

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of Atmos Energy)	
Corporation's Purchased Gas Adjustment)	
Tariff Filings to be Considered in its)	Case No. GR-2003-0150
2001-2002 Actual Cost Adjustment)	

UNANIMOUS STIPULATION AND AGREEMENT

COME NOW Atmos Energy Corporation ("Atmos" or "Company"), the Staff of the Missouri Public Service Commission ("Staff") and the Office of the Public Counsel (collectively, "the Parties"), and submit this Unanimous Stipulation And Agreement ("Agreement") for approval by the Missouri Public Service Commission ("Commission"). This Agreement resolves all remaining issues in this 2001-2002 Actual Cost Adjustment ("ACA") proceeding.

1. The Parties agree that, prior to this Agreement, the following issues remained unsettled in this proceeding:

Areas B, K, and S (formerly Associated Natural Gas)

DEFERRED CARRYING COST BALANCE ("DCCB") --- Staff's proposed adjustment decreases the cost of gas by \$857,320 (\$842,409 and \$14,911 for Firm and Interruptible customers, respectively), based on its belief that the purchased volumes used by the Company to calculate unit cost of gas were too low, thus resulting in an overstated unit cost of gas.

AGENCY FEES --- Staff proposed an adjustment of \$4,660 (\$4,083 Firm, and \$577 Interruptible) to remove costs associated with agency fees under the Company's agency agreement with MRT Energy Resources.

OVERRUN GAS ---

a) SEMO District: Staff proposed an adjustment to reduce gas costs for firm customers by \$7,736 and for interruptible customers by \$1,014, for a total reduction of \$8,750. The adjustment was proposed because Atmos incurred unauthorized overrun charges on Natural Gas Pipeline System (NGPL) during December 2001 and January 2002.

b) Kirksville District: Staff proposed an adjustment to reduce gas costs by \$11,216 for firm customers and by \$2,173 for interruptible customers, for a total reduction of \$13,389. The adjustment was proposed because of overrun charges occurring during the period of November 2000 to April 2001, when the Company failed to meet the requirements of ANR Pipeline Company's tolerance level.

RELIABILITY --- Staff proposed a cost reduction of \$17,199 for the firm customers of SEMO District's Jackson system, due to imprudent contracting for excess capacity.

2. The Parties initiated discussions to determine whether an amicable settlement of the above-noted contested issues was possible. As a result of those discussions, the Parties have now reached a resolution and settlement of these issues. The Parties believe the settlement to be reasonable and beneficial to ratepayers in this case, and therefore recommend that the Commission approve this Agreement as being in the public interest.

3. Specifically, in order to resolve the remaining issues in this proceeding, all of which pertain only to Areas B, K and S, the Parties agree that Atmos' total gas costs should be reduced by \$879,321 (including a DCCB reduction of \$857,320), beginning with the Company's scheduled winter filing for 2004.

4. In addition, the parties agree to the following Staff adjustments, which were accepted by Atmos prior to the unsettled issues listed in paragraph 1:

Total Adjustment (Firm & Interruptible)	<u>SEMO</u>	<u>Kirksville</u>	<u>Butler</u>
ACA Balance	<u>(\$605,925)</u>	<u>(\$138,187)</u>	<u>(\$16,919)</u>
LNG commodity *	<u>\$90,407</u>		
LNG peaking services *	<u>\$115,370</u>		
Energy USA reconciliation	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Transition Costs	<u>(\$24,332)</u>	<u>(\$450)</u>	
Interest	<u>(\$575)</u>		
Storage	<u>\$52,450</u>	<u>(\$11,167)</u>	<u>(\$9,699)</u>
MRT Energy	<u>\$0</u>		
Hedging	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Reliability	<u>\$0</u>		
* Liquefied Natural Gas			

Area G (Greeley Gas)

STORAGE --- Staff proposed a reduction of \$14,885 in cost of the Company's storage withdrawals based on various storage revisions and Staff allocation changes. After further information was received, Staff revised its storage schedule to reflect a \$10,931 reduction in the cost of gas.

HEDGING --- Staff's adjustment to reduce gas costs by \$35 was based on its finding that those costs should have been allocated to Illinois and not Missouri. After receipt of a revised invoice, no adjustment is required.

