

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF ATMOS)	
ENERGY CORPORATION TO EXTEND ITS)	CASE NO.
DEMAND SIDE MANAGEMENT PROGRAM AND)	2025-00200
COST RECOVERY MECHANISM FOR THREE (3))	
YEARS)	

ORDER

On June 20, 2025, Atmos Energy Corporation (Atmos) submitted an application to extend its Demand-Side Management (DSM) program for three years beyond the April 30, 2026 scheduled termination date. Atmos also proposed to extend its existing Annual DSM Cost Recovery Component (DSMCR) as approved in Case No. 2017-00424.¹ Atmos responded to two requests for information. There are no intervenors in this proceeding. This case now stands submitted for a decision based on the evidentiary record.

LEGAL STANDARD

KRS 278.285(1) authorizes the Commission to review and approve the reasonableness of DSM programs proposed by any utility under its jurisdiction. The statute lists multiple factors the Commission can consider when determining the reasonableness of the DSM programs. The listed factors in KRS 278.285(1) are:

- (a) The specific changes in customers' consumption patterns which a utility is attempting to influence;

¹ Case No. 2017-00424, *Electronic Application of Atmos Energy Corporation to Extend Its Demand-Side Management Program as Amended and Cost Recovery Mechanism as Amended for Three (3) Years* (Ky. PSC Apr. 27, 2018), Order at 6.

- (b) The cost and benefit analysis and other justification for specific demand-side management programs and measures included in a utility's proposed plan;
- (c) A utility's proposal to recover in rates the full costs of demand-side management programs, any net revenues lost due to reduced sales resulting from demand-side management programs, and incentives designed to provide positive financial rewards to a utility to encourage implementation of cost effective demand-side management programs;
- (d) Whether a utility's proposed demand-side management programs are consistent with its most recent long-range integrated resource plan;
- (e) Whether the plan results in any unreasonable prejudice or disadvantage to any class of customers;
- (f) The extent to which customer representatives and the Office of the Attorney General have been involved in developing the plan, including program design, cost recovery mechanisms, and financial incentives, and if involved, the amount of support for the plan by each participant, provided however, that unanimity among the participants developing the plan shall not be required for the commission to approve the plan;
- (g) The extent to which the plan provides programs which are available, affordable, and useful to all customers; and
- (h) Next-generation residential utility meters that can provide residents with amount of current utility usage, its cost, and can be capable of being read by the utility either remotely or from the exterior of the home.

KRS 278.285(1) also states the factors listed are not exhaustive, the Commission can consider anything that will help determine if the programs are reasonable.

BACKGROUND

The Commission approved, in Case No. 2017-00424,² Atmos's annual budget for its low-income weatherization program at \$180,000 with a funding level of up to \$3,000 per qualifying low-income household.

In Case No. 2021-00401,³ Atmos explained that it had inadvertently failed to seek renewal of the DSM program and, as a result, the DSM program expired on April 30, 2021. Atmos did not discover the error until mid-October 2021, and Atmos ceased DSM charges and credits on October 15, 2021. However, during this unauthorized period between May 1, 2021, and October 15, 2021, Atmos collected approximately \$5,900 from residential customers and credited approximately \$4,000 to commercial customers.⁴ Atmos also spent approximately \$37,000 on qualifying DSM projects between May 1, 2021, and September 30, 2021.⁵

The final Order in Case 2021-00401,⁶ the Commission approved the extension of the low-income weatherization DSM program through April 30, 2023, and ordered a residential DSM recovery rate of \$0.0096/Mcf and the over-recoveries for the commercial

² Case No. 2017-00424, *Electronic Application of Atmos Energy Corporation to Extend Its Demand-Side Management Program as Amended and Cost Recovery Mechanism as Amended for Three (3) Years* (Ky. PSC Apr. 27, 2018), Order at 6.

³ Case No. 2021-00401, *Electronic Application of Atmos Energy Corporation for a Demand-Side Management Program* (Filed Oct. 28, 2021), Application at 2.

⁴ Case No. 2021-00401, *Electronic Application of Atmos Energy Corporation to Extend Its Demand-Side Management Program as Amended and Cost Recovery Mechanism as Amended for Three (3) Years* (Filed Oct. 28, 2021), Application at 2.

⁵ Case No. 2021-00401, *Electronic Application of Atmos Energy Corporation to Extend Its Demand-Side Management Program as Amended and Cost Recovery Mechanism as Amended for Three (3) Years* (Filed Oct. 28, 2021), Application at 2.

⁶ Case No. 2021-00401, *Electronic Application of Atmos Energy Corporation for a Demand-Side Management Program* (Ky. PSC Apr. 14, 2022), Order at 6.

customer be returned at a rate of (\$0.0059)/Mcf. Additionally, the Commission ordered Atmos, in its next DSM filing for rates effective May 1, 2023, to calculate the over-recovery or under-recovery balance for the commercial customers and to propose how to return the amount through either the Gas Cost Adjustment (GCA) or by deferring the over-recovery or under-recovery as a regulatory liability or regulatory asset.⁷

In Case No. 2022-00343,⁸ the Commission approved Atmos's low-income weatherization program through April 30, 2026. Additionally, the Commission approved Atmos's request to return the commercial over-recovery amount of (\$9,817.39) through the GCA, effective May 1, 2023, as Ordered in Case No. 2021-00401.

