BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

IN RE:	)	
	)	
REQUEST OF ATMOS ENERGY	)	**Docket No. 08-00024**
CORPORATION FOR APPROVAL	)	
OF CONRACT(S) REGARDING GAS	)	
COMMODITY REQUIREMENTS AND	)	
MANAGEMENT OF TRANSPORTATION/	)	
STORAGE CONTRACTS	)	
	)	

NOTICE OF MODIFICATION TO GAS SUPPLY AND ASSET MANAGEMENT AGREEMENT AND VIRGINIA COMMISSION ORDER APPROVING SAME

This docket was opened on February 7, 2008 upon the filing of Atmos Energy Corporation's Preliminary Filing of Request for Proposals in Expectation that Atmos will Seek Approval of Any Resulting Contract Once Bidding Process is Complete ("Preliminary Filing"). Pursuant to the approved RFP procedures contained in the Atmos tariff, Atmos conducted an RFP process in 2007 and 2008, which ultimately resulted in the award of a contract for gas supply and management of the Company's transportation/storage contracts. That Contract will be referred to herein as it was in prior pleadings in this case, as the "AMA." The same Contract is referred to in the attached Virginia Commission Order as the GSAM (Gas Supply and Asset Management Agreement).

While the Atmos RFP tariff did not specifically require approval of the AMA, in this docket Atmos sought review of its application of the approved RFP procedures and approval of the resulting AMA Contract. By order entered July 9, 2008, the Authority granted the Company's Motion for Approval, unanimously holding that Atmos had complied with the tariff requirements in bidding and awarding the AMA, that the AMA benefited consumers, and approving the AMA.

Subsequently, in 2009, Atmos reached agreement with Atmos Energy Marketing to make certain modifications to the AMA so as to allow Atmos to adjust its asset portfolio in certain respects in order to better serve its customers. More specifically, these asset portfolio adjustments add assets in the Company's own name or enhance its ability to call on assets in order to improve system reliability, replace low deliverability production area storage with high deliverability market area storage, and reduce operating costs.

By order dated August 6, 2009, these revisions to the AMA were approved by the Commonwealth of Virginia State Corporation Commission, which has jurisdiction over the AMA by virtue of the Company's service of customers in Bristol Virginia and surrounding areas. The Company's asset portfolio changes are more specifically described in the Virginia Corporation Commission's Order Granting Authority (August 6, 2009), which is attached hereto as Exhibit A.

As noted in the Virginia Corporation Commission's Order, provisions of the Virginia Code and a prior order of the Commission explicitly require Commission approval for any changes in the terms or conditions of the AMA. VA Order at 3. In Tennessee, the Company's RFP procedures tariff does not by its terms require Authority approval of the contract ultimately awarded pursuant to the RFP procedures. Nor does the Authority's July 9, 2008 order approving the AMA in this matter expressly require approval of modifications.

Out of an abundance of caution, however, the Company hereby provides notice of the above-referenced modifications to the AMA, as more specifically described in the attached

Virginia Commission Order. The Company, of course, stands ready to provide further information or take further action in this matter as the Authority deems necessary.

Respectfully submitted,

NEAL & HARWELL, PLC

By:________________________________

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Counsel for Atmos Energy Corporation

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing has been served, via the method(s) indicated below, on the following counsel of record, this the 4th day of September, 2009.

( ) Hand (✓) Mail ( ) Fax ( ) Fed. Ex. (✓) E-Mail	Vance L. Broemel, Esq. Office of Attorney General Consumer Advocate and Protection Division 425 Fifth Avenue, North, 3rd Floor P. O. Box 20207 Nashville, TN 37202-4015
( ) Hand (✓) Mail ( ) Fax ( ) Fed. Ex. (✓) E-Mail	Henry M. Walker, Esq. Bradley Arant Boult Cummings, LLP 1600 Division Street, Suite 700 P. O. Box 340025 Nashville, TN 37203

COMMONWEALTH OF VIRGINIA 090810205

STATE CORPORATION COMMISSION

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AT RICHMOND, August 6, 2009

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JOINT APPLICATION OF

ATMOS ENERGY CORPORATION
and
ATMOS ENERGY MARKETING, LLC

CASE NO. PUE-2009-00037

For authority to modify gas supply and asset management agreement pursuant to the Affiliates Act, Va. Code § 56-76 et seq.

