bob Berlin, 12/29/2008
Project Coordinator, Date	General Counsel's Office, Date

SUBJECT: Staff's Recommendation in Atmos Energy Corporation's
2006-2007 Actual Cost Adjustment Filing

DATE: December 29, 2008

The Procurement Analysis Department (Staff) has reviewed Atmos Energy Corporation's (Atmos or Company) 2006-2007 Actual Cost Adjustment (ACA) filings for the former territories of Associated Natural Gas (ANG), (Areas S, K, and B), United Cities Gas (Areas P and U) and Greeley Gas (Area G). These filings were made on October 17, 2007, for rates to become effective on November 1, 2007, in all areas. These filings were docketed as Case No. GR-2007-0403.

Staff's analysis consisted of a review and evaluation of the Company's billed revenues and its natural gas costs for the period of September 1, 2006, to August 31, 2007, for Areas S, K, and B, and June 1, 2006, to August 31, 2007, for Areas G, P and U. The 15-month ACA period for Areas G, P and U was implemented to comply with the Company's tariffs effective April 1, 2007. A comparison of billed revenue recovery with actual costs will yield either an over-recovery or under-recovery of the ACA costs. Staff performed an examination of Atmos' gas purchasing practices to determine the prudence of the Company's purchasing decisions. Staff conducted a hedging review to determine the reasonableness of the Company's hedging plans for this ACA period. Staff also conducted a reliability analysis of the Company's estimated peak day requirements and capacity levels to meet those requirements.

Areas S, K, and B are separated into the following districts: Southeast Missouri (SEMO or Area S), Kirksville (Area K), and Butler (Area B). The SEMO, Kirksville and Butler Districts served an average of 33,604; 5,808 and 3,670 firm customers, respectively. Operationally, Areas S, K, and B are separated into the following service areas: (1) Area S includes Jackson, Piedmont, and Southeast Missouri Integrated. Jackson is served by Natural Gas Pipeline Co. of America (NGPL), Piedmont is served by Mississippi River Transmission Corp. (MRT), and Southeast Missouri Integrated is served by Texas Eastern Transmission, LP (TETCO) and Ozark Gas Transmission, LLC (OGT); (2) Area K, served by ANR Pipeline Co. (ANR); and (3) Area B, served by Panhandle Eastern Pipe Line Co., LP (PEPL).

Areas P and U are separated into the Consolidated District (Area P and part of Area U) and the Neelyville District (the rest of Area U). The Consolidated District, served by Panhandle Eastern Pipe Line Co., LP (PEPL), served an average of 13,570 firm customers in the former districts of Hannibal, Canton, Bowling Green and Palmyra. The Neelyville District, served by Natural Gas Pipeline Co. of America (NGPL) and Texas Eastern Transmission, LP (TETCO), served an average of 439 firm customers, in and around Neelyville, Naylor and Qulin.

Area G, served by Southern Star Central Gas Pipeline, Inc. (SSC), served an average of 437 customers, in and around Rich Hill and Hume.

This memorandum is organized into four sections. Each section begins with detailed explanations of Staff's concerns and recommendations and concludes with a recommendation section. The four sections are:

Section	Begins on Page:	Recommendation on Page:
Section 1. Atmos Energy Corporation, General	2	11
Section 2. Areas S, K, and B (formerly Associated Natural Gas)	12	13
Section 3. Areas P and U (formerly United Cities Gas)	14	14
Section 4. Area G (formerly Greeley Gas)	15	16

SECTION 1. ATMOS ENERGY CORPORATION, GENERAL

RELIABILITY ANALYSIS AND GAS SUPPLY PLANNING

As a gas corporation providing natural gas service to Missouri customers, Atmos is responsible for conducting reasonable long-range supply planning and the decisions resulting from that planning. One purpose of the ACA process is to examine the reliability of the Local Distribution Company's (LDC) gas supply, transportation, and storage capabilities. For this analysis, Staff reviews the LDC's plans and decisions regarding estimated peak day requirements and the capacity levels to meet those requirements, peak day reserve margin and the rationale for this reserve margin, and natural gas supply plans for various weather conditions.