Areas B, K, and S (formerly Associated Natural Gas)

ACA BALANCE --- Staff's proposed adjustment decreases the cost of gas by \$605,925 ((\$629,375) Firm and \$23,450 Interruptible) was accepted by Company in its response to Staff's ACA recommendation.

LNG COMMODITY --- Staff's proposed reduction in gas cost of \$90,407 (\$83,139 Firm and \$7,268 Interruptible) was accepted by Company in its response to Staff's ACA recommendation.

LNG PEAKING SERVICES --- Staff's proposed adjustment to reduce gas costs by \$115,370 (\$83,778 Firm and \$31,592 Interruptible) was accepted by Company in its response to Staff's ACA recommendation.

INTEREST COSTS --- Staff's proposed reduction in interest costs amounting to \$575 (\$520 Firm and \$55 Interruptible) was accepted by Company in its response to Staff's ACA recommendation.

TRANSITION COSTS ---

a) SEMO District: Staff proposed a \$17,252 increase in the transition cost credit balance, based on the absence of proof that the Transportation customers were actually refunded the \$17,252 credit that was due them. After further review, the \$17,252 adjustment was withdrawn. The parties also agree to transfer the balance of the transition costs of \$24,332 (\$21,557 Firm and \$2,775 Interruptible) to the ACA account.

b) Kirksville District: The Staff proposed a \$707 increase in the transition cost credit balance, based on an absence of proof that the Transportation customers were actually refunded the \$707 in credits that were due them. After further review of the Company's tariffs, the Staff will revise the Transition cost balance to zero (from \$707). The parties also agree to transfer the balance of the transition costs of \$456 (\$363 Firm and \$93 Interruptible) to the ACA account.

MRT ENERGY MARKETING COMPANY --- Staff's net cost reduction adjustment of \$5,129 was due to pricing of deliveries to the MRT West line delivery point that did not comply with the contract terms with MRT Energy. After review of the published index prices for MRT, Staff's adjustment was withdrawn.

STORAGE --- After further review, Staff revised its adjustment to increase the cost of gas on the SEMO district by \$52,450 (\$46,764 Firm and \$5,686 Interruptible) as a result of storage revisions on TETC ("Texas Eastern Transmission Corporation") and NGPL ("Natural Gas Pipeline Company").

ENERGY USA RECONCILIATION --- Staff's proposed adjustment reducing gas costs by \$47,335 is based on Staff's conclusion that Atmos misstated its January 2002 payment to Energy USA as part of its reconciliation of buy-back gas from Energy USA for the period of November 2001 to April 2002. After further review, this adjustment was withdrawn.

HEDGING--- Staff's adjustment to reduce gas costs by \$8,980 was based on its finding that those costs should have been allocated to Illinois and not Missouri. A revised invoice indicates that no adjustment is required.

RELIABILITY --- Staff proposed a cost reduction of \$228,896 for the Southeast Missouri Integrated system due to imprudent contracting for excess capacity. Upon receipt of further documentation clarifying the contract term, Staff's adjustment was withdrawn.

Areas P and U (formerly United Cities)

REFUNDS --- Staff's proposed reduction of the over-refunded account balance by \$26,686, was due to: a) differences in the beginning balances carried forward from the prior year; b) timing differences between the ACA period and the time periods the Company used to compute the refunds passed on to the customers; and c) interest due to or due from customers as a result of the other two differences. After further evidence was received from the Company, Staff's adjustment was withdrawn.

UNSUPPORTED INVOICE --- Staff's proposed disallowance of \$14,511 in costs due to the absence of convincing evidence that this amount, related to an \$18,600 invoice allocable to both Missouri and Illinois, was properly includable in Missouri PGA gas costs. Upon receipt of further documentation, Staff's adjustment was withdrawn.

HEDGING --- Staff's adjustment to reduce gas costs by \$3,185 (\$75 + \$3,110) was based on its finding that those costs should have been allocated to Illinois and not Missouri. A revised invoice indicates that no adjustment is required.

