ATMOS energy

December 1, 2008

Ms. Stephanie Stumbo, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, KY 40601

2008-00499

RE: Request to modify and extend Demand Side Management Program and Cost Recovery Mechanism

Dear Ms. Stumbo:

Atmos Energy Corporation (Company) herewith submits an original and three (3) copies of an application and supporting schedules to request to modify and extend the Company's current Demand Side Management (DSM) program. The current DSM program expires on December 31, 2008. The Company requests to renew its modified program for a period of three (3) years.

The Company's current DSM program and cost recovery mechanism was last approved by Commission Order in Case No. 2005-00515 on December 22, 2005. The program was designed to provide annual funding for weatherization services to eligible, low-income households served by the Company. Day to day administration of the program (applicant screening, energy audits, contractor hiring, etc.) is conducted by various community action agencies and invoiced back to the Company on a per household basis. The Company then reimburses the agency from the funds it has collected under tariffs for this purpose. The Company's existing program has been in effect for approximately ten (10) years.

The Company is proposing to continue the weatherization component, and to include a rebate component and an education component. The Company proposes to increase the per household funds available under the weatherization component. Also, the Company is proposing to include a lost sales component as well as an incentive component.

Atmos Energy Corporation
2401 New Hartford Road, Owensboro, KY 42303-1312
P 270-685-8000 F 270-685-8052 atmosenergy.com

This filing replaces the filing made on October 30, 2008. In that filing, the Company submitted supporting schedules for the cost recovery, and the proposed Seventh Revised Sheet No. 41 canceling Sixth Revised Sheet No. 41. That filing was done in accordance with the reporting requirements specified on Original Sheet No. 40 of the Company's tariff. Included in this filing, the Company is submitting supporting schedules for the cost recovery, and the proposed Third Revised Sheet No. 39 canceling Second Revised Sheet No. 39, the proposed First Revised Sheet No. 40 canceling Original Sheet No. 40 and the proposed Eighth Revised Sheet No. 41 canceling Seventh Revised Sheet No. 41.

The Company would greatly appreciate the Commission's expedited review of the proposed tariff extension. If the Commission is unable to render approval by the current expiration date of December 31, 2008, the Company respectfully requests the Commission to allow the current benefits and funding of the DSM program to continue until final action by the Commission on this request.

Please contact myself at 270.685.8024 if the Commission or Staff has any questions regarding this matter.

Sincerely,

Mark A. Martin
Vice President, Rates & Regulatory Affairs

Enclosures

cc: Collaborative Board Members
Mr. Mark R. Hutchinson
Mr. Mike Ellis
Ms. Judy Dunlap

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

APPLICATION OF ATMOS ENERGY CORPORATION	)	
TO EXTEND ITS DEMAND-SIDE MANAGEMENT PROGRAM,	)	Case No. 2008-00499
AS AMENDED, AND COST RECOVERY MECHANISM,	)	
AS AMENDED FOR THREE (3) YEARS	)	

APPLICATION

Atmos Energy Corporation ("Atmos") or ("Applicant') by counsel, hereby applies to the Kentucky Public Service Commission ("Commission") for an Order authorizing it to extend its Demand-Side Management Program ("DSM Program") and its DSM Cost Recovery Mechanism ("DSMCR") for three (3) years, through December 31, 2011.

In support of this application, Atmos states as follows:

1. Atmos is a corporation duly qualified under the laws of the Commonwealth of Kentucky to carry on its business in the Commonwealth.

2. Atmos is an operating public utility engaged in the business of supplying natural gas to the public in numerous cities, towns, and communities in Western and South Central Kentucky.

3. A certified copy of Applicant's Amended and Restated Articles of Incorporation is already on file with the Commission in the Matter of: The Application of Atmos Enemy Corporation for An Order Authorizing a $900,000,000 Universal Shelf Registration, Case No. 2006-00387.

4. This Application is filed pursuant to KRS 278.285 which authorizes the Commission to determine the reasonableness of demand-side management plans proposed by utilities subject to its jurisdiction.

5. Atmos' DSM Program and Cost Recovery Mechanism were initially approved as a three (3) year pilot program, to run through 2002, as part of Atmos' general rate case proceeding in Case No. 1999-

00070. In Case No. 2002-00405, it was approved for an additional three (3) years, to run through 2005. Finally, in Case No. 2005-00515, Atmos' DSM Program, as modified, was approved for three (3) more years to run through December 31, 2008.

Accordingly, the current DSM Program is scheduled to expire as of December 31, 2008. If the Commission will be unable to take final action on this Application prior to the tariffs' proposed effective date of January 1, 2009, Atmos requests the Commission to allow the current benefits and funding of the DSM Program to continue until final action by the Commission.

6. Attached under Tab #1 is a summary of Atmos' proposed DSM Program, as modified, including a description of the new proposed rebate component and education component.

7. The DSM program was designed originally to provide annual funding for weatherization services to eligible, low income households served by the Company. Day to day administration of the program (applicant screening, energy audits, contract hiring, etc.) is conducted by various community action agencies and invoiced back to the Company on a per household basis. The Company then reimburses the agency from the funds its has collected under tariffs for this purpose.

8. As reflected in the attached summary, the Company is proposing to continue the weatherization component and to add a rebate component and an education component. Atmos proposes to also increase the funding available per qualifying low income household from $1500.00 to $3000.00. The cost of weatherization has increased dramatically since inception of the program and Atmos believes it is imperative to provide more to the customers that needs the assistance the most.

9. Under Atmos' proposed rebate program, existing or new conversion customers that change their current hearting system to a high efficiency forced air gas or high efficiency gas boiler would be eligible for rebates under the program. The amount of rebates and the guidelines for qualifying and disbursing the rebates are set forth in more detail in the attached summary.

10. Atmos plans to target elementary aged (either fourth or fifth graders) children within Atmos' service territory. The intent will be to educate the students concerning the importance of energy conservation and to introduce ways to reduce their family's energy consumption through various low or no cost efficiency measures. The program will be administered by Company personnel. Atmos proposes to recover the expenses associated with this program as well as expenses associated with customer awareness, program administration, supplies, program overhead as well as lost sales and incentive components. For additional detail, see the attached summary attached under the heading "Cost Recovery".

11. There is further attached to this Application under Tab #2, the supporting schedules for Atmos' proposed cost recovery. Lastly, the proposed Third Revised Sheet No. 39 canceling Second Revised Sheet No. 39, the proposed First Revised Sheet no. 40 canceling the Original Sheet No. 40 and the proposed Eighth Revised Sheet No. 41 canceling the Seventh Revised Sheet No. 41, are all attached under Tab #3.