Atmos' reliability analyses are for the service areas of Butler, Kirksville, Jackson, Piedmont, Southeast Missouri Integrated, Greeley, Consolidated (Hannibal, Canton, Palmyra, Bowling Green), and Neelyville. Jackson and Piedmont are included in the SEMO District for purposes of the tariff, but are separated in the reliability review because Jackson and Piedmont are each served by separate pipelines and the capacity requirements must be evaluated for each pipeline.

Staff has the following comments and concerns regarding the Company's Reliability Analyses and Gas Supply Planning:

1. Atmos Peak Day Analyses

   a. Estimated Requirements

   The Company used a linear-splice methodology, in which the cut-off of heating degree days (HDDs) was used to create two models which were aggregated or "spliced" together. The same methodology was used in the 2005/2006 ACA Review. The Company has informed Staff that E-views software will be used by the Company for the 2007/2008 ACA Review period. There will be no more "linear splice" methodology after the 2006/2007 ACA. Although Staff has concerns with how Atmos "splices" the baseload and heatload factors from the two models, the percentage difference in Staff's review for the peak day estimates is minimal.

   b. Reserve Margins

   The reserve margin for several of the service areas is high. Because the Small Customer Transportation rates for the pipelines in these service areas only charge for the pipeline capacity that is actually used, the reserve margins in these areas are not a concern. Customers are insured with these reserve margins but are only paying for capacity that is used.

   The Atmos' original submitted 2006/2007 reserve margin for the Kirksville area showed a peak day of 9,058 dth and a 27% reserve margin. This is a reduction of more than 7% reserve margin from the prior ACA review for an area where Atmos expects no growth. Staff's review of the Kirksville analysis showed the peak day estimate should be between 8,200 and 8,600 dth. Atmos revised its peak day for Kirksville from 9,058 dth to 8,605 dth because of an error in the spreadsheet used to calculate the peak day estimate. The error was limited to the Kirksville area only and could not be found on any other spreadsheets used to calculate peak day. Although the reserve margin for a peak day is high for this service area, Atmos ** ________
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   Staff recalculated the reserve margin for the Jackson/NGPL system. Because the ** ____
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c. Stateline Meter Problems

Atmos estimates growth of 0% for the 2007/2008 and 2008/2009 ACA Review periods for the Stateline (Greeley) service area service Rich Hill and Hume. The Company discovered that the Stateline meter was running backwards in early 2007. Equipment has been installed to prevent this from happening in the future. This is the second time in 3-years Atmos has noted problems with daily meter reads for this system. Staff will continue to monitor this issue.

2. Supply Planning and Reliability

a. Agency Agreements for Management of Storage

The agent for the Piedmont/MRT area from November 2006 to August 2007 was Atmos Energy Marketing (AEM), which is a marketing affiliate for Atmos Energy Corporation. Within this agreement, it states, ** **

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b. Propane Plant

** ** The repairs to the propane plant were completed in October 2008. Staff visited the facility on November 19, 2008 and is currently in discussions with the Company regarding the reliability of this facility.

AFFILIATE TRANSACTIONS

** ** The FERC noted the following in its June 19, 2008 press release in Docket No. RM08-1 regarding Asset Management Arrangements: *Asset management arrangements represent a relatively new development in the natural gas industry. These arrangements are contractual relationships where a*

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party agrees to manage gas supply and delivery arrangements, including transportation and storage capacity, for another entity.

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As part of Staff's examination of the prudence of the Company's purchasing decisions, Staff reviewed the Company's RFP process as it pertained to the procurement of gas supply services, including asset management and transactions with its affiliate, in this period and has the following comments:

1. ** ____________________ **

Staff recommends Atmos clarify all future gas supply RFP language regarding the receipt point and the treatment of field transport charges to the receipt point.