DEFERRED CARRYING COST BALANCE ("DCCB") --- Staff proposed a net decrease of \$955 in the ACA over-recovered balance, due to miscalculation of carrying costs for Consolidated and Neelyville districts. Atmos agreed with Staff's DCCB adjustment.

5. In addition, Atmos eventually accepted Staff's proposal that the Company submit, by January 12, 2004, responses to certain reliability-related concerns raised by the Staff in its Recommendation. Atmos later requested an extension to February 2, 2004. Staff agreed to the extension and received the information on that date.

6. This Agreement has resulted from extensive negotiations among the Parties, and the terms hereof are interdependent. In the event the Commission does not adopt this Agreement in total, then this Agreement shall be void and no Party shall be bound by any of the agreements or provisions hereof. The stipulations herein are specific to the resolution of this proceeding, and all stipulations are made without prejudice to the rights of the Parties to take other positions in other proceedings.

7. This Agreement is being entered into for the purpose of disposing of all issues in this case. None of the Parties to this Agreement shall be deemed to have approved, accepted,

agreed, consented or acquiesced to any accounting principle, ratemaking principle or cost of service determination underlying, or supposed to underlie, any of the issues provided for herein.

8. The Parties further understand and agree that the provisions of this Agreement relate only to the specific matters referred to in the Agreement, and no Party waives any claim or right which it otherwise may have with respect to any matters not expressly provided for in this Agreement. The Parties further reserve the right to withdraw their support for the settlement in the event that the Commission modifies the Agreement in a manner which is adverse to the Party withdrawing its support, and further, the Parties reserve the right to contest any such Commission order modifying the settlement in a manner which is adverse to the Party contesting such Commission order.

9. In the event the Commission accepts the specific terms of this Agreement, the Parties waive, with respect to the issues resolved herein, their respective rights pursuant to Section 536.070(2) RSMo 2000 to call, examine and cross-examine witnesses; their respective rights to present oral argument or written briefs pursuant to Section 536.080.1 RSMo 2000; their respective rights to the reading of the transcript by the Commission pursuant to Section 536.080.2 RSMo 2000; their respective rights to seek rehearing pursuant to Section 386.500 RSMo 2000; and their respective rights to judicial review pursuant to Section 386.510 RSMo 2000.

10. The Staff shall, within fourteen (14) days of the filing of this Agreement, file with the Commission suggestions or a memorandum in support of this Agreement, and the other parties shall have the right to file responsive suggestions within seven (7) days of receipt of Staff's memorandum.

11. The Staff shall also have the right to provide, at any agenda meeting at which this Agreement is noticed to be considered by the Commission, whatever oral explanation the Commission requests, provided that the Staff shall, to the extent reasonably practicable, promptly provide other parties with advance notice of when the Staff shall respond to the Commission's request for such explanation once such explanation is requested from Staff. Staff's oral explanation shall be subject to public disclosure, except to the extent it refers to matters that are privileged or protected from disclosure pursuant to any Protective Order issued in this case.

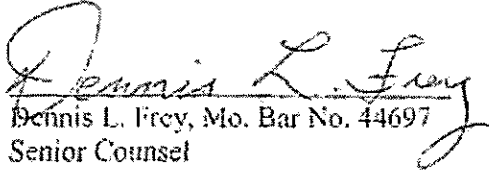
12. To assist the Commission in its review of this Agreement, the Parties also request that the Commission advise them of any additional information that the Commission may desire from the Parties relating to the matters addressed in this Agreement, including any procedures for furnishing such information to the Commission.

WHEREFORE, the undersigned Parties respectfully request that the Commission issue its Order:

- a) Approving all of the specific terms and conditions of this Unanimous Stipulation And Agreement;
- b) Approving the ACA balances included in Appendix A - Table 1, Table 2 and Table 3-1, and the refund balances in Appendix A - Table 3-2;
- c) Granting such further relief as the Commission should find reasonable and just; and,
- d) Closing this case.