12. Correspondence and communications with respect to this Application should be directed to:

Mark A. Martin
Atmos Energy Corporation
2401 New Hartford Road
Owensboro, Kentucky 42303

Douglas C. Walther
Atmos Energy Corporation
PO Box 650205
Dallas, Texas 75265

Mark R. Hutchinson
611 Frederica Street
Owensboro, Kentucky 42301

WHEREFORE, for the reasons stated herein, Atmos respectfully requests the Commission to enter an Order modifying and extending Atmos' DSM program and Costs Recovery Mechanism as herein

requested for a period of three (3) years; for an order approving the tariffs attached under Tab #3; and, for an order continuing the current DSM Program and funding until the Commission has entered an order taking final action in this proceeding.

Respectfully submitted this 2 day of December, 2008.

Mark R. Hutchinson
611 Frederica Street
Owensboro, Kentucky 42301

Douglas Walther
ATMOS ENERGY CORPORATION
PO Box 650250
Dallas, Texas 75265

VERIFICATION

I, Mark A. Martin, being duly sworn under oath state that I am Vice President of Rates and Regulatory Affairs for Atmos Energy Corporation, Kentucky/Midstates Division, and that the statements contained in the foregoing Petition are true as I verily believe.

Mark A. Martin

CERTIFICATE OF SERVICE

I hereby certify that on the 2 day of December, 2008, the original of this Application, together with eleven (11) copies were filed with the Kentucky Public Service Commission, 211 Sower Blvd., P.O. Box 615, Frankfort, Kentucky 40206 and upon Dennis Howard, Office of Attorney General, 1024 Capital Center Drive, Suite 200, Frankfort, Kentucky 40601.

Mark R. Hutchinson

Demand-Side Management Program

Atmos Energy

Table of Contents

Program Overview

Program Mission

It is the desire of Atmos Energy (Atmos/Company) to promote the prudent use of natural gas as one of our most valued domestic natural resources. The promotion and implementation of conservation measures by the consumer are an intricate part of our strategy and a sound national energy policy. In accordance with that policy and philosophy, we would prefer to expand our existing program to benefit our customers and bring attention to the importance of conservation.

Discussion

The Company has had a Demand-Side Management (DSM) program in place for at least ten (10) years. The program was designed to benefit our low-income customer base. The only tenant of our historical program was a weatherization component. The weatherization program was capped at $200,000 annually and $1,500 per qualifying household. The weatherization program was administered through a partnership with our local help agencies. Our existing program is set to expire on December 31, 2008. The Company would like to continue its existing DSM program as modified herein for a period of three years.

The proposed program remains a demand-side management program which aligns the interest of the Company with that of the customer. The proposed program encourages customers to conserve and efficiently use natural gas while not acting as a detriment to the financial performance of the Company. The Company proposes to increase the available funds per qualifying low-income household while adding rebate and educational programs.

The Company proposes to increase the funding available per qualifying low-income household from $1,500 to $3,000. The cost of weatherization has increased dramatically since inception of the Company's program and the Company believes that it is imperative to provide more to the customers that need assistance the most.

While Atmos is in business to sell natural gas and make a profit from those sales, the trend of customers going off service to use alternative fuels serves as a reminder to the Company of its commitment to service and to maintain long term customers. The investment of facilities to bring gas service to a community is contingent on those customers remaining satisfied consumers for an extended period of time to properly recover the investment.

Over the last several years, Atmos has fielded consumer inquiries concerning possible heating equipment upgrade incentives and information related to lowering natural gas consumption through conservation and increased insulation measures. To meet the

public interest and assist our customer base, Atmos in turn developed and proposes to offer a rebate program. The Company also has helpful links and conservation tips on its website. Customers can also conduct a home energy audit on-line as well.

The rebate program would be available to any new or existing residential customer. The Company is proposing rebates for furnaces, boilers and water heaters. These rebate programs will be discussed in greater detail in later sections.

The Company is also proposing an education program. The Company plans to target elementary aged (either 4th or 5th graders) children within the Company's service territory. The intent shall be to educate the students concerning the importance of energy conservation, and to introduce ways to reduce their family's energy consumption through various low or no-cost efficiency measures. The program will be administered by Company personnel.

In addition to the program identified above, the Company is also proposing to recover expenses associated with customer awareness, program administration, supplies, program overhead as well as lost sales and incentive components. The lost sales and incentive components will be discussed in more detail in the Cost Recovery section.

Program Benefits

When considering energy efficiency from natural resource to end use, natural gas at the wellhead has 10 BTUs and arrives at the consumer's home around 9 BTUs of energy. Whereas electricity requirements at a power plant of 10 BTUs of coal or oil through the generation process only produce 3 BTUs of electricity to the consumer. As a resource natural gas is more efficient.

Atmos has designed its Program to proactively address the concerns of its residential customer base related to decreasing consumption. The Program's mission is to decrease consumption through conservation and the efficient use of natural gas.

The decrease in gas usage of many of these customers through conservation or more efficient equipment will benefit Atmos by having more satisfied customers. It will benefit the general population by preserving for future use more natural gas.

Conservation

The Program promotes energy conservation through a home weatherization component for low-income customers as well as an education component for school children. As a result of the weatherization program, the participant's home will become more efficient so that the customer can conserve natural gas. The education program was designed to target elementary age children. The goal is two fold. The first part is to encourage conservation at an early age. The second part is the desire that children take the material home to their parents/guardians.

Additionally, conservation tips are posted on the Company's website and are periodically mailed to Atmos' residential customers which give them facts and tips to promote overall conservation.

Efficiency

A key component of Atmos' DSM Program is the transition from older, antiquated gas fired equipment to newer technologies with higher efficiencies. This is an important step for many consumers to better the use of natural gas.

The program allows for rebate incentives for both the installation of a high efficiency natural gas appliance in new construction and the upgrade of existing Atmos customers from their existing appliances to high efficiency models. Program rebates are available for high efficiency gas furnaces, boilers and water heaters.

Rate Recovery

The Program has a Demand-Side Management Cost Recovery Component (DSMRC) which is a billing adjustment to recover all direct and indirect costs associated with the program. To align the interest of the Company with that of the customer, the DSMRC also recovers the demand charges associated with the lost margin on the program participants, as well as an incentive based on the commodity savings generated through the Program.

High Efficiency Heating Program

Program

Existing or new conversion customers that change their current heating system (natural gas, propane, electric) to a high efficiency forced air gas furnace or high efficiency gas boiler are eligible for rebates under the Program. New homes shall be eligible for the same program if a high efficiency model is installed. Rebate amounts are determined per heating unit.