ORDER GRANTING AUTHORITY

On May 14, 2009, Atmos Energy Corporation ("Atmos") and Atmos Energy Marketing, LLC ("AEM") (collectively, "Applicants"), filed a joint application ("Application") with the State Corporation Commission ("Commission"), which requested authority to: (i) modify the terms of the Applicants' Gas Supply and Asset Management Agreement ("GSAM Agreement") as required by Ordering Paragraph (8) of the Order Granting Authority in Case No. PUE-2008-00021 ("PUE-2008-00021 Order");[1] and (ii) enter into a short-term affiliate arrangement for delivered service pursuant to Chapter 4 of Title 56 ("Affiliates Act") of the Code of Virginia ("Code"). On May 15, 2009, the Applicants also filed a "Motion for Confidential Treatment" under Rule 5 VAC 5-20-170 of the Commission's Rules of Practice and Procedure for any documents the Applicants designated as confidential. The Application was deemed complete as of May 15, 2009.

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[1] *Joint Application of Atmos Energy Corporation and Atmos Energy Marketing, LLC, For authority to enter into a Gas Supply and Asset Management Agreement pursuant to the Affiliates Act, Va. Code § 56-76 et seq. and Request for Interim Authority*, Case No. PUE-2008-00021, 2008 S.C.C. Ann. Rep. 498, 500, Order Granting Authority (June 17, 2008).

EXHIBIT

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Atmos, which is headquartered in Dallas, Texas, is one of the largest natural gas distribution companies in the United States.[2] Atmos' operations include six regulated natural gas distribution business units and a regulated natural gas pipeline business unit that provide service to approximately 3.2 million residential, commercial, industrial, and public authority customers in twelve states including Colorado, Georgia, Illinois, Iowa, Kansas, Kentucky, Louisiana, Mississippi, Missouri, Tennessee, Texas, and Virginia. In Virginia, Atmos provides natural gas distribution service to approximately 22,800 customers located in Abingdon, Blacksburg, Bristol, Marion, Pulaski, Radford, Wytheville, and their environs. Through non-regulated affiliates, Atmos provides natural gas management and marketing services to municipalities, other local gas distribution companies, and industrial customers primarily in the Midwest and Southeast regions of the United States, and natural gas transportation and storage services to certain of its regulated divisions and to third parties. For the fiscal year ending September 30, 2008, Atmos reported consolidated revenues of $7.2 billion and net income of $180 million. Its current market capitalization is approximately $2.5 billion.

AEM,[3] which is headquartered in Houston, Texas, provides a variety of natural gas management services to municipalities, natural gas utility systems, and industrial natural gas consumers located primarily in the Southeast and Midwest regions of the United States, and to Atmos' Kentucky/Mid-States, Louisiana, and Mississippi regulated utility business units. AEM aggregates and purchases gas supplies, arranges transportation and storage logistics, and ultimately delivers gas to customers at competitive prices. To facilitate this process, AEM

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[2] Atmos is not a holding company. Atmos itself holds the certificate of public convenience and necessity to provide natural gas distribution service to customers in Southwest Virginia.

[3] AEM was formerly known as Woodward Marketing, LLC ("Woodward"). In October 2003, Woodward merged with Trans Louisiana Gas Company and was renamed Atmos Energy Marketing, LLC.

utilizes proprietary and customer-owned transportation and storage assets to provide various services their customers request including furnishing natural gas supplies at fixed and market-based prices, contract negotiation and administration, load forecasting, gas storage acquisition and management services, transportation services, peaking sales and balancing services, capacity utilization strategies and gas price hedging through the use of financial instruments. AEM is a wholly owned subsidiary of Atmos Energy Holdings, Inc., which is a wholly owned subsidiary of Atmos.

Since Atmos is the indirect parent of AEM, the Applicants are considered affiliated interests under § 56-76 of the Code. As such, Atmos is required to obtain prior approval from the Commission pursuant to the Affiliates Act for any agreement or arrangement between the companies for the provision of services, the exchange of property, rights, or things, or the purchase or sale of treasury bonds or stock.

The PUE-2008-00021 Order authorized Atmos and AEM to enter into the current GSAM Agreement, which permits AEM to procure gas supplies and provide asset management services to Atmos relating to pipeline delivered service, transportation, and storage in return for an annual fee paid to Atmos. Ordering Paragraph (8) of the PUE-2008-00021 Order states that "Commission approval shall be required for any changes in the terms and conditions of the GSAM Agreement, including any successors or assigns." The instant Application has been filed in response to that directive.

The Applicants represent that the purpose of the proposed modifications to the GSAM Agreement is to provide a formal agreement between Atmos and AEM that allows Atmos to adjust its asset portfolio in order to better serve its customers. Specifically, Atmos seeks to add assets in its own name or enhance its ability to call on assets in order to improve system reliability, replace low deliverability production area storage with high deliverability market area storage, and reduce operating costs.

