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June 22, 2005

Beth O'Donnell
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602

RECEIVED

JUN 29 2005

PUBLIC SERVICE
COMMISSION

RE: Application of Atmos Energy Corporation for an
Order Continuing the Weather Normalization
Adjustment

Dear Ms. O'Donnell:

Case No. 2005-00768

I enclose herewith an original, plus eleven (11) copies, of an Application of Atmos Energy Corporation for an Order Continuing the Weather Normalization Adjustment. Thanks.

Very truly yours,

Mark R. Hutchinson

MRH:bkk

Enclosures

RECEIVED

BEFORE THE

JUL 29 2005

PUBLIC SERVICE COMMISSION OF KENTUCKY

PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

THE APPLICATION OF ATMOS ENERGY CORPORATION,
FOR AN ORDER CONTINUING THE WEATHER
NORMALIZATION ADJUSTMENT FOR FIVE (5) ADDITIONAL
YEARS

Case No.

2005-00768

APPLICATION

Comes now Atmos Energy Corporation ("Company" or "Atmos Energy") and files its Application herein for an Order continuing the Weather Normalization Adjustment ("WNA") for five (5) additional years. In support of this Application, Atmos Energy states as follows:

- (1) In the Company's last general rate adjustment case (In the Matter of: The Application of Western Kentucky Gas Company For An Adjustment of Rates, Case No. 99-070), the Commission, by Order dated December 21, 1999 (the "Order"), approved implementation by the Company of the WNA for a five (5) year trial period. Atmos Energy was ordered to file annual reports on the WNA with the Commission in the format set forth in Appendix C of the Order for each year by no later than June 30th of the following summer. The WNA was implemented by the Company on November 1, 2000. Commencing with June 30, 2001, and continuing each June thereafter, the Company filed the required annual reports. The fifth and final report is being filed simultaneously with this Application.
- (2) The Commission's December 21, 1999, Order further directed that should the Company "...wish to continue the WNA pilot beyond the five year period or implement the WNA on a permanent basis...", it should make such a request in the form of a formal application to be submitted to the Commission when it makes its final annual WNA filing in June, 2005. For

the reasons set forth below, Atmos Energy requests authority to continue the WNA for an additional five (5) year period.

- (3) The WNA mechanism was initially proposed to separate, or “decouple”, impacts of weather-related volume on the Company’s margin recovery. During periods of colder than normal weather, the WNA lowers the Company’s distribution charge and softens the impact of colder weather on consumers. Conversely, warmer than normal weather increases the distribution charge. Accordingly, the WNA, for weather-related volumes, stabilizes the Company’s revenues and stabilizes the consumers billings.
- (4) Traditional ratemaking defines the utility’s revenue requirement, then separates the Company’s non-gas related revenues into fixed monthly charges and commodity-driven charges. The commodity driven distribution charges are based upon volumes expected with normal winter weather. However, to the extent actual winter temperatures deviate from normal, volumes will vary and the Company may exceed or fall short of its established revenue requirements. A WNA mechanism is intended to compensate for this weather variance. The WNA mechanism has performed very well during the pilot period and has met this intended purpose.
- (5) Atmos Energy, in further pursuit of stabilizing customer’s billings, has also secured approval of hedging programs in each of the past four years designed to stabilize gas supply prices for consumers and avoid price spikes of today’s market. The WNA mechanism complements those efforts as it relates to stabilizing the non-gas portion of a customer’s bill.

- (6) Atmos Energy was the third gas utility of the five major local distribution companies (LDCs) in Kentucky to adopt a WNA mechanism. Today, four of the five large LDCs utilize a WNA mechanism (Atmos Energy, Columbia Gas, Louisville Gas & Electric and Delta).
- (7) WNA mechanisms and a broader array of rate structures which further decouple a gas utility's earnings from volumetric measures have been endorsed recently by the National Association of Regulatory Commissioners ("NARUC"). In July of 2004, NARUC, in conjunction with the National Resources Defense Council and AGA, issued a resolution which encourages regulators to approve such decoupling mechanisms for the utilities they regulate. The resolution states, in relevant part, the following:

"WHEREAS, the Natural Resources Defense Council (NRDC), the American Gas Association (AGA) and the American Council for an Energy Efficient Economy (ACEEE) have urged public utility commissions to align the interests of consumers, utility shareholders, and society as a whole by encouraging conservation. Among the mechanisms supported by these groups are the use of automatic rate true-ups to ensure that a utility's opportunity to recover authorized fixed costs is not held hostage to fluctuations in retail gas sales."

Atmos Energy supports the intent of the above-resolution.

- (8) The Company proposes to utilize the same basis for normal Heating Degree Days (NOAA Normals for 1960-1989) which were the basis for weather normalization of the test period upon which rates were based in Case No. 99-070. The Company also proposes to continue to annually update the Base Load ("BL"), Heating Sensitive Factors ("HSF"), and average distribution rate factor ("R") for each of the affected classes of firm sales ("Rate G-1") service; residential, commercial and public authority.
- (9) Given the favorable performance of the WNA mechanism during the five year pilot, no changes in the existing tariff or processes are proposed. The proposed five year extension

of the WNA mechanism would begin November 1, 2006. Annual reports, in the format suggested by the Commission, would continue as currently prescribed.