2. ** ____________________ **

Staff recommends Atmos clarify all future gas supply RFP language to indicate whether Atmos is using a flat charge for fuel and L&U (an adder Atmos will absorb) or whether the bidder is to include the cost of fuel and L&U in its bid.

3. ** ____________________ **

Staff recommends Atmos clarify all future gas supply RFP language to: (1) indicate whether all or only a portion of the gains from capacity release and storage arbitrage are flowed back to the LDC, (2) explain reliability safeguards for storage arbitrage, and (3) explain, when there is a difference in the real (actual) and virtual (AMA invoiced) storage, the unwinding and valuation methodology as it pertains to cost and volumes of natural gas. Additionally the ultimate signed contract must agree with the provisions in the RFP proposal regarding capacity release and the unwinding provisions.

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4. ** **

5. ** ** Atmos should maintain this information because such documentation is required by the affiliated transactions rule, 4 CSR 240-40.015. The rule also requires a determination of the lower of fair market value or the fully distributed cost when an LDC buys from its affiliate.

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[redacted]

6. [redacted] **

POSSIBLE VIOLATIONS OF FERC POSTING AND COMPETITIVE BIDDING REGULATIONS FOR PREARRANGED RELEASED FIRM CAPACITY

The Staff noted the following pertaining to released capacity in the 2008 Atmos 10k filed with the Securities and Exchange Commission. Staff will continue to monitor this issue for possible refunds to customers.

> We are currently under investigation by FERC for possible violations of FERC's posting and competitive bidding regulations for pre-arranged released firm capacity on interstate natural gas pipelines.
>
> Although we are currently taking action to structure current and future transactions to comply with applicable FERC regulations, we are unable to predict the impact that these rules or any future regulatory activities of FERC and other federal agencies will have on our operations or financial results. Changes in regulations or their interpretation or additional regulations could adversely affect our business or financial results.
>
> In December 2007, the Company received data requests from the Division of Investigations of the Office of Enforcement of the Federal Energy Regulatory Commission (the "Commission") in connection with its investigation into possible violations of the Commission's posting and competitive bidding regulations for prearranged released firm capacity on natural gas pipelines. We have responded timely to two sets of data requests received from the Commission and are fully cooperating with the Commission during this investigation.
>
> Subsequent to responding to the second set of data requests, the Commission agreed to allow the Company to conduct our own internal investigation into compliance with the Commission's rules, and we will provide the results of this internal investigation to the Commission upon its completion. We currently are unable to

predict the final outcome of this investigation or the potential impact it could have on our financial position, results of operations or cash flows.

HEDGING

Atmos implemented a hedging plan using the Company's General Regulated Utility Operations Risk Management Control Guidelines. The Risk Management activities may include both physical transactions and financial transactions. The Company's hedging plan for the winter 2006-2007 included storage and financial hedging instruments. Based on expected requirements for Missouri for the winter 2006-2007, the Company used swap agreements, over-the-counter instruments that allow the Company to fix a price in exchange of cash flows, for financial hedging. These, combined with storage use, served the Company's hedging purpose to stabilize the volatility of natural gas prices, not necessarily achieving the lowest possible cost. The Company's goal is to obtain up to 50% of expected normalized purchased gas requirements through financial instruments. These financial hedging instruments, combined with storage use, were expected to cover 69% of normal requirements during the winter months (November 2006 through March 2007). The financial hedging instruments and storage combined to cover 68% of the volumes actually delivered to customers for November 2006 through March 2007. This is equivalent of hedging 58% of normal winter requirements with storage and the financial instruments. The financial hedging purchases for November 2006 through March 2007 were made between late May and October 2006. The Company subscribes to several market publications which provide updates on price estimates by industry analysts as well as to ProphetX, an internet-based service that provides real-time New York Mercantile Exchange (NYMEX) futures quotes, weather and natural gas industry news.