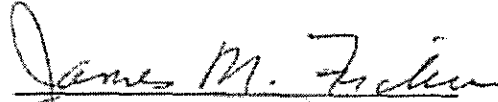
Respectfully submitted,

DANA K. JOYCE
General Counsel



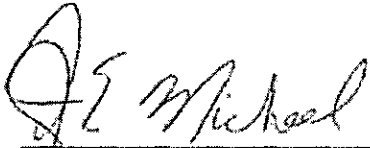
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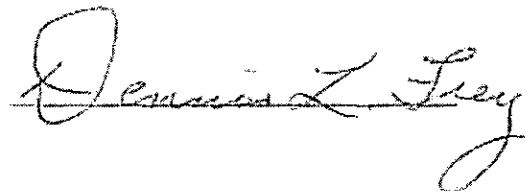


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Certificate of Service

I hereby certify that copies of the foregoing have been mailed, hand-delivered, or transmitted by facsimile or electronic mail to all counsel of record this 26th day of February 2004.



Appendix A¹

Table 1

Area G (Greeley) Description	Company Ending Balances per Filing	Staff Adjustments (2)	Staff Recommended Ending Balances
(1) Ending 2000-01 ACA Balance	(\$136,585)	\$0	(\$136,585)
Revenue Recovery	(\$122,456)	\$0	(\$122,456)
Purchased Gas Cost	\$110,958	\$33,927	\$144,885
DCCB	(\$170)	\$0	(\$170)
Total (Over)/Under Recovery	(\$148,253)	\$33,927	(\$114,326)
Refund	\$7,734	\$0	\$7,734

1. Includes Staff's (\$41,188) total adjustment from GR-2001-394

2. $\$2,419 + (\$10,931) + \$41,188 + \$1,251 = \$33,927$

¹ The amounts shown in Appendix A reflect the resolution of all issues raised in this proceeding, including those heretofore unsettled issues identified in Paragraph 1 of this Unanimous Stipulation And Agreement.

Table 2

Areas B, K, and S (formerly ANG)	8-31-02 ending Balances per Filing	Staff Adjustments (Per Revised Summary of Adjustments)	8-31-02 ending Balances Per Staff
SEMO district (Area S)			
Firm ACA	(\$832,920)	(\$626,304) (\$629,375) (A)	(\$2,089,099)
Interruptible ACA	(\$407,628)	\$28,387 \$23,450 (A)	(\$355,791)
Firm Refund-Exh III	\$ 15,101	(\$18,775)	(\$ 3,674)
Interruptible Refund-Exh III	\$ 2,238	(\$3,164)	(\$ 926)
Transportation Transition cost	(\$17,252)	\$0	(\$17,252)
Kirksville district (Area K):			
Firm ACA	(\$ 267,360)	(\$43,047) (\$35,691) (A)	(\$346,098)
Interruptible ACA	(\$ 54,200)	(\$4,557) (\$102,496) (A)	(\$161,253)
Firm Refund-Exh III	\$ 26,365	(\$38,442)	(\$ 12,077)
Interruptible Refund-Exh III	\$ 7,354	(\$13,053)	(\$ 5,699)
Transportation Transition cost	\$0	\$0	\$0
Butler district (Area B):			
Firm ACA	\$ 60,644	(\$18,963) (\$16,155) (A)	\$25,526
Interruptible ACA	\$ 722	(\$2,339) (764) (A)	(\$2,381)
Firm Refund-Exh III	\$2,330	\$1,090	\$3,420
Interruptible Refund-Exh III	\$ 1,165	(\$12,397)	(\$11,232)

(A) Beginning balances August 31, 2001 adjusted to prior year ending balances (see ACA balance section).

