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MAR 31 2004

PUBLIC SERVICE
COMMISSION

OVERNIGHT DELIVERY

March 30, 2004

Honorable Thomas M. Dorman
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602

Case 2004-00121

RE: Application of Atmos Energy Corporation for Approval of A Permanent
Statistical meter Sampling Program

Dear Mr. Dorman:

I enclose herewith an original, plus eleven (11) copies, of an Application of Atmos Energy Corporation for filing in your office. Please file stamp the eleventh copy and return to me at the address which appears in the letterhead above. If you have any questions, please do not hesitate to call me. Thanks.

Very truly yours,

Mark R. Hutchinson

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(BK)

MRH:bkk

Enclosures

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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MAR 3 1 2004

PUBLIC SERVICE
COMMISSION

IN THE MATTER OF:

The Application of Atmos Energy Corporation)
For Approval of a Permanent Statistical)
Meter Sampling Test Program) Case No. 2004-00121_____

**APPLICATION OF ATMOS ENERGY CORPORATION FOR APPROVAL OF
A PERMANENT STATISTICAL METER SAMPLING PROGRAM**

Comes Atmos Energy Corporation (Atmos), by counsel, and respectfully petitions the Commission for entry of an order authorizing the permanent implementation by Atmos of its statistical sampling plan for meter testing. In support of this Application, Atmos states as follows:

1. Atmos is engaged in the business of furnishing natural gas service to the public at retail in various counties in the Commonwealth of Kentucky, pursuant to authority granted by the Commission.
2. Atmos' full name and address is:

Atmos Energy Corporation
2401 New Hartford Road
Owensboro, Kentucky 42303
3. Applicant, a Virginia and Texas Corporation, is duly qualified under the laws of Kentucky to carry on its business in the Commonwealth of Kentucky. Applicant operates a public utility in the business of purchasing, transmitting and distributing natural gas to residential, commercial and industrial users in western and south central Kentucky.
4. A certified copy of Applicant's Restated Articles of Incorporation as amended, together with all amendments thereto, is on file with the Commission and are 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 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.

5. Atmos filed an application on April 19, 1999, in Case No. 99-059, seeking approval to implement for a five (5) year pilot period, a statistical meter sampling plan pursuant to 807 KAR 5:022 Section 8(5)(c). On June 1, 1999, Atmos filed a revised plan following an informal conference between the Commission Staff and Atmos on April 30, 1999. Atmos filed a second revised plan on August 4, 1999.

6. By order dated August 24, 1999, the Commission approved Atmos' statistical meter sampling test plan for a pilot period of five (5) years. Atmos was accordingly granted a deviation from 807 KAR 5:022, Section 8(3)(9)(1) for new gas meters during the five year pilot period.

7. The Commission's August 24 Order further required Atmos to file an annual report concerning the plan no later than April 1 of each year. Atmos has done so, having recently filed its final annual report dated March 8, 2004.

8. The Commission's Order further directed Atmos to file a final evaluation and analysis of the plan, along with an application to continue or to discontinue it, by no later than April 1, 2004. In accordance with that Order, Atmos is attaching hereto its final evaluation and analysis of the program. By this application, Atmos seeks to continue the program permanently.

9. As shown by the attached evaluation, the pilot program has proven to be safe and cost effective. The program has enabled Atmos to detect and remove from service poor performing meters more efficiently. Early removal of poor performing meters has resulted in improving the over all quality of meters placed in service. Fewer meters have been required to be changed and significant savings have been realized.

WHEREFORE, Atmos petitions the Commission to issue an order authorizing Atmos to implement on a permanent basis its Gas Meter Performance Control Program For Positive Displacement Meters pursuant to 807 KAR 5:022, Section 8 (5)(c), and thereby granting Atmos permission to deviate from 807

KAR 5:022, Section 8(a)(1-3). Although Atmos does not believe that a separate or additional deviation from 807 KAR 5:006, Section 25(b) (which relates to inspections of service regulators) is required, if the Commission determines that a separate deviation is necessary, Atmos further requests a deviation from 807 KAR 5:006, Section 25(b).



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ATTORNEYS FOR ATMOS ENERGY CORPORATION

Evaluation of Atmos Energy Corporation's Pilot Meter Sampling Plan

Atmos Energy has completed the five year pilot program as approved by the Commission on August 24, 1999 in Case No. 99-059 and in accordance with ANSI/ASQC Z1.4-1993. The meter testing annual reports from the program have been sent to the Commission each of the five years. The results of the annual reports indicate that the pilot program has been successful in identifying and removing deviant meters while maintaining the integrity of our meter population.

The pilot meter sampling plan has allowed Atmos the flexibility to identify and remove unacceptable performing meters and other groups that have a known history of not meeting expectations. During the five year test period, Atmos had six control groups fail.

- In 1999, control group 062C failed. The class of meters was comprised of Rockwell R-250 domestic meters. The control group included 92 total meters, requiring 20 to be sampled, of which 4 failed. The failure rate was 25%. The remaining meters were pulled in 2000 and retired. Of the remaining meters pulled, 3 failed the in-test requirements.
- In 2000, control group AC250C failed. The class of meters was comprised of American AC-250 domestic meters. The control group included 7 total meters, requiring 2 to be sampled, of which 1 failed. The failure rate was 50%. The remaining meters were pulled in 2001 and retired. Of the remaining meters pulled, none failed the in-test requirements.

