

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE FILING BY ATMOS ENERGY)
CORPORATION TO EXTEND ITS)
DEMAND-SIDE MANAGEMENT) CASE NO. 2002-00405
PROGRAM AND COST RECOVERY)
MECHANISM)

O R D E R

On October 31, 2002, Atmos Energy Corporation (Atmos) submitted, by tariff filing, an application to extend its Demand-Side Management (DSM) program for 3 years beyond the December 31, 2002 scheduled termination date and to update the Annual DSM Balance Adjustment (BA) and the DSM Cost Recovery-Current (DCRC) of its DSM Cost Recovery Component (DSMRC). On November 27, 2002, the Commission suspended Atmos s tariff proposal for 5 months from January 1, 2003, up to and including May 31, 2003 and approved the continuation of the current program until the Commission issues its final order in this matter.

The Commission approved Atmos s current program on December 21, 1999, as part of the settlement in Case No. 1999-00070,¹ Atmos s last general rate case. A Collaborative, which includes Atmos, the Kentucky Association of Community Action, the Office of the Attorney General, and Kentucky Legal Aid, reviews the program annually. At the last annual board meeting, held on October 16, 2002, the collaborative unanimously supported the continuation of the program for another 3 years.

¹ Case No. 1999-00070, The Application of Western Kentucky Gas Company for An Adjustment of Rates, Order dated December 21, 1999.

The program was designed to provide annual funding of approximately \$200,000 per year to pay for weatherization services for low-income households. Day-to-day administration of the program is conducted by various community action agencies. The program does not recover any administrative costs or lost revenues experienced by Atmos. As of the 3-year period ending December 2002, the program has helped 397 households at a cumulative cost of \$497,250.

During the course of the review, the Commission discovered that Atmos had not been applying interest to the BA calculation as required by its tariff for the DSM program. As a result, Atmos revised its calculation, lowering the proposed recovery rate from \$.0221 per Mcf to \$.0183 per Mcf. The Commission finds that Atmos's revised DSM surcharge factors are reasonable as they reflect the ongoing level of DSM program costs and the true up of prior-period DSM costs.

Discussions were held between Commission Staff and representatives of Atmos concerning Atmos's failure to apply interest to the BA calculation as required by its tariff. On March 28, 2003, Atmos filed a letter with the Commission acknowledging its failure to implement all of the provisions of its DSM tariff and proposing a resolution of the matter. It proposed that a civil penalty of no more than \$500 be imposed by the Commission for this violation. Additionally, it acknowledged that this violation obligates it to pay the penalty suspended in Case No. 2002-00196.²

²Case No. 2002-00196, Application of Western Kentucky Gas Company, A Division of Atmos Energy Corporation, Owensboro, Kentucky for a Certificate of Public Convenience and Necessity Authorizing it to Bid on Franchise Established By the City of Wingo, Kentucky, Order dated June 25, 2002. Western Kentucky Gas Company (Western) was assessed a civil penalty in this case in the amount of \$500, which was suspended on the condition that no further violations occurred.

After reviewing the record in this matter and being otherwise sufficiently advised, the Commission finds that Atmos should be authorized to extend its DSM program until December 31, 2005 and revise its surcharge factors as set forth herein. In addition, the Commission finds that Atmos should continue to file modifications to the DSMRC on an annual basis at least 2 months prior to the beginning of the effective upcoming 12-month period for billing, detailing the calculations of the DCRC and the DBA, as well as data on the total cost of the DSM program over the 12-month period.

The Commission further finds that the penalty proposed by Atmos for its violation of its DSM tariff is reasonable and should be accepted and that the penalty assessed in Case No. 2002-00196 is due and payable.

IT IS THEREFORE ORDERED that:

1. Atmos is authorized to extend its DSM program up to and including December 31, 2005.
2. Atmos shall continue the filing requirements as set forth in this Order.
3. Atmos's revised tariff proposing DSM surcharge factors of \$.0183 per Mcf is approved for service rendered on and after the date of this Order.
4. Within 10 days from the date of this Order, Atmos shall file a revised DSM Tariff showing the date of issue and that it was issued by authority of this Order.
5. Atmos is assessed a penalty of \$500 for its failure to implement the interest provisions of its DSM tariff.
6. The penalty suspension granted to Western, now Atmos, in Case No. 2002-00196 is revoked.

7. Within 10 days of the date of this Order, Atmos shall pay to the Commonwealth of Kentucky the sum of \$1,000. This payment shall be in the form of a cashier s check made payable to the Kentucky State Treasurer and shall be mailed or delivered to the Office of General Counsel, Public Service Commission, 211 Sower Boulevard, Post Office Box 615, Frankfort, Kentucky 40602.

Done at Frankfort, Kentucky, this 25th day of April, 2003.

By the Commission

ATTEST:


Executive Director