

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF ATMOS ENERGY)	
CORPORATION FOR AN ORDER CONTINUING THE)	CASE NO.
WEATHER NORMALIZATION ADJUSTMENT FOR)	2011-00205
THREE ADDITIONAL YEARS)	

O R D E R

On June 14, 2011, Atmos Energy Corporation (“Atmos”) filed an application requesting approval to continue its Weather Normalization Adjustment (“WNA”) mechanism for three additional years, through October 31, 2014. Atmos’s WNA was initially approved for a five year pilot period commencing November 1, 2000, as part of the settlement in Case No. 1999-00070.¹ On September 19, 2005, Atmos received approval for an additional five year extension through October 31, 2010.² On June 17, 2010, Atmos requested approval in Case No. 2010-00243³ to continue its WNA mechanism for five additional years, through October 31, 2015. On September 10, 2010, the Commission issued an Order approving a one year extension of the WNA

¹ Case No. 1999-00070, The Application of Western Kentucky Gas Company for an Adjustment of Rates (Ky. PSC Dec. 21, 1999). (Subsequent to this proceeding, Western Kentucky Gas Company became a division of Atmos Energy Corporation.)

² Case No. 2005-00268, The Application of Atmos Energy Corporation for an Order Continuing the Weather Normalization Adjustment for Five (5) Additional Years (Ky. PSC Sept. 19, 2005).

³ Case No. 2010-00243, The Application of Atmos Energy Corporation for an Order Continuing the Weather Normalization Adjustment for Five Additional Years (Ky. PSC Sept. 10, 2010).

requiring Atmos to file for approval of further extensions on a year-to-year basis until new 30-year data for establishing normal Heating Degree Days (“HDD”) is available.

On August 31, 2011, Atmos provided responses to a Commission Staff data request. On October 24, 2011, the Commission issued its Order approving Atmos’s use of its current WNA mechanism pending a final Order addressing the issue of the three year extension. There are no intervenors in this proceeding.

A WNA is designed to mitigate the effects that abnormal heating season weather can have on sales volumes, customer bills, and utility revenues. Atmos’s application states that its WNA “has performed very well” and “has met its intended purpose.” Atmos proposes to continue its WNA for three additional years with no changes to the tariff formulas or the workings of the mechanism. Atmos also indicated its willingness to work with the Commission to implement an alternate methodology of incorporating normal temperature data into the calculation of its WNA mechanism.

In its Order in Case No. 2010-00243, the Commission spoke to Atmos’s concern regarding updating its WNA calculation for 1981-2010 normal temperatures and applying the results to base rates which were temperature-normalized for the 1971-2000 period, stating, “The Commission notes that prior to the settlement of 2009-00354, data requests were propounded to Atmos which questioned its use of the 1971 through 2000 period in its WNA tariff and as the basis for weather normalizing its sales volumes, and requesting Atmos to provide recalculations of its exhibits based on 30 years ended 2008. The Commission’s finding that the settlement entered in that case, which included the use of the 1971 through 2000 period, was reasonable when considered in toto, should not be construed as a finding that it is reasonable to use that same 30-year

period as the basis for establishing normal HDD for the next five years of Atmos's WNA. While the National Oceanic and Atmospheric Administration ("NOAA") data is acceptable for this purpose, it is not reasonable to continue to use data from the 30 years ended 2000 when data for the 30 years ended 2010 will be available well before 2015."⁴ Atmos's August 31, 2011 responses to Staff data requests illustrated Atmos's concern that Atmos would be financially disadvantaged by using a different basis for normal HDD in the WNA than the basis that is used in Atmos's base rates. Using National Climatic Data Center's Core Normal HDDs for 1971-2000 as compared to the recently released period of 1981-2010, Atmos showed that updating its WNA calculation for 1981-2010 normal temperature and applying the results to base rates which were temperature-normalized for the 1971-2000 period would result in lower annual gross margin recovery.

Based on a review of the application and Atmos's data response and being otherwise sufficiently advised, the Commission finds that Atmos's request to continue its WNA for three additional years should be approved, but denies the request to continue to use 30 year climate data from the period 1971-2000. The Commission reiterates the statement in its Order in Case No. 2010-00243 that it is not reasonable to continue to use data from the 30 years ended 2000 when data for the 30 years ended 2010 is available. When Atmos entered into a "black box" settlement of its rate case issues which did not specifically address the WNA and the Commission made no finding of reasonableness concerning the weather normalization methodology, Atmos assumed the risk that more current data would be required for its WNA mechanism. The

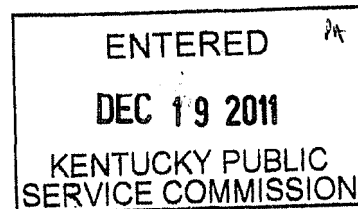
⁴ Id. at 2-3.

Commission has determined that Atmos should update its WNA calculations to reflect the most current climate data available from NOAA, and should revise its tariff accordingly. The Commission appreciates Atmos's willingness to discuss the possibility of using an alternate methodology to weather normalize rates, and is interested in entering into such discussions to ensure that, in the future, base rates and the WNA mechanism reflect more current normal weather data.

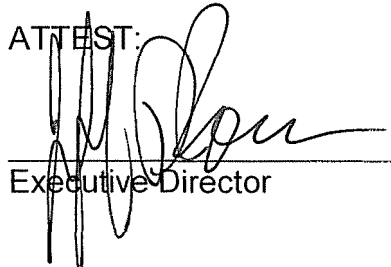
IT IS THEREFORE ORDERED that:

1. Atmos's proposal to continue its WNA for three years is approved.
2. Atmos's proposal to continue its use of climate data from the period 1971-2000 is denied. Atmos shall immediately update its WNA calculation for 1981-2010 normal temperatures based on NOAA's 2011 release, and shall revise its tariff accordingly.
3. Within 20 days of the date of this Order, Atmos shall file its revised WNA tariff rider showing the date issued and that it was issued by authority of this Order.

By the Commission



ATTEST:



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