Atmos Energy-Area B, K, and S
 Revised Summary of Adjustments – Per Settlement

<u>SEMO District</u>	Firm	Interruptible	Total
ACA Balance *	(\$629,375)	\$23,450	(\$605,925)
LNG commodity - *	\$83,139	\$7,268	\$90,407
LNG peaking services - *	\$83,778	\$31,592	\$115,370
Energy USA reconciliation *	\$0	\$0	\$0
Transition Cost *	(\$21,557)	(\$2,775)	(\$24,332)
Over-Run Gas **	(\$3,868)	(\$507)	(\$4,375)
DCCB **	(\$803,898)	(\$12,533)	(\$816,431)
Agency Fees **	(\$2,042)	(\$289)	(\$2,331)
Interest *	(\$520)	(\$55)	(\$575)
Storage *	\$46,764	\$5,686	\$52,450
MRT Energy *	\$0	\$0	\$0
Hedging *	\$0	\$0	\$0
Reliability **	<u>(\$8,600)</u>	<u>\$0</u>	<u>(\$8,600)</u>
Total	(\$1,256,179)	\$51,837	(\$1,204,342)
W/o ACA balance adjust	(\$626,804)	\$28,387	(\$598,417)
<u>Kirksville District</u>			
ACA Balance *	(\$35,691)	(\$102,496)	(\$138,187)
Transition Cost *	(\$363)	(\$93)	(\$456)
Hedging *	\$0	\$0	\$0
DCCB **	(\$28,196)	(\$1,090)	(\$29,286)

Over-Run Gas **	(\$5,608)	(\$1,087)	(\$6,695)
Storage *	<u>(\$8,880)</u>	<u>(\$2,287)</u>	<u>(\$11,167)</u>
Total	(\$78,738)	(\$107,053)	(\$185,791)
W/o ACA balance adjust	(\$43,047)	(\$4,557)	(\$47,604)

Butler District

ACA Balance *	(\$16,155)	(\$764)	(\$16,919)
Hedging *	\$0	\$0	\$0
DCCB **	(\$10,315)	(\$1,288)	(\$11,603)
Storage *	<u>(\$8,648)</u>	<u>(\$1,051)</u>	<u>(\$9,699)</u>
Total	(\$35,118)	(\$3,103)	(\$38,221)
W/o ACA balance adjust	(\$18,963)	(\$2,339)	(\$21,302)

Refund adjustments are included in the "Recommendations" section of Staff's ACA memorandum.

* Staff adjustment - 100% agreed to by the parties prior to settlement agreement

** Settlement agreement between Staff and Company

Table 3-1

Areas P&U (formerly United Cities)	Ending Balances Due From Or (To) Customers per Filing	Notes Ref.	Staff Adjustments	Staff Recommended Balances Due From Or (To) Customers
Consolidated District: Demand ACA	(\$801,690)	(A) (E)	(\$2,102) (\$728)	(\$804,520)
Commodity ACA	(\$583,798)	(A) (B) (C) (D) (E)	(\$194,894) \$ 1,213 (\$434) \$0 \$1,686	(\$776,227)
Take-or-Pay	\$ 1,213	(B)	(\$1,213)	\$ 0
Neelyville District: Demand ACA	\$ 170	(A)	\$ 403	\$ 573
Commodity ACA	(\$45,465)	(A) (B) (E)	(\$8,417) (\$70) (\$3)	(\$53,955)
Take-or-Pay	(\$70)	(B)	\$ 70	\$ 0

Notes to Staff Adjustments:

- (A) Beginning balances May 31, 2001 adjusted to prior year ending balances
- (B) Take-Or-Pay balances closed out and combined with commodity ACA balances
- (C) Propane costs and revenues excluded from PGA/ACA balances
- (D) Unsupported invoice for gas costs - adjustment deleted, now \$0
- (E) DCCB interest adjustment

Table 3-2

Areas P&U (United Cities) Refunds	5/31/02 Refunds Due From Or (To) Customers per Filing	Notes Ref.	Adjustments by Company in February 2003	5/31/02 Staff Recommended Refunds Due From Or (To) Customers
Consolidated District:				
Hannibal/Canton District: Refund	\$ 24,125	(A) (B)	(\$5,806) \$0	\$18,319
Palmyra District: Refund	\$ 6,573	(A) (B)	(\$5,606) \$0	\$967
Bowling Green District: Refund	\$889	(A) (B)	(\$304) \$0	\$585
Difference - Not Considered Significant			\$533	\$533
Total Consolidated	\$ 31,587		(\$11,183)	\$ 20,404
Neelyville District:				
Neelyville District: Refund	\$ 166	(A) (B)	(\$371) \$0	(\$205)
Total Neelyville	\$166		(\$371)	(\$205)

Notes to Staff Adjustments:

(A) Beginning balances May 31, 2001 adjusted to prior year ending balances

(B) Refunds adjustments for timing and interest, all now eliminated