



RECEIVED

MAR 16 2009

PUBLIC SERVICE  
COMMISSION

March 13, 2009

Mr. Dennis Howard II  
Assistant Attorney General  
Attorney General of Kentucky  
1024 Capital Center Drive  
Suite 200  
Frankfort, KY 40601

**RE: Case No. 2008-00499**

Dear Mr. Howard:

Atmos Energy Corporation (Company) herewith submits responses to the initial requests for information of the Attorney General in the above referenced case.

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

Sincerely,

A handwritten signature in black ink that reads "Mark A. Martin".

Mark A. Martin  
Vice President, Rates & Regulatory Affairs

Enclosures

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

Atmos Energy Corporation  
AG Initial Data Request Dated March 2, 2009  
Case No. 2008-00499  
Witness: Mark Martin

1. Please refer to application, page 2, paragraph 7. Please explain why the company plans to continue to limit weatherization services offered under the proposed DSM programs to only low income households.

**RESPONSE: The Company emphasizes weatherization to all customers, but proposed to continue to limit weatherization services to only low income households for two main reasons. Our low income customers need the most help and our help agency partners only serve low income households.**

Atmos Energy Corporation  
AG Initial Data Request Dated March 2, 2009  
Case No. 2008-00499  
Witness: Mark Martin

2. Please refer to the application, Tab 1 – program summary, page 3. Please describe the measures utilized or installed under the company’s weatherization program along with the criteria for deciding which homes get which measures installed.

**RESPONSE:** The help agencies will first inspect a qualifying customer’s home to access the homeowner’s needs. Once the needs are determined, the help agencies try to maximize the number of measures to be installed under the terms of the program. Examples of measures utilized are insulation, weather stripping, programmable thermostats, water heater covers, greater efficient doors and windows, and possibly greater efficient heating appliances.

Atmos Energy Corporation  
AG Initial Data Request Dated March 2, 2009  
Case No. 2008-00499  
Witness: Mark Martin

3. Please refer to the application, Tab 1 – program summary, page 3. Please explain how benefits under the company's weatherization program are coordinated with benefits under the Federal Weatherization Assistance Program.

**RESPONSE:** As stated earlier, the help agencies attempt to maximize the number of measures with the available funds that will provide the greatest benefit to the homeowner. The Company has requested this information from the Kentucky Association of Community Action, but unfortunately the information has not been provided at this time. When the information is received, the Company will supplement this response.

Atmos Energy Corporation  
AG Initial Data Request Dated March 2, 2009  
Case No. 2008-00499  
Witness: Mark Martin

4. Please refer to the application, Tab 1 – program summary, page 3. Please provide the average number of houses served by the company’s weatherization program along with the average cost of services provided.

**RESPONSE: For the period calendar year 2000 through calendar year 2008, the average number of households served by the Company’s weatherization program was one hundred eighteen (118) per year. The average cost of services provided for the same time frame was \$163,617 per year.**

Atmos Energy Corporation  
AG Initial Data Request Dated March 2, 2009  
Case No. 2008-00499  
Witness: Mark Martin

5. Is the company aware of the modifications in the Federal Weatherization Assistance Program that were made under the American Recovery and Reinvestment Act of 2009?

**RESPONSE: The Company is aware of some of the modifications in Federal Weatherization Assistance Program that were made under the ARRA of 2009, but is still reviewing the entire act and its impact on the Company's operations.**

Atmos Energy Corporation  
AG Initial Data Request Dated March 2, 2009  
Case No. 2008-00499  
Witness: Mark Martin

6. Under the American Recovery and Reinvestment Act of 2009 (ARRA), the Federal Weatherization Assistance Program is to distribute \$5 billion dollars for low income weatherization services. The act increased the level of assistance available to each household to \$6,500.00, increased the eligible income level under the program and allows new weatherization assistance for homes that were weatherized as recently as 1994. Please explain how the changes in the Federal Weatherization Assistance Program will affect the company's program weatherization program.

**RESPONSE: The Company believes that the ARRA will increase the level of eligible participants that may seek assistance under the Company's weatherization program; however, the impacts of the ARRA are unknown at this time. The Company has requested this information from the Kentucky Association of Community Action, but unfortunately the information has not been provided at this time. The Company will file a supplemental response if additional information becomes available.**

Atmos Energy Corporation  
AG Initial Data Request Dated March 2, 2009  
Case No. 2008-00499  
Witness: Mark Martin

7. Please refer to the application, Tab 1 – program summary, page 3. Please provide documentation to support the statement by the company that “(t)he cost of weatherization has increased dramatically..”.

