



October 18, 2012

RECEIVED

OCT 19 2012

PUBLIC SERVICE
COMMISSION

Jeff DeRouen
Executive Director
Kentucky Public Service Commission
Post Office Box 615
Frankfort, KY 40602-0615

RE: Case No. 2008-00408

Dear Mr. DeRouen:

Atmos Energy Corporation (Company) herewith submits its policy to be in compliance with the Commission's Order in the above referenced case. The attached policy complies with Ordering Paragraphs 4 and 8.

Please feel free to contact me at mark.martin@atmosenergy.com or at 270.685.8024 if you have any questions and/or need any additional information.

Sincerely,

A handwritten signature in cursive script that reads "Mark A. Martin".

Mark A. Martin
Vice President – Rates & Regulatory Affairs

Enclosures

pc: Randy Hutchinson

Overview

The purpose of this policy is to ensure that energy efficiency is considered as a cost-effective resource for Atmos' customers. Atmos promotes energy efficiency through the operation of its Demand-side Management Program ("DSM"), which is a tariffed DSM program allowed under KRS 278.285 and was initially approved in Case No. 1999-00070. In addition, Atmos' DSM program was been renewed with modifications in Case Nos. 2002-00405, 2005-00515, 2008-00499, 2010-00305, and 2011-00395. Also, energy efficiency is a resource used in the Atmos' load forecasting. Finally, the design of Atmos' current base rates helps to promote energy efficiency.

Demand-side Management Program

The DSM program aligns Atmos' interest with that of the residential rate payer, by providing recovery of the lost revenue associated with customer conservation and efficiency, an incentive to encourage customer conservation, and by providing for the recovery of the expenses associated with promoting the program.

Conservation and efficiency is promoted through three separate components of the DSM, which include rebates on high efficiency appliances, low-income weatherization and customer education.

Load Forecasting

Annually, Atmos uses consumption data in its regression analysis for forecasting future load. The consumption data helps capture energy efficiency within our customers' usage patterns and assists in determining future requirements.

Rate Design

Atmos promotes customer conservation through the rate design sought in its general rate cases. Atmos' base rates include a fixed monthly customer charge along with a volumetric rate. To partially decouple the revenue Atmos earns from the volumes of gas sold, a majority of the base rate increase granted in Atmos' two most recent rate cases (2009-00354 and 2006-00464) was allocated to the monthly customer charge rather than the volumetric rate in an effort to move towards a rate design that removes the Company's disincentive to promote conservation. In future rate proceedings, Atmos will continue to address customer conservation in its rate design.