Given the nature of the hedging strategy adopted by the Company, using various financial instruments in order to ensure successful and prudent hedging, the Staff recommends the Company continue to monitor the market movements diligently and look into the possibility of expanding its gas portfolio to include physical hedges, for example, fixed price supply contracts and /or hedges that more closely track physical price risk, in addition to storage. There should be a strong relationship between the physical price risk and the hedges used to mitigate price risk. The Company should also continue to employ disciplined, as well as discretionary, approaches in its hedging practices. In addition, the Company should consider looking at longer term time horizons for establishing hedges.

	Hedged % of Normal
Greeley	48%
Kirksville	71%
Butler	66%
SEMO	46%
Consolidated	63%
Neelyville	33%
(Note: Difference generally is attributable to storage availability)	

HEDGING COST ALLOCATION (ALL DISTRICTS)

Atmos implemented a hedging plan for the 2006-2007 winter based on expected requirements for Missouri customers. Hedging volumes are allocated to each of Missouri's Districts based on purchased volumes. During the month of November 2006, hedging costs allocated to the Kirksville District were misallocated at 22.52% of the total Missouri volumes. Staff believes the proper allocation should be 8.75%. The allocation percentages for all other districts increased as a result of the revised allocation to Kirksville. Staff proposes the November hedging costs be adjusted as follows: Kirksville ($7,800), SEMO $5,700, Consolidated $1,388, Neelyville $14, Greeley $73 and Butler $625.

CASH-OUT PROVISIONS

The Company's PGA tariffs (tariff sheet 52) include a monthly cash-out provision for its transportation customers. Imbalances are cashed-out (priced out) on a monthly basis thereby reconciling the imbalances on a monthly basis. During Staff's review of Atmos transportation customer accounts, Staff believes errors were made in the pricing of these customers' imbalance activity. Many cash out transactions were priced at the same price, regardless if the imbalance was positive or negative. Staff made an adjustment to the cash-out calculations of several customer accounts. On the Kirksville District, an additional ($59) is due Atmos. These errors also occurred on the SEMO and Consolidated Districts resulting in an additional ($2,916) due Atmos on the SEMO District and an additional ($3,290) due Atmos on the Consolidated District. These are all transactions that occurred in the 2006-2007 ACA period. Further corrections will be made by Atmos for transactions that occurred in the 2007-2008 ACA.

Effective May, 2008, Atmos issued bill inserts to those affected customers notifying them of the changes. This includes billings from September 2006 to January 2008.

RECOMMENDATION – ATMOS ENERGY CORPORATION, GENERAL

The Staff recommends the Commission issue an order requiring Atmos to:

1. Respond to the issues in the Reliability Analysis and Gas Supply Planning section of this Memorandum. (There is no financial adjustment related to Reliability or Supply Planning for this ACA review period.)

2. Adjust the gas costs for the Consolidated District (Areas P and U) by $100,715 as shown in Section 3 - Table 2 and by $3,243 for the Greeley District as shown in Section 4 -Table 3. Additionally, respond to the RFP issues and recommendations in the Affiliate Transaction section of this Memorandum.

3. Respond to Staff's comments in the Hedging section of this Memorandum.

4. Revise the hedging cost allocation to adjust hedging costs for the following: Kirksville ($7,800), SEMO $5,700, Consolidated $1,388, Neelyville $14, Greeley $73 and Butler $625. These adjustments are included in the tables located in Section 2 – Table 1, Section 3 – Table 2, and Section 4 – Table 3.

5. Adjust the cash-out amounts for the following: Kirksville ($59), Consolidated ($3,290) and SEMO ($2,916). These adjustments are included in the tables located in Section 2 – Table 1 and Section 3 – Table 2.