**RESPONSE: The Company has had a DSM program in effect for nine (9) years. The \$1,500 subsidy level was first established at that time. As stated in our response to Staff Data Request 1(d), inflation alone has had a cumulative effect of a twenty-three percent (23%) increase. Also, the help agencies have reported that some qualifying households could not participate since the level of subsidy was insufficient.**



Atmos Energy Corporation  
AG Initial Data Request Dated March 2, 2009  
Case No. 2008-00499  
Witness: Mark Martin

8. Please refer to the application, Tab 1 – program summary, page 3. Please explain in detail how the increased funding level of \$3,000.00 per household was arrived at by the company.

**RESPONSE: The Company used a couple of factors in determining that the \$3,000 was appropriate. The first factor was the rate of inflation. Using the inflation calculator on the Bureau of Labor website, the rate of inflation from calendar year 2000 to 2009 was approximately 23%. The second factor was a general principle of trying to assure that the level of assistance was sufficient for those customers that are less fortunate.**

Atmos Energy Corporation  
AG Initial Data Request Dated March 2, 2009  
Case No. 2008-00499  
Witness: Mark Martin

9. Please indicate the current income levels used to qualify participants in the program. Please indicate whether these levels have increased since program inception and, if so, please indicate the levels previously used to qualify participants.

**RESPONSE: Prior to the ARRA, a customer was deemed to qualify if their household income was 150% of or below the poverty line. Due to the ARRA, the benchmark is being raised to 200% of the poverty line.**

Atmos Energy Corporation  
AG Initial Data Request Dated March 2, 2009  
Case No. 2008-00499  
Witness: Mark Martin

10. Does the company expect to modify the income levels used to qualify participants in its weatherization program in light of the changes in the Federal Weatherization Assistance Program? If so, please explain the expected modifications.

**RESPONSE: Yes. The Company partners with our local help agencies and the local help agencies are the ones that qualify eligible participants for the program. The Company believes that income levels outlined in the Federal Weatherization Assistance Program will be the benchmark used by the help agencies.**

Atmos Energy Corporation  
AG Initial Data Request Dated March 2, 2009  
Case No. 2008-00499  
Witness: Mark Martin

11. Please indicate whether benefits under the company's program are available to homeowners, tenants, or both. Please indicate what, if any, criteria are used to differentiate services that are available to homeowners and tenants.

**RESPONSE: The program is intended for homeowners only. Tenants who are interested in the program would need to work with their individual landlords. Landlords (i.e. owners) are eligible for rebates.**

Atmos Energy Corporation  
AG Initial Data Request Dated March 2, 2009  
Case No. 2008-00499  
Witness: Mark Martin

12. For each program proposed by the company, please provide a breakdown of the program costs including the budget for administrative costs.

**RESPONSE: Please see attached Excel spreadsheet; "Kentucky DSM Program Costs".**

**KENTUCKY DSM PROGRAM PROPOSAL - 2009**

	<b>Budgeted Participants</b>	<b>Cost per</b>	<b>Annual Cost</b>	<b>Program Admin &amp; Supplies</b>	<b>Awareness / Advertising</b>	<b>Total Program Costs</b>
Weatherization	100	\$ 3,000	\$ 300,000	\$ 2,254	\$ 2,083	\$ 304,338
Education	-	\$ -	\$ 20,000	\$ -	\$ -	\$ 20,000
High Efficiency Heating	1,800	\$ 200	\$ 360,000	\$ 40,575	\$ 37,500	\$ 438,075
High Efficiency Water Heating (standard)	375	\$ 200	\$ 75,000	\$ 8,453	\$ 7,813	\$ 91,266
High Efficiency Water Heating (tankless)	125	\$ 300	\$ 37,500	\$ 2,818	\$ 2,604	\$ 42,922
	<u>2,400</u>	<u>\$ 3,700</u>	<u>\$ 792,500</u>	<u>\$ 54,100</u>	<u>\$ 50,000</u>	<u>\$ 896,600</u>

Atmos Energy Corporation  
AG Initial Data Request Dated March 2, 2009  
Case No. 2008-00499  
Witness: Mark Martin

13. Please refer to the application, Tab 1 – program summary, page 4. Please state whether the company intends to claim any energy savings as part of its education program and describe in detail the methodology the company will use to calculate any claimed savings.