Product Information

High efficiency gas furnaces operate without a standing pilot that burns gas continuously. This saves the customer money. Ninety percent plus efficiency gas furnaces offer the consumer optional multiple stage burners and variable speed fan packages to improve their efficient use of natural gas. It is possible that a high efficiency furnace could save up to 40% of the energy cost over older technology units.

Product Requirement, Qualifications, Rebate

Equipment Type	Efficiency Level	BTU Input	Rebate Amount
Forced Air Furnace	90% or greater	30,000 or greater	$200.00
Boiler	90% or greater	30,000 or greater	$200.00

Guidelines

High efficiency gas heating equipment installation must have occurred after the program inception date of January 1, 2009. Equipment must meet the above stated qualifications and be approved by the American Gas Association or other similar organization. All equipment must be properly installed and meet the code requirements as stated by the NFPA 54 handbook and all State and local code requirements. Rebates must be redeemed through the Administrator outlined below. Participating Retailers and rebate forms will available at all of the Company's Kentucky office locations as well as on the Company's website, or by calling 1-xxx-xxx-xxxx. Each participant will receive a rebate after the completed rebate form is submitted with proper information. Upon receipt of a properly completed rebate form and associated documents, the Administrator will issue a check to the Participant within eight (8) to ten (10) weeks.

Rebate Disbursement

The Company will utilize a third party vendor for the rebate disbursement. The Company has used Energy Federation, Inc. (EFI) to administer a similar rebate program in Missouri. The success of that program and the existing relationship with EFI seemed like a natural fit for this Program.

High Efficiency Water Heater Program

Program

Existing or new conversion customers that change their current water heater (natural gas, propane, electric) to a high efficiency natural gas tank model or tankless model are eligible for rebates. New homes shall be eligible for rebates if a high efficiency model is installed. Rebate amounts are determined per heating unit.

Product Information

High efficiency gas water heaters are constructed with increased insulation along the outer shell and the addition of heat retention baffles inside the flue. Most power vent gas water heaters incorporate submerged combustion chambers and their burner configurations actually heat a greater area of water. Tankless water heaters have no standing pilot light and typically utilize around 25 % less fuel than those with pilot lights. Natural gas water heaters have a higher recovery rate since there is not an electric element to heat up like on the electric models. Gas water heaters typically have a longer life due to the simplistic nature of a gas burner and over time will not lose their efficiency as tends to happen with electric heating elements. Conventionally vented or direct vent gas water heaters are not affected by power outages. Gas water heaters will lessen summer electric load and, therefore, decrease peak electric demand issues on the hottest of summer days. As the cleanest burning of all the fossil fuels natural gas fired water heaters offer benefits to the environment and can lessen the pollution concerns of electric power generation by lowering the load requirements.

Product Requirement, Qualifications, Rebate

Equipment Type	Efficiency Level	Unit Requirement	Rebate Amount
High Efficiency Tank Model	0.62 Energy Factor	40 gallon or greater	$200.00
Tankless Model	99%		$300.00

Guidelines

Water heater installation must have occurred after the program implementation date of January 1, 2009. Equipment must meet the above stated qualifications and be approved by the American Gas Association or other similar organization. All equipment must be properly installed and meet the code requirements as stated by the NFPA 54 handbook and all State and local code requirements. Rebates must be redeemed through the Administrator outlined below. Participating Retailers and rebate forms will available at all of the Company's Kentucky office locations as well as on the Company's website, or

by calling 1-xxx-xxx-xxxx. Each participant will receive a rebate after the completed rebate form is submitted with proper information. Upon receipt of a properly completed rebate form and associated documents, the Administrator will issue a check to the Participant within eight (8) to ten (10) weeks.

Rebate Disbursement

The Company will utilize a third party vendor for the rebate disbursement. The Company has used Energy Federation, Inc. (EFI) to administer a similar rebate program in Missouri. The success of that program and the existing relationship with EFI seemed like a natural fit for this Program.

Cost Recovery

Atmos will recover its costs associated with the program through the DSM Cost Recovery Mechanism (DSMRC) which is a tariff applicable to all residential customers. The tariff can be broken down into the following four specific components:

- DSM Cost Recovery-Current (DCRC)
- DSM Lost Sales Adjustment (DLSA)
- DSM Incentive Adjustment (DIA)
- DSM Balance Adjustment (DBA)

DCRC

Under the tariff, the DCRC shall include all actual costs, direct and indirect, under this program which has been approved by the Commission. This includes all direct costs associated with the program including rebates paid under the program, the cost of educational supplies, and customer awareness related to conservation/efficiency. In addition, indirect costs shall include the costs of planning, developing, implementing, monitoring, and evaluating DSM programs. In addition, all costs incurred by or on behalf of the program, including but not limited to costs for consultants, employees and administrative expenses, will be recovered through the DCRC.

DLSA

To effectively promote and execute the program, the Company shall recover the annual lost sales attributable to customer conservation/efficiency created as a result of the Program. This aligns the Company's interest with that of its customers by reducing the correlation between volume and revenue for those customers who elect to participate in the program. The lost sales are the estimated conservation, per participant, times the base rate for the applicable customer. The goal is to make the Company whole for promoting the program. Lost sales are based on the cumulative lost sales since the program inception and will reset when the Company completes a general rate case.

DIA

As a result of the program, the customers who participate in the program will save on their gas bills due to decreased usage, which results in decreased commodity charges. As an incentive for the Company to devote the necessary monetary and physical resources to promote and administer the program, the Company will earn a fifteen percent (15%) incentive based on the net resource savings of the Program participants.

Net resource savings are defined as Program benefits less utility Program costs and participant costs where Program benefits will be calculated on the basis of the present value of Atmos' avoided commodity costs over the expected life of the Program. For the purpose of calculating the Program benefits, a ten year Program life is assumed with future gas costs over the ten-year period based on projection in the Department of Energy's *Annual Energy Outlook*. The present

value is calculated based on Atmos' discount rate used for financial reporting purposes which is based on the rates of high-quality fixed-income investment.

DBA

The DBA is a balancing adjustment to adjust the current rates for any over-(under-) collections of the previous year's DSM rates. An interest factor is applied to any over-(under-) collections based on the Average 3-Month Commercial Paper Rate for the Program year.