6. File a written response to the recommendations included herein within 30 days.

SECTION 2. AREAS S, K, AND B (formerly ANG)

BUTLER STORAGE

As was done in the 2005-2006 ACA, Atmos omitted certain Panhandle Trans Field commodity costs from September 2006 to April 2007 from their overall cost of storage injections. Atmos agrees these costs were inadvertently omitted from the storage cost calculation and should have been included as part of their overall storage injection costs. These Panhandle commodity costs increase the overall storage injection cost by $18,494, therefore Staff recommends storage costs on the Butler District should be reduced by $18,494 for firm sales customers.

CARRYING COSTS ON OVER- OR UNDER-RECOVERIES OF PGA/ACA COSTS

Using the current method effective 9-19-03, carrying costs are computed each month based on the average of the accumulated monthly over- or under-recoveries of all PGA related costs.

In its 2006-2007 PGA/ACA filing for Area S, the Company miscalculated the carrying costs on the under- and over-recoveries of PGA/ACA demand related costs for the SEMO District. According to the Company's tariff sheet 43 "Interest shall be computed based upon the average of the accumulated beginning and ending monthly over or under recoveries of all PGA related costs". The calculation of interest was instead based on the ending monthly balance. Staff recalculated the interest (carrying costs) based on the average monthly balance. Staff believes the proper carrying cost should total $41,167. Staff recommends Atmos reduce the SEMO demand under-recovery balance by $2,939 ($41,167 - $44,106).

RECOMMENDATION – AREAS S, K, AND B (formerly ANG)

The Staff recommends the Commission issue an order requiring Atmos to:

1. Adjust the ACA account balances in its next ACA filing to reflect the following Staff adjustments and to reflect the (over)/under-recovered ACA balances in the "Staff Recommended" column of the following table:

TABLE 1

Areas S, K, and B	**8-31-07 Ending Balances per Filing for 2006-2007**	**Staff Adjustments**	**Staff Recommended Ending Balances for 2006-2007**
SEMO District (Area S): Demand ACA	$1,172,896	($2,939) (E)	$1,169,957
Commodity ACA	($4,655,989)	($6,843) (A) ($65,834) (A) $5,700 (B) ($2,916) (C)	($4,725,882)
Kirksville District (Area K): Demand ACA	$45,963	$0	$45,963
Commodity ACA	($1,156,409)	$2,499 (A) ($35,297) (A) ($7,800) (B) ($59) (C)	($1,197,066)
Butler District (Area B): Demand ACA	$3,249	$0	$3,249
Commodity ACA	($719,693)	$37,839 (A) $34,214 (A) $625 (B) ($18,494) (D)	($665,509)

Notes to Staff Adjustments:

A) ACA beginning balances August 31, 2006 adjusted to prior year ending balances (Exhibit A)
B) Hedging Cost Allocation
C) Cash-out Provisions
D) Butler Storage
E) Carrying Costs

2. File a written response to the recommendations included herein within 30 days.

SECTION 3. AREAS P AND U (formerly UNITED CITIES GAS)

NEELYVILLE ALLOCATION

During the month of August 2006, the commodity cost allocation factor for the Neelyville District was 6.83%. This results in a cost allocation of $11,953 to Neelyville customers. From August 10 - 30, volumes were significantly overstated. After considerable inquiry, the Company has been unable to determine the cause for the questionable volumes in August 2006. Gas costs are allocated to Neelyville based on deliveries to Vandalia and Salem in Illinois and Neelyville in Missouri. Neelyville allocation percentages in this ACA and prior ACA's normally range from 2 - 4%. To establish a reasonable allocation percentage, Staff imputed volumes in August 2006 based on actual deliveries from August 1 - 9 and 31st (remaining month volumes were considerably higher than normal). Staff derived a 2.14% (295/13,758) allocation factor as a result of the imputed volumes. Staff believes gas commodity costs of $3,744 (2.14% x $174,948) should be allocated to Neelyville as a result.

As the deliveries were unusually high for Neelyville in August, this caused storage injection costs to be overstated for Neelyville. To coincide with Staff's revised allocation factor, Staff reduced Neelyville storage injection costs based on a 2.14% allocation factor. This results in a revised storage injection cost of $1,934 (13,516 x 2.14% = 289 x $6.6923).