**RESPONSE:** The Company does not intend to claim any energy savings as part of its education program. While the Company is hopeful that the educational materials are taken home and discussed, the Company realizes that any energy savings would be extremely difficult to quantify. The Company believes that the energy savings will be reflected in future generations' energy use.

Atmos Energy Corporation  
AG Initial Data Request Dated March 2, 2009  
Case No. 2008-00499  
Witness: Mark Martin

14. Please provide copies of all educational materials to be distributed to children participating in the company's energy education program.

**RESPONSE:** Attached are the educational materials that the Company uses in Missouri. The Company plans to use the same materials in Kentucky. The Company is only providing this material to the Attorney General's office. If any additional parties would like to receive this information, please contact myself at 270.685.8024 and the Company will be happy to provide a similar packet.



Atmos Energy Corporation  
AG Initial Data Request Dated March 2, 2009  
Case No. 2008-00499  
Witness: Mark Martin

15. Please refer to the application, Tab 1 – High Efficiency Heating Program, page 6. Please explain in detail how the rebate amount was determined. Please provide any supporting documentation to support the company’s proposed rebate amount.

**RESPONSE: The Company based the rebate amounts by using the California Tests as a guide. The program attempts to reach a balance between a rebate amount sufficient to attract the consumer’s interest to upgrade in efficiency to conserve energy, and a reasonable program cost to the ratepayers.**

Atmos Energy Corporation  
AG Initial Data Request Dated March 2, 2009  
Case No. 2008-00499  
Witness: Mark Martin

16. Please refer to the application, Tab 1 – High Efficiency Heating Program, page 6. What is the approximate cost difference between a high efficiency unit and a “standard” unit?

**RESPONSE:** Please refer to the data on Page 25 of the Company’s program filing, titled “DSM Appliance Information”, the average cost difference in various Atmos – Kentucky locations is \$751.

Atmos Energy Corporation  
AG Initial Data Request Dated March 2, 2009  
Case No. 2008-00499  
Witness: Mark Martin

17. Please refer to the application, Tab 1 – High Efficiency Heating Program, page 6. Based on estimated efficiencies, how long will it take the average consumer to recover the cost differential between a high efficiency unit and a “standard” unit?

**RESPONSE: Based on the 2009 winter rates, approximately six (6) years. If rebate were included, the payback would be approximately four and one half (4.5) years.**

Atmos Energy Corporation  
AG Initial Data Request Dated March 2, 2009  
Case No. 2008-00499  
Witness: Mark Martin

18. Please refer to the application, Tab 1 – High Efficiency Heating Program, page 6. Please explain why the rebate is fixed regardless of unit size. Does the company believe that it is reasonable to have a rebate vary based on unit size? If so, why was that not proposed in the application?

**RESPONSE: No, the Company does not believe that the rebate amount should vary by size. We believe this for at least two reasons; 1) the incentive (rebate) is based upon the efficiency of the unit, not the size or BTU rating, and 2) we should ensure all participants receive an equal rebate regardless of the size of home or furnace required.**

Atmos Energy Corporation  
AG Initial Data Request Dated March 2, 2009  
Case No. 2008-00499  
Witness: Mark Martin

19. Please refer to the application, Tab 1 – High Efficiency Water Heater Program, page 8. Please explain in detail how the rebate amount was determined. Please provide any supporting documentation to support the company’s proposed rebate amount.

**RESPONSE: In addition to the response to #15, in the case of water heaters, the rebate for a tankless model is higher because a) there is a very large first-cost premium (3 times), and b) the efficiency difference is doubled.**

Atmos Energy Corporation  
AG Initial Data Request Dated March 2, 2009  
Case No. 2008-00499  
Witness: Mark Martin

20. Please refer to the application, Tab 1 – High Efficiency Water Heater Program, page 8. What is the approximate cost difference between a high efficiency unit and a “standard” unit? What is the approximate cost difference between a high efficiency unit and a tankless unit?

**RESPONSE: Please refer to the data on Page 25 of the Company’s program filing, titled “DSM Appliance Information”, the average cost difference in various Atmos – Kentucky locations is \$151.**

Atmos Energy Corporation  
AG Initial Data Request Dated March 2, 2009  
Case No. 2008-00499  
Witness: Mark Martin

21. Please refer to the application, Tab 1 – High Efficiency Water Heater Program, page 8. Based on estimated efficiencies, how long will it take the average consumer to recover the cost differential between a high efficiency unit and a “standard” unit? How long will it take the average consumer to recover the cost differential between a high efficiency unit and a tankless unit?