Atmos Energy DSM Programs
Program Summary

Total DSM Cost for recovery	California Tests		Year 1 $ 308,915
Program Costs	DCRC	$	909,500
Lost Sales	DLSA	$	28,200
Program Incentive	DIA	$	110,500
Program Balancing Adjustment	DBA	$	(739,285)
Annual Recovery Cost per Customer	DSMRC	$	2.01

	Benefit/ Cost Ratio
Participant Test	2.09
Program Admin Test	1.29
Ratepayer Impact Test (RIM)	2.01
Total Resource Cost Test (TRC)	1.02

Atmos Energy
Demand Side Management (DSM) Program

Atmos Data
based on '09 FY Budget

1.		# Kentucky Residential Customers		153,472
2.		Residential Sales Volumes (ccf)		106,217,796
3		**Estimated Participants**		
	a)	Residential Furnace/ Boiler		1,800
	b)	Residential Water Heater		500
	c)	Weatherization Program		100
4.		Atmos Distribution Charge	$	0.119
5		Average Heat use (ccf) per customer		551.77
6.		Average water heating use (ccf) per customer		250.98
7.		**Proposed Rebates**		
		High-Efficiency Furnaces, Energy-Star Rated	$	200
		High-Efficiency Boilers, Energy-Star Rated	$	200
		High-Efficiency Wtr Htr Energy-Star Rated	$	200
		High-Eff Tankless Wtr Htr Energy-Star Rated	$	300
8.		Weatherization Program	$	3,000
9.		Incremental Cost of High-efficiency furnace	$	751
		Incremental Cost of High-efficiency wtr htr	$	151
		Incremental Cost of High-eff tankless wtr htr	$	486
10.		Discount Rate		8.48%

Atmos Energy
Demand Side Management (DSM) Program
Billing Factor Calculation

Program Begins:	January 1, 2009
Program Year End:	December 31, 2012
Rate Effective:	January 1, 2009

DCRC = DSM Cost Recovery-Current

Program Costs			
Program Costs (Rebates, Weatherization & Education)	$	792,500	
Customer Awareness	$	50,000	
Program Administration	$	44,100	
Supplies	$	10,000	
Program Overhead	$	12,900	
Total Program Costs			$ 909,500
TOTAL DCRC			**$ 909,500**

DLSA = DSM Lost Sales Adjustment

Current Year Program Participation (Schedule A)

Rate	# of Participants	CCF Conserved	Distribution Charge	Lost Sales
Residential Furnace/ Boiler	1,800	198,637	$ 0 1190	$ 23,638
Residential Water Heater	500	21,961	$ 0 1190	$ 2,613
Weatherization Program	100	16,553	$ 0.1190	$ 1,970
Total Current Year Lost Sales	**2,400**	**237,151**		**$ 28,221**
Cumulative Prior Years Participation (Schedule B)	-	-		$ -
TOTAL DLSC	**2,400**	**237,151**		**$ 28,200**

DIA = DSM Incentive Adjustment

Program Benefits (Schedule C)	$	1,646,015
Less: Program Costs	$	(909,500)
Net Resource Savings	**$**	**736,515**
Incentive Percentage		15%
DIA		**$110,500**

DBA = DSM Balance Adjustment

	Under/(Over) Recovery	Estimated Residential Sales		Balancing Adjustment
$	(739,285 35)	106,217,796	$	(0 0070)

DSMRC = DSM Cost Recovery Component

Estimated Residential Sales	106,217,796	Ccf
Estimated Residential Customers	153,472	

	Recovery Amount		Rate, per Ccf
DCRC	$ 909,500	$	0 0086
DLSA	$ 28,200	$	0 0003
DIA	$ 110,500	$	0 0010
DBA	$ (739,285)	$	(0 0070)
TOTAL DSMRC	**$ 308,915**	**$**	**0.0029**

Atmos Energy
Demand Side Management (DSM) Program
Schedule A - Current Year Participation Detail

Program Year End: December 31, 2009

	(1) Program Participants	(1) CCF Conservation Per Participant	CCF Conservation Total	(1) Rebate Amount	Rebate Total
A. High Efficiency Heating Savings					
1. High Efficiency Forced Air Furnaces	1,710	110.35	188,705	$ 200	$ 342,000
2. High Efficiency Boiler	90	110.35	9,932	$ 200	18,000
	1,800	110.35	198,637		$ 360,000
B. High Efficiency Water Heating Savings					
1. High Efficiency Holding Tank Models	375	25.10	9,412	$ 200	75,000
3. High Efficiency Tankless Models	125	100.39	12,549	$ 300	37,500
	500	62.75	21,961		$ 112,500
C. Weatherization Program					
1. Low-Income Weatherization	100	165.53	16,553	$ 3,000	$ 300,000
D. Education Program					$ 20,000
Total	**2,400**	338.63	**237,151**		**$ 792,500**

(1) Amounts based on 20% savings for a 90% AFUE furnace
Amounts based on 10% savings for a higher efficiency water heater
Amounts based on 40% savings for a higher efficiency tankless water heater
Amounts based on 30% savings for low-income weatherization

EFI Budget Estimates for Administration of Kentucky DSM Furnace Rebate Program

	Unit Cost	Annual Budget Count of units	Total Cost
Total funds avaialable	$ 472,500		
Programming/ database set up	$ 1,000	1	$ 1,000
Rebate Amount - furnace	$ 200	2000	
Rebate Amount - water heater	$ 300	300	
Processing fee	$ 9.00	2300	$ 20,700
"Cost of Money" Charge	1%		$ 4,725
Reservation Fee	$ 4.00	$ 2,300	$ 9,200
Customer e-mails (EFI to cust.)	$ 2.50		$ 460
Customer Service Phone Chg (set-up)	$ 100.00		$ 100
Customer Service Phone Chg (hours)	$ 39.00	48	$ 1,869
Program Management fee	$ 1,500	4	$ 6,000
			$ 44,054

DSM APPLIANCE INFORMATION

FURNACES or BOILERS

Contractor Location	Brand	Unit Sizing	Avg. 80% Efficiency	Avg. 90% Efficiency	Incremental Cost
Bowling Green	Rheem	2,000 sq. ft	$ 783	$ 1,275	$ 492
Bowling Green	Rheem	2,000 sq. ft	$ 1,182	$ 1,880	$ 698
Bowling Green	Rheem	2,000 sq. ft	$ 1,876	$ 2,232	$ 356
Hopkinsville	Rheem	2,000 sq. ft.	$ 820	$ 1,377	$ 557
Hopkinsville	Lennox	2,000 sq. ft.	$ 1,100	$ 2,600	$ 1,500
Hopkinsville	Goodman	2,000 sq. ft.	$ 925	$ 1,799	$ 874
Owensboro	Amana	2,000 sq. ft.	$ 700	$ 1,400	$ 700
Owensboro	Carrier (low end)	2,000 sq. ft.	$ 887	$ 1,506	$ 619
Owensboro	Carrier (high end)	2,000 sq. ft.	$ 1,844	$ 2,803	$ 959
				Average Incremental Cost	$ 751