With the revised gas commodity costs and storage injection costs, Staff believes gas commodity costs should be reduced by $8,209 ($11,953 - $3,744) and storage injection costs reduced by $4,243 ($6,177 - $1,934). In total, Staff proposes to reduce gas costs by $3,966 ($8,209 - $4,243) for customers on the Neelyville District.

SUPPLY COST ALLOCATION

During the month of July 2007, Atmos allocated BP gas supply to the Neelyville District utilizing the Altamont, Illinois delivery point. The proper gas supply allocation should have been obtained from the Vandalia, Illinois delivery point. Utilizing the Vandalia delivery point, Staff believes $3,483 ($156,910 x 2.22%) should have been allocated to the Neelyville customers compared to the filed allocation of $2,096. Staff recommends an increase of $1,387 ($3,483 - $2,096) to firm sales customers on the Neelyville District.

RECOMMENDATION – AREAS P AND U (formerly UNITED CITIES GAS)

The Staff recommends the Commission issue an order requiring Atmos to:

1. Adjust the ACA account balances in its next ACA filing to reflect the following Staff adjustments and to reflect the (over)/under-recovered ACA balances in the "Staff Recommended" column of the following table:

TABLE 2

(UNITED CITIES GAS) Areas P and U	**8-31-07 Ending Balances per Filing for 2006-2007**	**Staff Adjustments**	**Staff Recommended Ending Balances for 2006-2007**
Consolidated District: Demand ACA	($346,239)	$0	($346,239)
Commodity ACA	($1,493,288)	$0 (A) $1,388 (B) ($3,290) (C) ($100,715) (F)	($1,595,905)
Neelyville District: Demand ACA	($7,910)	($10) (A)	($7,920)
Commodity ACA	($56,277)	$376 (A) $14 (B) $1,387 (D) ($3,966) (E)	($58,466)

Notes to Staff Adjustments:
A) ACA beginning balances May 31, 2006 adjusted to prior year ending balances (Exhibit A)
B) Hedging Cost Allocation
C) Cash-out Provisions
D) Supply Cost Allocation
E) Neelyville Allocation (Commodity cost allocation – August 2006)
F) Affiliate Transactions

2. File a written response to the recommendations included herein within 30 days.

SECTION 4. AREA G (formerly GREELEY GAS)

GREELEY STORAGE

During August 2006, July 2007 and August 2007 Atmos transferred 2,731 dth, 2,022 dth and 542 dth of storage to its Kansas service territory. The transfers were included on the Company's filing as a withdrawal of gas. The withdrawal volumes were priced at the prior month weighted average cost of gas and the resulting withdrawal cost was included in the Company's filing. Staff believes these withdrawal costs should not be charged to the Missouri customers because the volumes were transferred to Kansas for their consumption. In its response to Data Request 95, the Company agrees these costs should be treated as a transfer and not charged to Missouri customers. The Company has provided support that the storage transfers for August 2006, July 2007 and August 2007, totaling $31,506, have been credited to the Company's books during the months of December 2007 and January 2008. Also in its response, the Company conducted similar transfers during

September 2007 and October 2007 (2007-2008 ACA) totaling $10,861 that were credited to the Company's books during the months of December 2007 and January 2008. Staff will review these adjustments in the Company's 2007-2008 ACA filing. For the 2006-2007 ACA, this adjustment reflects a $31,506 ($15,688 + $12,481 + $3,337) reduction of gas costs to Missouri customers on the Greeley system.