Atmos's DSM program is designed to provide annual funding for weatherization to eligible low-income households. Atmos proposed to extend its existing DSM program and DSMCR as approved in Case No. 2017-00424.

COST-EFFECTIVENESS

Atmos provided a cost-benefit analysis of its DSM program. Atmos utilized the California Standard Tests to determine the cost-effectiveness of the DSM program. The following table shows the results of the cost-effectiveness tests:⁹

California Standard Test	Benefit/Cost Ratio
Program Admin Test	0.27
Ratepayer Impact Test (RIM)	0.20
Total Resource Cost Test (TRC)	0.27

⁷ Case No. 2021-00401, *Electronic Application of Atmos Energy Corporation for a Demand-Side Management Program* (Ky. PSC Apr. 14, 2022), Order at 6.

⁸ Case No. 2022-00343, *Electronic Application of Atmos Energy Corporation for a Demand-Side Management Program* (Ky. PSC Feb. 23, 2023), Order at 4.

⁹ Atmos's Response to Commission Staff's Second Request for Information (Staff's Second Request), Item 1, Attachment, Staff_2-01_Att_1_-_2025_DSM_Program_Renewal_California_Tests_(Weatherization_Only).xlsx.

Cost effective results for the California Standard Tests are shown through a threshold with a value of 1.00 or above. Results of 1.00 or above show that the benefits of the program are equal to or potentially greater than the costs to implement and run the program. Results below 1.00 show that the costs of the program out way the benefits to the company. As illustrated above, the TRC results show that the DSM program is not cost-effective. The Program Admin Test and the Ratepayer Impact Test (RIM) also show results below the 1.00 cost-effective threshold.

PARTICIPATION

Atmos provided the budget expenditure for the past three calendar years up to 2024. The level of expenditure suggests that participation in the program is low. The budget expenditure of the DSM program is provided below:¹⁰

Calendar Year	Budget Spent
2022	\$13,351.80
2023	\$10,693.45
2024	\$3,000.00

POTENTIAL PROGRAMS

In response to Staff's First Request, Atmos explained that it has also identified a Rebate Program for potential implementation.¹¹ Atmos stated that this program was successfully utilized by Atmos until it was terminated by the Commission on April 30,

¹⁰ Atmos's Response to Commission Staff's First Request for Information (Staff's First Request), Item 8.

¹¹ Atmos's Response to Staff's First Request, Item 6.

2018.¹² The program would offer rebates on high efficiency ENERGY STAR natural-gas-heating and water-heating equipment for eligible customers as well as offer additional energy efficiency and weatherization incentives for customers to use their energy in a more efficient manner.

DISCUSSION AND FINDINGS

The California Standard Tests results provided by Atmos show that the current DSM program is not cost effective. However, the Commission recognizes that low-income weatherization programs provide valuable assistance to income-eligible customers by reducing their heating bills. This is especially important during periods when the price of natural gas is high. The Commission finds that Atmos's DSM program is reasonable and should be extended through April 30, 2029. Additionally, due to no changes being proposed to the annual budget of Atmos's DSM program, the Commission finds that extending the DSMCR as approved in Case No. 2017-00424 is reasonable and should be approved.

The Commission finds that, due to the declining participation levels in the low-income weatherization DSM program, Atmos should make efforts to identify effective methods and increase its advertising and outreach efforts to improve customer awareness and participation in the DSM Program. Additionally, Atmos should track the participation levels of the DSM program over the next three calendar years and provide that information, with explicit detail regarding the consumer outreach process, in its next DSM filing.

¹² Case No. 2017-00424, *Electronic Application of Atmos Energy Corporation to Extend Its Demand-Side Management Program as Amended and Cost Recovery Mechanism as Amended for Three (3) Years* (Ky. PSC Apr. 27, 2018), Order at 5.

The Commission also finds a need for Atmos to file a DSM potential study that identifies and explains all potential DSM programs for future implementation, which should include the Rebate Program. The DSM potential study should include California Standard Test results for all identified program, as well as projected budgetary needs.

IT IS THEREFORE ORDERED that:

1. Atmos's extension of the Low-Income Weatherization DSM Program is approved through April 30, 2029.
2. Atmos's extension of its DSMCR is approved through April 30, 2029.
3. Atmos should increase and expand the level of advertisement and outreach for the Low-Income Weatherization DSM Program to address the declining participation.
4. Atmos should track the Low-Income Weatherization DSM Program participation levels and include it in its next DSM filing.
5. Atmos shall file a DSM potential study that identifies and explains all potential DSM programs for future implementation in its next DSM filing.
6. Any future DSM applications filed by Atmos shall include the information as described in the findings above.
7. Atmos shall be allowed to recover any lost revenues and authorized incentives associated with any Commission-approved DSM program consistent with KRS 278.285. Recovery of lost revenues shall be limited to no more than three years but will be reset to zero based upon the Commission's approved rates in Atmos's recent base-

rate case,¹³ and shall not exceed claimed savings over the life of the specific DSM measure.

8. Within 20 days of the date of this Order, Atmos shall file with the Commission its revised tariff sheets reflecting the approved extension through April 30, 2029.

9. This case is closed and removed from the Commission's Docket.

¹³ Case No. 2024-00276, *Electronic Application of Atmos Energy Corporation for an Adjustment of Rates; Approval of Tariff Revisions; and Other General Relief* (Ky. PSC Aug. 11, 2025).

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