WATER HEATERS - TANK TYPE

Contractor Location	Brand	Unit Sizing	Avg. 58% Efficiency	Avg. 61% Efficiency	Incremental Cost
Bowling Green	Whirlpool	40 gallon	$ 351	$ 509	$ 158
Bowling Green	Whirlpool	50 gallon	$ 420	$ 564	$ 144
				Average Incremental Cost	$ 151

WATER HEATERS - TANKLESS

Contractor Location	Brand Comparison	Unit Sizing	58% Eff Tank Type	82% Eff. Tankless	Incremental Cost
Hopkinsville	State vs. Rinnai	50 gallon	$ 425	$ 807	$ 382
Owensboro	American vs. Noritz	50 gallon	$ 510	$ 1,099	$ 589
				Average Incremental Cost	$ 486

Atmos Energy
Demand Side Management (DSM) Program
Schedule B - Cumulative Prior Years Program Participation

Program Year End: December 31, 2009

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Cumulative Total
Program Participants											
A. High Efficiency Heating Savings											
1. High Efficiency Forced Air Furnaces	-										-
2. High Efficiency Boiler	-										-
B. High Efficiency Water Heating Savings											
1. High Efficiency Holding Tank Models	-										-
3. High Efficiency Tankless Models	-										-
Total	-	-	-	-	-	-	-	-	-	-	-
C. Weatherization Program											
1. Low-Income Weatherization											
Total Conservation											
A. High Efficiency Heating Savings											
1. High Efficiency Forced Air Furnaces	-										-
2. High Efficiency Boiler	-										-
B. High Efficiency Water Heating Savings											
1. High Efficiency Holding Tank Models	-										-
3. High Efficiency Tankless Models	-										-
Total	-	-	-	-	-	-	-	-	-	-	-
C. Weatherization Program											
1. Low-Income Weatherization											-
Total Lost Sales	$ -										

Atmos Energy
Demand Side Management (DSM) Program
Schedule C - Calculation of Program Benefits

Program Year End: December 31, 2009

Current Year Conservation (Ccf) 237,151 **per Schedule A**

Year	CCF Conserved	Projected Gas Cost*	Commodity Savings
2009	Conserved	$ 1.128	$ 267,506
2010	Conserved	$ 1.093	259,206
2011	Conserved	$ 1.065	252,566
2012	Conserved	$ 1.045	247,823
2013	Conserved	$ 1.036	245,688
2014	Conserved	$ 1.044	247,586
2015	Conserved	$ 1.035	245,451
2016	Conserved	$ 1.011	239,760
2017	Conserved	$ 1.007	238,811
2018	Conserved	$ 1.030	244,266
Total Commodity Savings	-		**$ 2,488,663**

Discount Rate 8.48%

Program Benefits **$1,646,015**
(present value of commodity savings)

*Based on Department of Energy "Annual Energy Outlook", converted to per ccf residential cost

Atmos Energy
Demand Side Management (DSM) Program
Participant Test

$NPV_P = B_P - C_P$

B_P	=	$	2,856,883
C_P	=		1,368,027
NPV_P	**=**	**$**	**1,488,856**

Benefit-Cost Ratio **2.09**

Conclusion:

Since the net present value is greater than zero, the program will benefit the participants

---

Where:

NPV_P = Net present value to all participants
B_P = NPV of benefit to all participants
C_P = NPV of cost to all participants

$$B_P = \sum_{t=1}^{N} \frac{BR_t + TC_t + INC_t}{(1+d)^{t-1}}$$

$$C_P = \sum_{t=1}^{N} \frac{PC_t + BI_t}{(1+d)^{t-1}}$$

BR_t = Bill reductions in year t
BI_t = Bill increases in year t
TC_t = Tax credits in year t
INC_t = Incentives paid to the participant by the Utility
PC_t = Participant costs in year t, which include incremental captial costs

The following calculations are based on the budgeted participation levels for year one of the program

Atmos Energy
Demand Side Management (DSM) Program
Participant Test

$$B_P = \sum_{t=1}^{N} \frac{BR_t + TC_t + INC_t}{(1+d)^{t-1}}$$

t	BR_t	TC_t	INC_t	B_P
1	295,727	640,000	472,500	1,408,227
2	287,427	-	-	287,427
3	280,787	-	-	280,787
4	276,044	-	-	276,044
5	273,909	-	-	273,909
6	275,807	-	-	275,807
7	273,672	-	-	273,672
8	267,981	-	-	267,981
9	267,032	-	-	267,032
10	272,487	-	-	272,487
	2,770,873	640,000	472,500	3,883,373

8.480% Discount Rate

$2,856,883 NPV

BR_t = Bill reductions in year t
TC_t = Tax credits in year t
INC_t = Incentives paid to the participant by the Utility

Atmos Energy
Demand Side Management (DSM) Program
Participant Test

BR_t = Bill reductions in year t

t	(1) Ccf Conserved	(2) Projected Gas Cost*	(3) Demand Charge	(4) (2) + (3) Combined Rate	(1) x (4) BR_t
1	237,151	$ 1.128	$ 0.1190	$ 1.25	$ 295,727
2	237,151	$ 1.093	0.1190	1.21	287,427
3	237,151	$ 1.065	0.1190	1.18	280,787
4	237,151	$ 1.045	0.1190	1.16	276,044
5	237,151	$ 1.036	0.1190	1.16	273,909
6	237,151	$ 1.044	0.1190	1.16	275,807
7	237,151	$ 1.035	0.1190	1.15	273,672
8	237,151	$ 1.011	0.1190	1.13	267,981
9	237,151	$ 1.007	0.1190	1.13	267,032
10	237,151	$ 1.030	0.1190	1.15	272,487
					$ 2,770,873

(1) Total projected Ccf savings, based on budgeted participation levels in year one of the program.
(2) Based on Department of Energy "Annual Energy Outlook", converted to per ccf residential cost; where t = 1 = 2009
(3) Volumetric charge for residential customers per Sheet No. 8 of the Company's tariff.

Atmos Energy
Demand Side Management (DSM) Program
Participant Test

TC_t = Tax credits in year t

	(1) Program Participants	(2) Residential Energy Credits		(1) x (2) TC_t
A. High Efficiency Heating Savings				
1. High Efficiency Forced Air Furnaces	1,710	*300*	$	513,000
2. High Efficiency Boilers	90	*300*		27,000
B. High Efficiency Water Heating Savings				
1. High Efficiency Holding Tank Models	375	*200*		75,000
3. High Efficiency Tankless Models	125	*200*		25,000
Total	**2,300**		**$**	**640,000**

Note: participants are eligible for tax credits in the year they incur expenditures for high-efficiency appliances, since this is an analysis of participation in a single year, the tax credit is applicable only where t = 1

(1) Based on budgeted participation levels in year one of the CEP.
(2) Amount of tax credit per IRS Form 5695 for the 2009 tax year is $500 per household. To be conservative, the Company assumed that all participants would utilize both rebates.