RECOMMENDATION – AREA G (formerly GREELEY GAS)

The Staff recommends the Commission issue an order requiring Atmos to:

1. Adjust the ACA account balances in its next ACA filing to reflect the following Staff adjustments and to reflect the (over)/under-recovered ACA balances in the "Staff Recommended" column of the following table:

TABLE 3

(GREELEY) Area G	8-31-07 Ending Balance per 2006-2007 Filing	Staff Adjustments	Staff Recommended Ending Balances for 2006-2007
Total ACA Balance	$54,206 (E)	($56,217) (A) $73 (B) ($31,506) (C) ($3,243) (D)	($36,687)

Notes to Staff Adjustments:
A) ACA beginning balances May 31, 2006 adjusted to prior year ending balances (Exhibit A)
B) Hedging Cost Allocation
C) Greeley Storage
D) Affiliate Transactions
E) Combined demand balance of $70,831 + commodity balance of ($16,625). No interruptible customers on Area G.

2. File a written response to the recommendations included herein within 30 days.

EXHIBIT A

SUMMARY OF PRIOR PERIOD ADJUSTMENTS

Prior Period Adjustments **Areas S, K, and B**	**8/31/06 Ending Balances per Filing for 2005-2006**	**Commission Approved Adjustments**	**8-31-06 Revised Ending Balances For 2005-2006**
SEMO District (Area S): Firm ACA	($1,510,722)	($65,834) (A) (A1)	($1,576,556)
Interruptible ACA	$692,293	($6,843) (A)	$685,450
Kirksville District (Area K): Firm ACA	($1,218,137)	($35,297) (A) (A2)	($1,253,434)
Interruptible ACA	($203,724)	$2,499 (A)	($201,225)
Butler District (Area B): Firm ACA	($405,974)	$66,725 (A) (A3) ($32,511) (A)	($371,760)
Interruptible ACA	($135,623)	$37,839 (A)	($97,784)

Notes to Staff Adjustments:

(A) ACA beginning balances August 31, 2006, adjusted to prior year ending balances. Balances were revised for Company adjustments A1, A2 & A3 included in the 2006-2007 ACA (noted below).

(A1) $117 + ($656) = ($539) included in 2006-2007 ACA

(A2) ($223) + $229 = ($4) included in 2006-2007 ACA

(A3) $107 + $44 = $151 included in 2006-2007 ACA

Prior Period Adjustments	**5/31/06 Ending Balances per Filing for 2005-2006**	**Commission Approved Adjustments**	**5-31-06 Revised Ending Balances For 2005-2006**
Consolidated District (Areas P and U): Demand ACA	($404,016)	$0 (A)	($404,016)
Commodity ACA	($892,043)	$0 (A)	($892,043)
Neelyville District: Demand ACA	($5,988)	($10) (A)	($5,998)
Commodity ACA	$54,835	$376 (A)	$55,211
Greeley District (Area G): Total ACA Balance	$97,547	($56,217) (A)	$41,330

Notes to Staff Adjustments:

(A) ACA beginning balances May 31, 2006, adjusted to prior year ending balances.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Atmos Energy Corporation's)
Purchased Gas Adjustment Tariff Filing) Case No. GR-2007-0403

AFFIDAVIT OF DAVID M. SOMMERER

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

David M. Sommerer, being of lawful age, on his oath states: that as a utility Regulatory Manager in the Procurement Analysis Department of the Utility Services Division, he has participated in the preparation of the foregoing report, consisting of 17 pages to be presented in the above case; that he has verified that the following Staff Memorandum was prepared by himself and Staff of the Commission that have knowledge of the matters set forth as described below; that he has verified with each of the Staff members listed below that the matters set forth in the Staff Memorandum are true and correct to the best of his knowledge and belief,

Kwang Y. Choe: Hedging
Lesa Jenkins: Reliability Analysis and Gas Supply Planning
Phil S. Lock: Billed Revenues and Actual Gas Costs
Derick Miles: Reliability Analysis and Gas Supply Planning
David M. Sommerer: Affiliate Transactions

that he has knowledge of the matters set forth in such report and that such matters are true to the best of his knowledge and belief.

David M. Sommerer
David M. Sommerer

Subscribed and sworn to before me this 29th day of December 2008.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: December 08, 2012
Commission Number: 08412071

D Suzie Mankin
Notary Public