



Steven L. Beshear  
Governor

Leonard K. Peters  
Secretary  
Energy and Environment Cabinet

Commonwealth of Kentucky  
**Public Service Commission**  
211 Sower Blvd.  
P.O. Box 615  
Frankfort, Kentucky 40602-0615  
Telephone: (502) 564-3940  
Fax: (502) 564-3460  
psc.ky.gov

David L. Armstrong  
Chairman

James W. Gardner  
Vice Chairman

Charles R. Borders  
Commissioner

February 14, 2012

## PARTIES OF RECORD

Re: Case No. 2011-00395

Attached is a copy of the memorandum which is being filed in the record of the above-referenced case. If you have any comments you would like to make regarding the contents of the informal conference memorandum, please do so within seven days of receipt of this letter. If you have any questions, please contact Allyson Honaker at 502-564-3940, Extension 265, or by e-mail at [Allyson.Honaker@ky.gov](mailto:Allyson.Honaker@ky.gov).

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Derouen".

Jeff Derouen  
Executive Director

AH/kar

Attachment

## INTRA-AGENCY MEMORANDUM

### KENTUCKY PUBLIC SERVICE COMMISSION

**TO:** Main Case File – Case No. 2011-00395  
Application of Atmos Energy Corporation to Extend its Demand-Side Management Program as Amended and Cost Recovery Mechanism as Amended for Five (5) Years

**FROM:** Leah Faulkner, Team Leader

**DATE:** February 14, 2012

**SUBJECT:** January 25, 2012 Informal Conference

An Informal Conference (“IC”) was held in this case at the Commission’s offices on January 25, 2012. A list of participants is shown in Attachment A hereto. Representatives of Atmos Energy Corporation (“Atmos”) and the Attorney General’s Office (“AG”) participated by telephone. A list of issues to be discussed was sent electronically to the parties prior to the IC and is shown in Attachment B hereto.

Following a discussion of the issues set out in Attachment B, Atmos agreed to provide the following:

1. A tariff revision using Atmos’s weighted average cost of capital in to calculate its Demand Side Management (“DSM”) Incentive Adjustment;
2. A revised DSM Incentive Adjustment using (a) commodity gas prices as per the 2011 Annual Energy Outlook rather than delivered prices, and (b) Database for Energy Efficient Resources’ useful lives for individual DSM components as shown on page 5 of Tab 2 of Atmos’s Application;
3. An explanation of why rebates are excluded from Program Costs in the calculation of the DSM Incentive Adjustment, or in the alternative, a revised DSM Incentive calculation including rebates in Program Costs;
4. Revised California Tests, except for the Participant Test, using commodity gas prices per the 2011 Annual Energy Outlook rather than delivered prices;
5. A revised Participant Test excluding Atmos’s margin rate from the customer benefit calculation;
6. Additional support for the estimates of residential program participants and the resulting level of program costs, ccf saved, and lost sales, or in the alternative, revised calculations of the DSM Cost Recovery Component and the Lost Sales Adjustment; and
7. Program costs excluding salary costs of existing Atmos employees.

Atmos and the AG agreed to a revision of the Procedural Schedule to give Atmos until February 3rd to file the information detailed above, with comments from the AG due February 17th and reply comments from Atmos due March 2nd.

The conference was then adjourned.

Attachments

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF ATMOS ENERGY CORPORATION CASE NO. 2011-00395  
TO EXTEND ITS DEMAND-SIDE MANAGEMENT  
PROGRAM AS AMENDED AND COST RECOVERY  
MECHANISM AS AMENDED FOR FIVE (5) YEARS

January 25, 2012

Please sign in:

NAME

REPRESENTING

*Wallyson Honaker*

*PSC - legal*

*Leah Faulkner*

*PSC - FA*

*Erin Wagner*

*PSC - FA*

*Jeff Shaw*

*PSC - FA*

*Mark Martin*

*Atmos - via phone*

*Kandy Hutchinson*

*Atmos - via phone*

*Larry Cook*

*AG - via phone*

*Lynn Matheny*

*Atmos - via phone*

Case No. 2011-00395  
January 25, 2012

Issues List: Case No. 2011-00395

- Calculation of Program Benefits for Incentive Adjustment:

  - Use of DOE's Annual Energy Outlook delivered cost to customers

  - Use of a 25 year period as opposed to the 10 year period specified in Atmos's tariff for calculating program benefits over the expected life of the program

  - Discount rate used in present value calculation

- California Tests: use of DOE's Annual Energy Outlook delivered cost to customers in program benefit calculations in each of the tests

- Program costs calculation:

  - Estimates of participants, costs, and lost sales

  - Inclusion of existing Atmos employee salaries in the program cost