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In the Application of Atmos Energy)
Corporation for Approval Pursuant to)
Section 7-101 of the Public Utility Act)
of Services Agreement between Atmos)
Energy Corporation and Atmos Energy)
Services, LLC)

Docket No. **04-0405** *jm*

APPLICATION

NOW COMES Atmos Energy Corporation, by its attorneys Gary A. Brown, and Douglas Walther, and submits the following in support of this Application for approval of a Services Agreement between Atmos Energy Corporation ("Atmos") and Atmos Energy Services, LLC ("AES").

1. Atmos is a corporation duly organized and existing under and by virtue of the laws of the State of Texas and the Commonwealth of Virginia, with its principal office located at 1800 Three Lincoln Centre, 5430 LBJ Freeway, Dallas, Texas 75240. It is a public utility within the meaning of the Public Utility Act of Illinois. It is engaged in the business of distributing and selling natural gas in municipalities in central and southern Illinois at various farm taps in central Illinois as well as in various municipalities in the States of George, Tennessee, Virginia, Missouri, Mississippi, Iowa, Kansas, Texas, Louisiana, Colorado and Kentucky.

2. AES is wholly owned by Atmos Energy Holdings, which is a wholly owned subsidiary of Atmos Energy Corporation. AES was formed to provide administrative, management and other services as described below to Atmos and other Atmos subsidiaries

("Atmos Affiliates"). AES's principal place of business is 1515 Poydras Street, Suite 2180, New Orleans, Louisiana 70112. Atmos seeks approval of a Services Agreement by and between Atmos and AES, attached and made a part hereof and identified as Attachment 1.

3. To increase the operating efficiency of Atmos, AES will provide administrative, management and other services to Atmos pursuant to the Services Agreement. AES will provide four categories of service:

A. Gas Supply Procurement which may include hedging administration, supply and pipeline capacity planning, development of procurement plans, commodity procurement and contracting, portfolio management, contract information management, contract negotiations and execution, supplier relations and management of third-party agency contracts.

B. System Load Management which may include demand forecasting, scheduling, dispatch and balancing, weather database management, load database management, pricing database management and capacity and storage management.

C. Regulatory Support and Compliance which may include PGA reporting support, purchase gas cost estimates, L&U reporting, supporting Atmos in FERC proceedings, providing assistance to Atmos in responding to data requests involving gas supply issues and assisting Atmos in preparing testimony on issues related to gas procurement.

D. Gas Supply Accounting Administration which may include gas supplier invoice reconciliation, gas supplier invoice coding and reporting, management of accounts, invoicing and reporting related to local production activities, gas supply records retention and maintaining the gas supply procedures manual.

The services are described in greater detail in the Services Agreement.

4. AES will provide all services at cost without a markup or profit. Costs accumulated for services performed by AES for Atmos or any other single Atmos Affiliate will be directly assigned to the entity requesting the service. All costs accumulated for services performed for two or more Atmos operating divisions will be charged to the operating divisions

using methods determined on a case by case basis consistent with the nature of the work performed and based on one of the allocation methods described in Exhibit 1 to the Services Agreement.

5. The purpose of the Services Agreement is to provide a formal agreement between Atmos and AES whereby AES will provide to Atmos the services described in paragraph 3. The Services Agreement is being submitted to the Commission pursuant to 220 ILCS 7-101(3) which provides in relevant part:

(3) No management, construction, engineering, supply, financial or similar contract and no contract or arrangement for the purchase, sale, lease or exchange of any property or for the furnishing of any service, property or thing, hereafter made with any affiliated interest, as herein before defined, shall be effective unless it has first been filed with and consented to by the Commission. The Commission may condition such approval in such manner as it may deem necessary to safeguard the public interest. If it be found by the Commission, after investigation and a hearing, that any such contract is not in the public interest, the Commission may disapprove such contract. Every contract or arrangement not consented to or excepted by the Commission as provided for in this section is void.

6. AES has access to a wealth of experience and expertise in gas supply planning, procurement and administration that will be extremely useful to Atmos and represents an efficient use of existing resources for Atmos. As Atmos has grown, it has consolidated service personnel and efficiently provided wide-ranging services to various state operations. The creation of a formal organization is the next logical step to ensure a consistent focus on the provision of the most efficient service possible to all Atmos' state operations.

7. Patricia D. Childers, Vice President of Rates and Regulatory Affairs for Atmos' Mid-State Division, is providing testimony in support of this application. Ms. Childer's testimony is attached as Attachment 2.

WHEREFORE, Atmos Energy Corporation respectfully requests the Illinois Commerce Commission to issue an Order approving the Services Agreement as set forth in Attachment 1 attached to this Application and incorporated herein by reference.

Respectfully submitted,

ATMOS ENERGY COMPANY

By: Gay Braun
One of its Attorneys

VERIFICATION

State of Tennessee)
)
County of Williamson)

The undersigned, being under oath, says that she is the Vice President, Rates and Regulatory Affairs of Atmos Energy Corporation's Mid-States Division, Petitioner named in the above and foregoing Application, that she has read said Application and all attachments to such Application, knows the contents thereof and that the same is true to the best of her personal knowledge, information and belief.

Patricia Childers
Patricia J. Childers
Vice President, Rates and Regulatory Affairs
Atmos Energy Corporation
Mid-States Division

Signed and sworn to before me this 30th day of April, 2004, by Patricia J. Childers, as Vice President, Rates and Regulatory Affairs of Atmos Energy Corporation's Mid-States Division on behalf of said corporation.

Patricia Childers
Notary Public, State of Tennessee
Commission Expires: May 30, 2004