In the Application, the Applicants propose four modifications to the GSAM Agreement, which are discussed below. Under the current GSAM Agreement, Atmos holds a firm service asset called FS-PA delivered service ("FS-PA Service"), which gives Atmos the right to designate up to 1,993,543 dekatherms ("Dth") of pre-purchased natural gas for deferred delivery each year. Historically, the FS-PA Service has allowed Atmos to purchase gas for system supply at summer's lower commodity prices for firm delivery during the winter heating season. The FS-PA Service expires April 1, 2010. Atmos plans to replace the FS-PA Service with newly-subscribed physical storage capacity located upstream from Atmos' Virginia and Tennessee distribution systems in Mississippi. Commencing June 1, 2010, Atmos has contracted with Caledonia Gas Storage for firm storage service ("Caledonia FSS") with a maximum storage quantity of 500,000 Dth, a maximum daily injection quantity of 8,500 Dth, and a maximum daily withdrawal quantity of 10,000 Dth. Atmos represents that the Caledonia FSS is connected to Tennessee Gas Pipeline ("TGP") and, therefore, is ideally situated to augment deliverability via TGP into East Tennessee Natural Gas for service to Atmos' Virginia and Tennessee distribution systems.

A second firm service asset under the GSAM Agreement is called Saltville B delivered service ("Saltville Service"), which gives Atmos the right to designate up to 180,000 Dth of pre-purchased natural gas for deferred delivery each year. Like the FS-PA service, the Saltville Service allows Atmos to purchase gas for system supply at summer's lower commodity prices for firm delivery during the winter heating season. The Saltville Service contract terminated

May 31, 2009. Effective June 1, 2009, Atmos reduced the Saltville Service from 180,000 Dth to 80,000 Dth and extended the term of the remaining service for ten months through March 31, 2010. On April 1, 2010, Atmos plans to enter into a permanent capacity release arrangement with AEM to acquire 70,000 Dth of firm storage capacity in Saltville at AEM's negotiated contracted rate with Saltville. Since the capacity release must be posted on Saltville's electronic bulletin board as biddable, Atmos will hold the right to match any third-party bid up to the maximum Federal Energy Regulatory Commission ("FERC")-approved tariff rate.

Atmos' third modification to the GSAM Agreement consists of a reduction in its firm entitlements on Southern Natural Gas Company from 17,500 Dth to 10,000 Dth per day, effective November 1, 2010.

The last modification involves an arrangement for Atmos' firm transportation service on TGP ("TGP FTS Service") of 73,656 Dth per day. This TGP FTS Service, which does not have any rights of first refusal, expires October 31, 2010. In order to meet its projected TGP supply requirement of 68,656 Dth per day, Atmos proposes to take two actions. First, Atmos plans to enter into a new agreement with TGP for TGP FTS Service of 58,656 Dth per day, effective November 1, 2010. Second, Atmos plans to contract with AEM for incremental firm service on TGP of 10,000 Dth per day, which will extend from November 1, 2010, through March 31, 2011, the termination date of the GSAM Agreement. Prior to March 31, 2011, Atmos plans to issue a request for proposal ("RFP") for bids on the 10,000 Dth per day incremental firm service, which will be expected to include a term coinciding with the term of the next GSAM Agreement. Should Atmos not receive a favorable bid, it will have the option prior to March 31, 2011, to enter into a permanent capacity release arrangement with AEM to acquire the 10,000 Dth of TGP capacity needed. Like the Saltville arrangement discussed above, the AEM capacity release must be posted on TGP's electronic bulletin board as biddable, so Atmos will hold the right to match any third-party bid up to the maximum FERC-approved tariff rate.

Atmos represents that the proposed modifications to the GSAM Agreement should lower Atmos' risk exposure because it replaces virtual storage[4] with actual physical storage and reduces total delivered service while increasing deliverability. Atmos has performed a cost/benefit analysis to support those assertions. According to Atmos, the savings will flow back to its customers as a reduction in gas costs.

NOW THE COMMISSION, upon consideration of the Application and representations of the Applicants and having been advised by its Staff, is of the opinion and finds that the captioned Application appears reasonable. The proposed modifications to the GSAM Agreement, including the proposed delivered service, may provide an opportunity for an economic benefit to ratepayers while reducing Atmos' operating risk exposure. Therefore, we find that that the modified GSAM Agreement is in the public interest and should be authorized subject to the requirements outlined below. We will also grant the Applicants' "Motion for Confidential Treatment."

First, we find that the authority granted for the modified GSAM Agreement should extend through March 31, 2011, which is the termination date specified for the GSAM Agreement in the PUE-2008-00021 Order. Should Atmos wish to renew or extend the modified GSAM Agreement beyond that date, further Commission approval will be required.

Second, we find that the authority granted in this case should have no ratemaking implications. In particular, the authority granted herein should not guarantee the recovery of any costs directly or indirectly related to the modified GSAM Agreement.