- In 2000, control group 6GTG failed. The class of meters was comprised of a single American six inch turbine industrial meter. The control group included 1 meter which failed. This is a unique meter in our system and is field tested and recalibrated annually.
- In 2000, control group T608G failed. The class of meters was comprised of a single American eight inch turbine industrial meter. The control group included 1 meter which failed. This is a unique meter in our system and is field tested and recalibrated annually.
- In 2000, control group R175F failed. The class of meters was comprised of one Rockwell R-175 domestic meter. The control group included 1 total meter, requiring 1 to be sampled, of which 1 failed. There were no remaining meters to be pulled.
- In 2001, control group R250C failed. The class of meters was comprised of one Rockwell R-250 domestic meter. The control group included 1 total meter, requiring 1 to be sampled, of which 1 failed. There were no remaining meters to be pulled.

Evaluating the results of each control group has also allowed Atmos to identify meters that, while not failing the sample meter test program, nonetheless, are not performing well. Vintage meters are being systematically retired as a part of this process. Such meters are in-tested and retired when pulled from service. Included in this group are the following meters:

- American 5B
- Rockwell 800
- Sprague 175

These actions allow Atmos to improve continually the accuracy and quality of its meters. Having a history of the performance of manufacturers' meters provides another helpful evaluation criteria when purchasing new meters.

The Sample Meter Test Plan has been an efficient program, allowing Atmos to reduce the number of meters changed by over 50% and reducing the cost of the Company's meter change program by an average of \$335,000 per year over the last five years. EXHIBIT 1, on Page 4 of this report, compares the number of meters tested each year under the five-year pilot versus the number of meters that would have been tested under the standard 10-year program. EXHIBIT 2, also on Page 4, shows the estimated annual savings attributable to the sampling program as a result of the lower number of meter change-outs.

During Atmos' pilot Statistical Sample Meter Test Plan program it has been able to reduce costs and improve the accuracy of meters while maintaining safe delivery of natural gas to its 178,000 customers. Atmos has not experienced any safety problems associated with the meter testing program. This evaluation therefore supports and recommends the continued implementation of the Statistical Meter Test Plan.

EXHIBIT 1

– Comparison of Meters Tested under Sampling Program versus 10-year Program

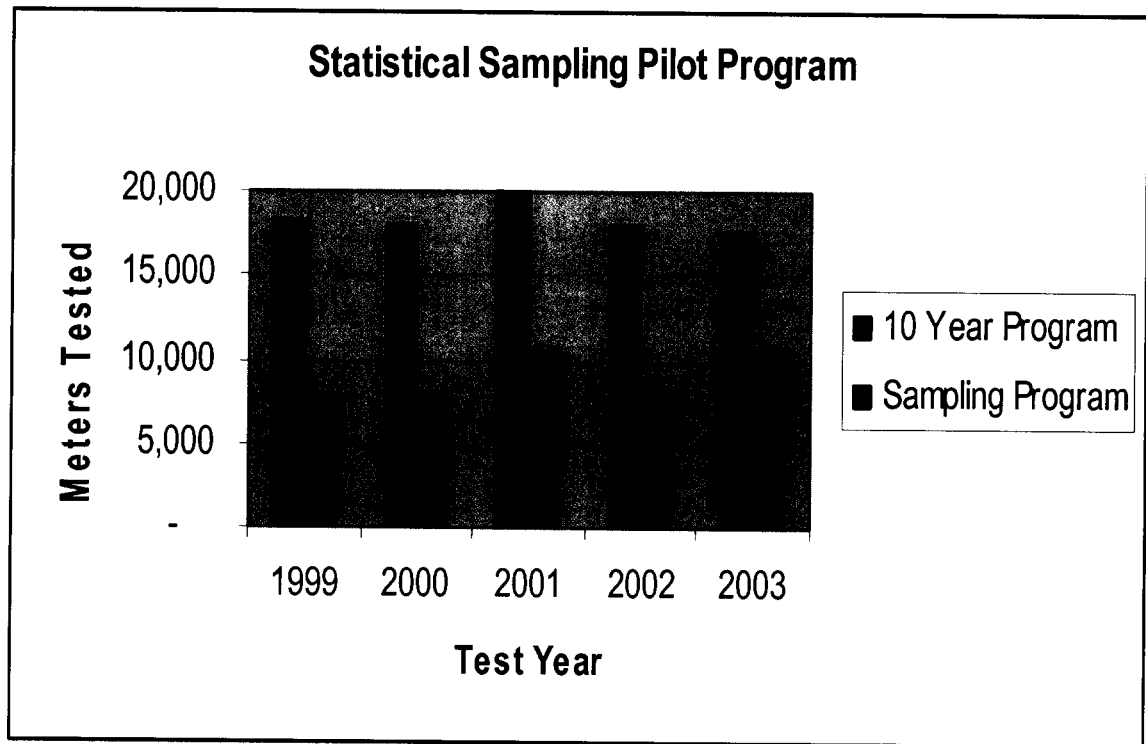


EXHIBIT 2

– Annual Savings Attributable to Sampling Program versus 10-year Program