Atmos Energy
Demand Side Management (DSM) Program
Participant Test

INC_t = Incentives paid to the participant by the Utility, for t = 1

	(1) Program Participants		(2) Rebate Amount		(1) x (2) INC_t
A. High Efficiency Heating Savings					
1. High Efficiency Forced Air Furnaces	1,710	$	200	$	342,000
2. High Efficiency Boilers	90	$	200		18,000
B. High Efficiency Water Heating Savings					
1. High Efficiency Holding Tank Models	375	$	200		75,000
3. High Efficiency Tankless Models	125	$	300		37,500
Total	**2,300**			**$**	**472,500**

(1) Based on budgeted participation levels in year one of the CEP.
(2) Amount of rebate per CEP, per unit

Note. rebates are given to participant in the year they elect to participate. since this is an analysis of participation in a single year, the rebate is applicable only where t = 1

Atmos Energy
Demand Side Management (DSM) Program
Participant Test

$$C_P = \sum_{t=1}^{N} \frac{PC_t + BI_t}{(1+d)^{t-1}}$$

t	(1) BI_t	(2) PC_t	(1) + (2) C_P
1	15,723	1,468,313	1,484,036
2	-	-	-
3	-	-	-
4	-	-	-
5	-	-	-
6	-	-	-
7	-	-	-
8	-	-	-
9	-	-	-
10	-	-	-
	15,723	1,468,313	1,484,036

8 480% Discount Rate

$1,368,027 NPV

BI_t = Bill increases in year t

PC_t = Participant costs in year t, which include incremental capital costs

Atmos Energy
Demand Side Management (DSM) Program
Participant Test

BI_t = PF x CEPRC

t	(1) CEPCR	(2) CEPLS	(3) CEPI	(4) (1) + (2) + (3) CEPRC	(5) PF	(4) x (5) BI_t
1	909,500	28,200	110,500	1,048,200	0 0150	15,723
2				-	0 0150	-
3				-	0 0150	-
4				-	0 0150	-
5				-	0 0150	-
6				-	0 0150	-
7				-	0 0150	-
8				-	0 0150	-
9				-	0 0150	-
10				-	0.0150	-
	909,500	28,200	110,500	1,048,200		15,723

(1) - (3) Represents the individual components which comprise the CEP cost recovery Amounts for year one are based on the year one program budget and expected participation

(1) CEPCR represents the program cost recovery of expenses for the given year As noted this analysis is for a single year of participation, therefore the CEPCR is recovered where t=1

(2) CEPLS represents the lost sales attributable to participation in the CEP Lost sales for a given year are recovered annually through the CEP mechanism until the next general rate case when rates can be reset Since this analysis is for a single year of participation the lost sales remain constant until the next general rate case

(3) CEPI represents the incentive earned by the company based on the conservation in the given year As noted this analysis is for a single year of participation, therefore the CEPI is recovered where t=1

(5) BI_t represents the impact of increased rates on the program participants Since the CEPRC is recovered from all residential customers, a factor was applied to determine the amount of impact to the CEP participants This is a ratio of participants to the number of residential customers

A	2,300	Budgeted CEP participants (year 1)
B	153,472	Total Residential Customers
A/B	0 0150	Participant Factor (PF)

Atmos Energy
Demand Side Management (DSM) Program
Participant Test

PC_t = Participant costs for t = 1

	(1) Program Participants		(2) Incremental Cost		(1) x (2) PC_t
A. High Efficiency Heating Savings					
1. High Efficiency Forced Air Furnaces	1,710	$	751	$	1,283,450
2. High Efficiency Boilers	90		751		67,550
B. High Efficiency Water Heating Savings					
1. *High Efficiency Holding Tank Models*	375		151		56,625
3. High Efficiency Tankless Models	125		486		60,688
Total	**2,300**			**$**	**1,468,313**

IC = Incremental Costs for purchasing high-efficiency unit

(1) Based on budgeted participation levels in year one of the CEP.

Atmos Energy
Demand Side Management (DSM) Program
Program Administrator Cost Test

$NPV_{pa} = B_{pa} - C_{pa}$

B_{pa} =	$	1,646,015
C_{pa} =		1,273,968
NPV_{pa} =	$	372,047

Benefit-Cost Ratio **1.29**

Conclusion:

Since the net present value is greater than zero, the program *would decrease costs to the utility*

Where:

NPV_{pa} = Net present value of total cost of the resource
B_{pa} = NPV of benefits of the program
C_{pa} = NPV of costs of the programs

$$B_{pa} = \sum_{t=1}^{n} \frac{UAC_t}{(1+d)^{t-1}}$$

$$C_{pa} = \sum_{t=1}^{n} \frac{PRC_t + INC_t + UIC_t}{(1+d)^{t-1}}$$

UAC_t = Utility avoided supply costs in year t
PRC_t = *Program Administrator Costs in year* t
INC_t = Incentives paid to the participant by the Utility
UIC_t = Utility increased supply costs in year t

The following calculations are based on the budgeted participation levels for year one of the program.

Atmos Energy
Demand Side Management (DSM) Program
Program Administrator Cost Test

$$B_{pa} = \sum_{t=1}^{N} \frac{UAC_t}{(1+d)^{t-1}}$$

(1)

t		UAC_t
1	$	267,506
2	$	259,206
3	$	252,566
4	$	247,823
5	$	245,688
6	$	247,586
7	$	245,451
8	$	239,760
9	$	238,811
10	$	244,266
	$	2,488,663

8.480% Discount Rate

$1,646,015 NPV

(1) UAC_t scheduled per calculation performed for RIM test

UAC_t = Utility avoided supply costs in year t

Atmos Energy
Demand Side Management (DSM) Program
Program Administrator Cost Test

$$C_{pa} = \sum_{t=1}^{N} \frac{PRC_t + INC_t + UIC_t}{(1+d)^{t-1}}$$

t	(1) PRC_t	(2) INC_t	(3) UIC_t	C_{pa}
1	909,500	472,500	-	1,382,000
2	-	-	-	-
3	-	-	-	-
4	-	-	-	-
5	-	-	-	-
6	-	-	-	-
7	-	-	-	-
8	-	-	-	-
9	-	-	-	-
10	-	-	-	-
	909,500	472,500	-	1,382,000

8.480% Discount Rate

$1,273,968 NPV

PRC_t = Program Administrator Costs in year t
INC_t = Incentives paid to the participant by the Utility
UIC_t = Utility increased supply costs in year t

(1) Program costs scheduled from PRC_t which was calculated for the RIM Test

(2) Incentives scheduled from INC_t which was calculated for the Participant test