**RESPONSE: Based on the 2009 winter rates; the payback for the “standard” to high-efficiency, is approximately five (5) years. The payback for a tankless model compared to a high-efficiency tank model is two and one half (2.5) years.**

Atmos Energy Corporation  
AG Initial Data Request Dated March 2, 2009  
Case No. 2008-00499  
Witness: Mark Martin

22. Please refer to the application, Tab 1 – High Efficiency Water Heater Program, page 8. Please explain why the rebate is fixed regardless of unit size. Does the company believe that it is reasonable to have a rebate vary based on unit size? If so, why was that not proposed in the application?

**RESPONSE: No, the Company does not believe that the rebate amount should vary by unit size. We believe this for at least two reasons; 1) the incentive (rebate) is based upon the efficiency of the unit, not the size or hot water capacity of the unit, and 2) we should ensure all participants receive an equal rebate regardless of the size of home or the size water heater in gallon capacity that they may need.**



Atmos Energy Corporation  
AG Initial Data Request Dated March 2, 2009  
Case No. 2008-00499  
Witness: Mark Martin

23. Please refer to the application, Tab 1 – Cost Recovery, page 10. Please explain why the lost sales component (DLSA) is cumulative until the company's next rate case. Does this allow the company to continue to recover for lost sales from implementation of a measure until the company's next rate case? Will this have the effect of creating a regulatory asset? Is the company attempting to create a regulatory asset without obtaining the Commission's prior approval?

**RESPONSE: Yes, the DLSA allows the Company to recover for lost sales from implementation of a measure until the Company's next rate case. No, this will not create a regulatory asset. No, the Company would never attempt to create a regulatory asset without obtaining the Commission's prior approval.**

Atmos Energy Corporation  
AG Initial Data Request Dated March 2, 2009  
Case No. 2008-00499  
Witness: Mark Martin

24. Please refer to the application, Tab 1 – Cost Recovery, page 10. Please explain in detail how the company proposes to calculate the natural gas savings under the programs. Does the company propose to utilize engineering estimates exclusively? Is there a bill comparison component? Is there any method which will true up the estimates with actual savings data?

**RESPONSE: In order to quantify prior to implementation, the Company needed to rely on engineering estimates. As the program develops, the Company will be able to quantify actual savings and any necessary true-up will be incorporated as needed.**

Atmos Energy Corporation  
AG Initial Data Request Dated March 2, 2009  
Case No. 2008-00499  
Witness:

25. Please refer to the application, Tab 1 – Cost Recovery, page 10. Please explain how the 15% incentive rate was chosen and what is it based upon (DIA).

**RESPONSE: The Company made no independent calculations. The Company utilized the same percentage that the Commission had approved in at least three other DSM programs, Louisville Gas & Electric, Duke Energy and Delta.**

Atmos Energy Corporation  
AG Initial Data Request Dated March 2, 2009  
Case No. 2008-00499  
Witness: Mark Martin

26. Please refer to the application, Tab 1 – Cost Recovery, page 10. Please explain why a 10 year program life was chosen. Does the company propose a true up for its actual gas costs over the 10 year period?

**RESPONSE: The Company chose a ten (10) life purely for illustrative purposes. The Company believes and hopes that its DSM program will continue for a longer term. Yes, the Company plans to use the balancing adjustment (DBA) to reconcile prior periods.**

Atmos Energy Corporation  
AG Initial Data Request Dated March 2, 2009  
Case No. 2008-00499  
Witness: Mark Martin

27. Please refer to the application, Tab 1 – Cost Recovery, page 11. Please explain why, given current market conditions, the company believes it is appropriate to use the 3 month commercial paper rate.

**RESPONSE: While the Company did not envision or plan for a global recession in its application, the three month commercial paper rate appears to be consistent with Commission practices.**

Atmos Energy Corporation  
AG Initial Data Request Dated March 2, 2009  
Case No. 2008-00499  
Witness: Mark Martin

28. Please refer to the application, Tab 1 – Cost Recovery, page 11. With a 10 year program life, does the company propose that a final true up will occur at some point? If not, why?

**RESPONSE: In the event that the Commission deems that the program needs to come to an end, the Company proposes to use the DBA as a final reconciliation of the program.**