- (10) Company's principal operating office and place of business is 2401 New Hartford Road, Owensboro, Kentucky 42303. The post office address of Applicant is P.O. Box 650205, Dallas, Texas 75265-0205.
- (11) A certified copy of Applicant's Restated Articles of Incorporation as Amended, together with all amendments thereto, is on file in the records of the Commission and is incorporated herein by reference. See, *In the Matter of the Application of Atmos Energy Corporation, Through Its Division Western Kentucky Gas Company of Owensboro, Kentucky, for an Order Authorizing the Issuance of up to 1,655,740 Shares of Common Stock, Case No. 2000-436*. There have been no changes to the Articles of Incorporation since they were filed with the Commission in Docket No. 2000-436.
- (12) Correspondence and communications with respect to this Application should be directed to:

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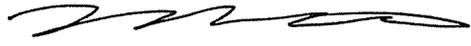
WHEREFORE, Atmos Energy respectfully requests that the Commission authorize by appropriate order, a continuation of Atmos Energy's WNA for five (5) additional years.

Respectfully submitted on this 28 day of June, 2005.

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COUNSEL FOR ATMOS ENERGY CORPORATION

By:  _____

WKGWEATHERNORMALIZATIONAPPLICATION

Atmos Energy Corporation (KY Division)
WNA Summary Report
2004-2005 Heating Season vs 2003-2004
November - April

	2004-2005 Heating Season					2003-2004 Season Total	
	November	December	January	February	March		April
RESIDENTIAL							
WNA Customers	152,832	156,212	157,010	159,346	159,253	158,060	157,119
Total Customers	152,832	156,212	157,010	159,346	159,253	158,060	157,119
WNA Revenue	\$ 241,130	\$ 130,364	\$ 379,178	\$ 373,663	\$ 52,760	\$ 30,297	\$ 1,207,392
WNA Volume Adjustment	MCF 202,630	MCF 109,550	MCF 318,637	MCF 314,003	MCF 44,336	MCF 25,460	MCF 1,014,616
Avg. WNA / Customer	\$ 1.58	\$ 0.83	\$ 2.41	\$ 2.34	\$ 0.33	\$ 0.19	\$ 7.68
COMMERCIAL							
WNA Customers	17,413	17,767	17,755	17,984	17,923	17,781	17,771
Total Customers	17,417	17,771	17,759	17,988	17,927	17,785	17,775
WNA Revenue	\$ 77,009	\$ 37,681	\$ 132,680	\$ 123,522	\$ 11,418	\$ 13,499	\$ 395,809
WNA Volume Adjustment	MCF 68,270	MCF 33,405	MCF 117,624	MCF 109,505	MCF 10,122	MCF 11,967	MCF 350,894
Avg. WNA / Customer	\$ 4.42	\$ 2.12	\$ 7.47	\$ 6.87	\$ 0.64	\$ 0.76	\$ 22.27
PUBLIC AUTHORITY							
WNA Customers	1,655	1,646	1,636	1,654	1,650	1,649	1,648
Total Customers	1,655	1,646	1,636	1,654	1,650	1,649	1,648
WNA Revenue	\$ 26,773	\$ 10,539	\$ 34,196	\$ 33,536	\$ 4,838	\$ 2,483	\$ 112,365
WNA Volume Adjustment	MCF 25,818	MCF 10,163	MCF 32,976	MCF 32,339	MCF 4,665	MCF 2,394	MCF 108,356
Avg. WNA / Customer	\$ 16.18	\$ 6.40	\$ 20.90	\$ 20.28	\$ 2.93	\$ 1.51	\$ 68.17
TOTAL							
WNA Revenue	\$ 344,912	\$ 178,584	\$ 546,054	\$ 530,721	\$ 69,016	\$ 46,279	\$ 1,715,566
WNA Volume Adjustment	MCF 296,718	MCF 153,118	MCF 469,237	MCF 455,847	MCF 59,124	MCF 39,821	MCF 1,473,866
WEATHER							
Billing HDD'S Actual	199	601	836	745	675	409	3,465
Billing HDD'S Normal	319	658	970	882	693	424	3,946
Warmer(Colder) then Normal	% 37.6	% 8.7	% 13.8	% 15.5	% 2.6	% 3.5	% 12.2
Calendar HDD'S Actual	427	893	783	637	636	231	3,607
Calendar HDD'S Normal	516	859	1,006	797	555	247	3,980
Warmer(Colder) then Normal	% 17.2	% -4.0	% 22.2	% 20.1	% -14.6	% 6.5	% 9.4
CUSTOMER SERVICE							
Total No. of WNA Inquiries							203
No. of Inquiries Not Satisfied							0