(3) No known increased supply costs as a result of operating the CEP

Atmos Energy
Demand Side Management (DSM) Program
Ratepayer Impact Measure (RIM) Test

$NPV_{RIM} = B_{RIM} - C_{RIM}$

B_{RIM} =	$	2,612,296
C_{RIM} =		1,299,982
NPV_{RIM} =	$	**1,312,314**

Benefit-Cost Ratio **2.01**

Conclusion:

Since the net present value is greater than zero, the program will benefit rates and bills

---

Where:

NPV_{RIM} = Net present value levels
B_{RIM} = Benefits to rate levels or customer bills
C_{RIM} = Costs to rate levels or customer bills

$$B_{RIM} \sum_{t=1}^{n} \frac{UAC_t + RG_t}{(1+d)^{t-1}}$$

$$C_{RIM} \sum_{t=1}^{n} \frac{UIC_t + RL_t + PRC_t + INC_t}{(1+d)^{t-1}}$$

UAC_t = Utility avoided supply costs in year t
UIC_t = Utility increased supply costs in year t
RG_t = Revenue gain from increased sales in year t
RL_t = Revenue loss from reduced sales in year t
PRC_t = Program administrator costs in year t
INC_t = Incentives paid to the participant by the sponsoring utility in year t

The following calculations are based on the budgeted participation levels for year one of the program.

Atmos Energy
Demand Side Management (DSM) Program
Ratepayer Impact Measure (RIM) Test

$$B_{RIM} \sum_{t=1}^{N} \frac{UAC_t + RG_t}{(1+d)^{t-1}}$$

t	UAC_t	RG_t	B_{RIM}
1	267,506	1,048,221	1,315,727
2	259,206	-	259,206
3	252,566	-	252,566
4	247,823	-	247,823
5	245,688	-	245,688
6	247,586	-	247,586
7	245,451	-	245,451
8	239,760	-	239,760
9	238,811	-	238,811
10	244,266	-	244,266
	2,488,663	1,048,221	3,536,884

8.480% Discount Rate

$2,612,296 NPV

UAC_t = Utility avoided supply costs in year t
RG_t = Revenue gain from increased sales in year t

Atmos Energy
Demand Side Management (DSM) Program
Ratepayer Impact Measure (RIM) Test

UAC_t = Utility avoided supply costs in year t

t	(1) Ccf Conserved	(2) Projected Gas Cost*	(1) x (2) UAC_t
1	237.151	$ 1.128	$ 267,506
2	237,151	$ 1.093	$ 259,206
3	237,151	$ 1.065	$ 252,566
4	237,151	$ 1.045	$ 247,823
5	237,151	$ 1.036	$ 245,688
6	237,151	$ 1.044	$ 247,586
7	237,151	$ 1.035	$ 245,451
8	237,151	$ 1.011	$ 239.760
9	237,151	$ 1.007	$ 238,811
10	237,151	$ 1.030	$ 244,266
			$ 2,488,663

(1) Total projected Ccf savings, based on budgeted participation levels in year one of the program
These amounts continue to be saved year after year
(2) Based on Department of Energy "Annual Energy Outlook", converted to per ccf residential cost; where t = 1 = 2009

Note: the above analysis is based on the CCF conserved from a single year of participation in the CEP

Atmos Energy
Demand Side Management (DSM) Program
Ratepayer Impact Measure (RIM) Test

RG_t = Revenue gain from increased sales in year t

t	(1) CEPCR	(2) CEPLS	(3) CEPI	RG_t
1	909,500	28,221	110,500	1,048,221
2				-
3				-
4				-
5				-
6				-
7				-
8				-
9				-
10				-
	909,500	28,221	110,500	1,048,221

(1) - (3) Represents the individual components which comprise the CEP cost recovery. Amounts for year one are based on the year one program budget and expected participation.

(1) CEPCR represents the program cost recovery of expenses for the given year. As noted this analysis is for a single year of participation, therefore the CEPCR is recovered where t=1.

(2) CEPLS represents the lost sales attributable to participation in the CEP. Lost sales for a given year are recovered annually through the CEP mechanism until the next general rate case when rates can be reset. Since this analysis is for a single year of participation the lost sales remain constant until the next general rate case.

(3) CEPI represents the incentive earned by the company based on the conservation in the given year. As noted this analysis is for a single year of participation, therefore the CEPI is recovered where t=1

Atmos Energy
Demand Side Management (DSM) Program
Ratepayer Impact Measure (RIM) Test

$$C_{RIM} \sum_{t=1}^{n} \frac{UIC_t + RL_t + PRC_t + INC_t}{(1+d)^{t-1}}$$

t	(1) UIC_t	(2) RL_t	(3) PRC_t	(4) INC_t	(1) + (2) C_{RIM}
1	-	28,221	909,500	472,500	1,410,221
2	-	-	-	-	-
3	-	-	-	-	-
4	-	-	-	-	-
5	-	-	-	-	-
6	-	-	-	-	-
7	-	-	-	-	-
8	-	-	-	-	-
9	-	-	-	-	-
10	-	-	-	-	-
	-	28,221	909,500	472,500	1,410,221

8 480% Discount Rate

$1,299,982 NPV

UIC_t = Utility increased supply costs in year t
RL_t = Revenue loss from reduced sales in year t
PRC_t = Program administrator costs in year t
INC_t = Incentives paid to the participant by the sponsoring utility in year t

(1) No known increased supply costs
(2) see RIM Test RG; column (2)
(3) see RIM Test RG; column (3)
(4) Scheduled per calculation performed for Participant Test

Atmos Energy
Demand Side Management (DSM) Program
Total Resource Cost (TRC) Test

$NPV_{TRC} = B_{TRC} - C_{TRC}$

B_{TRC} =	$	2,235,986
C_{TRC} =		2,191,936
NPV_{TRC} =	**$**	**44,050**

Benefit-Cost Ratio **1.02**

Conclusion:

Since the net present value is greater than zero, the program is a less expensive resource than the supply option upon which the marginal costs are based.

Where:

NPV_{TRC} = Net present value of total cost of the resource
B_{TRC} = NPV of benefits of the program
C_{TRC} = NPV of costs of the programs

$$B_{TRC} = \sum_{t=1}^{N} \frac{UAC_t + TC_t}{(1+d)^{t-1}}$$

$$C_{TRC} = \sum_{t=1}^{N} \frac{PRC_t + PCN_t + UIC_t}{(1+d)^{t-1}}$$

UAC_t = Utility avoided supply costs in year t
TC_t = Tax credits in year t
UIC_t = Utility increased supply costs in year t
PRC_t = Program administrator costs in year t
PCN_t = Net particpant costs

The following calculations are based on the budgeted participation levels for year one of the program.