[4] Virtual storage is a form of deferred delivery service under which the supplier allows Atmos to receive purchased quantities at a future date.

Third, we clarify that the authority granted herein should supplement the authority granted to the Applicants for the GSAM Agreement in the PUE-2008-00021 Order.

Fourth, we will require that, within sixty (60) days of the entry of the Order in this case, Atmos should file with the Commission an updated list of its transportation and storage contract assets that are managed by AEM pursuant to the modified GSAM Agreement.

Finally, in light of the turmoil recently experienced in the U.S. and global financial markets, the Commission Staff posed several data requests to the Applicants concerning their risk management practices, policies, and procedures. In general, the Applicants' risk management controls appear adequate. However, in order to monitor Atmos' and AEM's business risk on a prospective basis, we will require Atmos to provide a Risk Monitoring Schedule to be included with its Annual Report of Affiliate Transactions ("ARAT"), which is submitted April 1 of each year to the Commission's Director of the Division of Public Utility Accounting ("PUA Director"). We direct that the referenced Risk Monitoring Schedule contain the following information, as applicable: (i) Atmos' and AEM's quarter-by-quarter borrowings under their short-term credit facilities; (ii) Atmos' and AEM's quarter-by-quarter balances of collateral required to be posted with the New York Mercantile Exchange ("NYMEX") and other brokers; (iii) Atmos' and AEM's quarter-by-quarter open positions related to their gas procurement, marketing, and trading activities; (iv) Atmos' and AEM's quarter-by-quarter credit ratings by the public rating agencies; and (v) Atmos' and AEM's quarter-by-quarter compliance status relative to their loan covenants.

Accordingly, IT IS ORDERED THAT:

(1) The Applicants' "Motion for Confidential Treatment" is hereby granted pursuant to Rule 5 VAC 5-20-170 of the Commission's Rules of Practice and Procedure for any documents the Applicants have designated as confidential in this proceeding.

(2) Pursuant to § 56-77 of the Code, Atmos Energy Corporation and Atmos Energy Marketing, LLC, are hereby granted authority for the modifications to their Gas Supply and Asset Management Agreement and the short-term affiliate arrangement for pipeline delivered gas service as described herein and consistent with the findings set out above, effective as of the date of the entry of the Order herein.

(3) The authority granted herein shall extend through March 31, 2011. Should Atmos wish to renew or extend the modified GSAM Agreement beyond that date, further Commission approval shall be required.

(4) The authority granted herein shall have no ratemaking implications. Specifically, the authority granted in this case shall not guarantee the recovery of any costs directly or indirectly related to the modified GSAM Agreement.

(5) The authority granted herein shall not preclude the Commission from exercising the provisions of §§ 56-78 and 56-80 of the Code hereafter.

(6) Further Commission approval shall be required for any changes in the modified GSAM Agreement, including any successors or assigns thereto.

(7) The Commission reserves the right to examine the books and records of any affiliate in connection with the authority granted herein whether or not such affiliate is regulated by this Commission.

(8) The authority granted herein shall supplement the authority granted to the Applicants for the GSAM Agreement in the PUE-2008-00021 Order.

(9) Within sixty (60) days of the date of the entry of this Order, Atmos shall file with the Commission an updated list of its transportation and storage contract assets that are managed by AEM pursuant to the modified GSAM Agreement.

(10) Atmos shall include all transactions associated with the modified GSAM Agreement approved herein in its ARAT submitted to the Commission's PUA Director by April 1 of each year, subject to administrative extension by the PUA Director. Atmos shall include with its ARAT a Risk Monitoring Schedule that contains the information set forth in our findings made herein.

(11) In the event that Atmos' annual informational filings or expedited or general rate case filings are not based on a calendar year, then the Company shall include the affiliate information contained in its ARAT in such filings.

(12) There appearing nothing further to be done, this case shall be dismissed from the Commission's docket of active cases, and the papers filed herein shall be placed in the Commission's file for ended causes.

AN ATTESTED COPY hereof shall be sent to: Richard D. Gary, Esquire, and Charlotte P. McAfee, Esquire, Hunton & Williams LLP, Riverfront Plaza, East Tower, 951 East Byrd Street, Richmond, Virginia 23219-4074; and C. Meade Browder, Jr., Senior Assistant Attorney General, Division of Consumer Counsel, Office of the Attorney General, 900 East Main Street, Second Floor, Richmond, Virginia 23219; and a copy shall be delivered to the Commission's Office of General Counsel and Divisions of Public Utility Accounting and Energy Regulation.

A True Copy
Teste: Joel H. Peck
Clerk of the
State Corporation Commission