Atmos Energy
Demand Side Management (DSM) Program
Total Resource Cost (TRC) Test

$$B_{TRC} = \sum_{t=1}^{N} \frac{UAC_t + TC_t}{(1+d)^{t-1}}$$

t	(1) UAC_t	(2) TC_t	B_{TRC}
1	267,506	640,000	907,506
2	259,206	-	259,206
3	252,566	-	252,566
4	247,823	-	247,823
5	245,688	-	245,688
6	247,586	-	247,586
7	245,451	-	245,451
8	239,760	-	239,760
9	238,811	-	238,811
10	244,266	-	244,266
	2,488,663	640,000	3,128,663

8.480% Discount Rate

$2,235,986 NPV

UAC_t = Utility avoided supply costs in year t
TC_t = Tax Credits in year t

(1) Scheduled per calculation performed for RIM Test
(2) Scheduled per calculation performed for Participant Test

Atmos Energy
Demand Side Management (DSM) Program
Total Resource Cost (TRC) Test

$$C_{TRC} = \sum_{t=1}^{N} \frac{PRC_t + PCN_t + UIC_t}{(1+d)^{t-1}}$$

t	(1) PRC_t	(2) PCN_t	(3) UIC_t	C_{TRC}
1	909,500	1,468,313	-	2,377,813
2	-	-	-	-
3	-	-	-	-
4	-	-	-	-
5	-	-	-	-
6	-	-	-	-
7	-	-	-	-
8	-	-	-	-
9	-	-	-	-
10	-	-	-	-
	909,500	1,468,313	-	2,377,813

8.480% Discount Rate

$2,191,936 NPV

PRC_t = Program administrator costs in year t
PCN_t = Net particpant costs
UIC_t = Utility increased supply costs in year t

(1) Scheduled per calculation performed for RIM Test

(2) Represents net participant costs which is the incremental cost to the participant of purchasing a high-efficiency appliance versus one with standard efficiency. Amount scheduled from PC_t from the Participant Test.

(3) No known increased supply costs as a result of operating the CEP

ATMOS ENERGY CORPORATION

Demand-Side Management Cost Recovery Mechanism
DSM

1. **Applicable**

Applicable to Rate G-1 Sales Service, residential class only.

The Distribution Charge under Residential Rate G-1 Sales Service, shall be increased or decreased for three annual periods beginning January 2009 and continuing through December 31, 2011 by the DSM Cost Recovery Component (DSMRC) at a rate per Mcf in accordance with the following formula: (T)

$$DSMRC = DCRC + DLSA + DIA + DBA \quad \text{(T)}$$

Where:

DCRC = DSM Cost Recovery-Current. The DCRC shall include all actual costs, direct and indirect, under this program which has been approved by the Commission. This includes all direct costs associated with the program including rebates paid under the program, the cost of educational supplies, and customer awareness related to conservation/efficiency. In addition, indirect costs shall include the costs of planning, developing, implementing, monitoring, and evaluating DSM programs. In addition, all costs incurred by or on behalf of the program, including but not limited to costs for consultants, employees and administrative expenses, will be recovered through the DCRC. (T)

DLSA = DSM Lost Sales Adjustment. To effectively promote and execute the program, the Company shall recover the annual lost sales attributable to customer conservation/efficiency created as a result of the Program. This aligns the Company's interest with that of its customers by reducing the correlation between volume and revenue for those customers who elect to participate in the program. The lost sales are the estimated conservation, per participant, times the base rate for the applicable customer. The goal is to make the Company whole for promoting the program. Lost sales are based on the cumulative lost sales since the program inception and will reset when the Company completes a general rate case. (N)

ISSUED: December 1, 2008 **EFFECTIVE:** January 1, 2009

ISSUED BY: Mark A. Martin Vice President – Rates & Regulatory Affairs, Kentucky/Mid-States Division

ATMOS ENERGY CORPORATION

Demand-Side Management Cost Recovery Mechanism
DSM

DIA = DSM Incentive Adjustment. As a result of the program, the customers who participate in the program will save on their gas bills due to decreased usage, which results in decreased commodity charges. As an incentive for the Company to devote the necessary monetary and physical resources to promote and administer the program, the Company will earn a fifteen percent (15%) incentive based on the net resource savings of the Program participants. (N)

Net resource savings are defined as Program benefits less utility Program costs and participant costs where Program benefits will be calculated on the basis of the present value of Atmos' avoided commodity costs over the expected life of the Program. For the purpose of calculating the Program benefits, a ten year Program life is assumed with future gas costs over the ten-year period based on projection in the Department of Energy's *Annual Energy Outlook*. The present value is calculated based on Atmos' discount rate used for financial reporting purposes which is based on the rates of high-quality fixed-income investment.

DBA = DSM Balance Adjustment. The DBA shall be calculated on a calendar year basis and be used to reconcile the difference between the amount of revenues actually billed through the DSMRC and the revenues which should have been billed. (T)

The DBA for the upcoming twelve-month period shall be calculated as the sum of the balance adjustments for the DCRC, DLSA and DIA. For the DCRC, DLSA and DIA, the balance adjustment shall be the difference between the amount billed in a twelve-month period and the actual cost of the DSM Program during the same twelve-month period. (T)

(D)

The balance adjustment amounts calculated will include interest to be calculated at a rate equal to the average of "3-month Commercial Paper Rate" for the immediately preceding twelve-month period.

The Company will file modifications to the DSMRC on an annual basis at least two months prior to the beginning of the effective upcoming twelve-month period for billing. This annual filing shall include detailed calculations of the DCRC, DLSA, DIA and the DBA, as well as data on the total cost of the DSM Program over the twelve-month period. The calculations plus interest shall be divided by the expected Mcf sales for the upcoming twelve-month period to determine the DSMRC. (T)

FOR ENTIRE SERVICE AREA
P.S.C. NO. 1
Eighth Revised Sheet No. 41
Cancelling
Seventh Revised Sheet No. 41

ATMOS ENERGY CORPORATION

Demand-Side Management Cost Recovery Mechanism		
DSM		
DSM Cost Recovery Component (DSMRC):		
DSM Cost Recovery – Current:	$0.0850 per Mcf	(I)
DSM Lost Sales Adjustment	$0.0020 per Mcf	(N)
DSM Incentive Adjustment	$0.0080 per Mcf	(N)
DSM Balance Adjustment:	($0.0700) per Mcf	(N)
DSMRC Residential Rate G-1	$0.0250 per Mcf	(I)

ISSUED: December 1, 2008

EFFECTIVE: January 1, 2009

BY: Mark A. Martin Vice President of Rates & Regulatory Affairs, Kentucky/Mid-States Division