

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF ATMOS ENERGY)	
CORPORATION FOR AN ORDER CONTINUING THE)	CASE NO.
WEATHER NORMALIZATION ADJUSTMENT FOR)	2010-00243
FIVE ADDITIONAL YEARS)	

O R D E R

On June 17, 2010, Atmos Energy Corporation (“Atmos”) filed an application requesting approval to continue its Weather Normalization Adjustment (“WNA”) mechanism for five additional years, through October 31, 2015. On June 25, 2010, Atmos filed a letter clarifying that the basis for normal Heating Degree Days (“HDD”) is the period 1971 through 2000, as opposed to the period 1971 through 1990 as indicated in its application. Atmos’s WNA was initially approved for a five-year pilot period commencing November 1, 2000 as part of the settlement in Case No. 1999-00070.¹ On September 19, 2005, Atmos received approval for an additional five years, through October 31, 2010.²

On July 30, 2010, Atmos clarified various items in its application in response to a Commission Staff information request. There are no intervenors in this proceeding.

¹ Case No. 1999-00070, Rate Application of Western Kentucky Gas Company (Ky. PSC Dec. 21, 1999). (Subsequent to this proceeding, Western Kentucky Gas Company, which was already a division of Atmos Energy Corporation, changed its name to Atmos Energy Corporation.)

² Case No. 2005-00268, The Application of Atmos Energy Corporation for an Order Continuing the Weather Normalization Adjustment for Five (5) Additional Years (Ky. PSC Sept. 19, 2005).

A WNA is designed to mitigate the effects that abnormal heating season weather can have on sales volumes, customer bills, and utility revenues. Atmos's application states that its WNA "has performed very well" and "has met its intended purpose." Atmos proposes to continue its WNA with no changes to the tariff formulas or the workings of the mechanism.

In response to an information request concerning the use of the period 1971 through 2000 as the basis for establishing normal HDD as opposed to a more current period, Atmos responded that the same basis should be used for the WNA as was used to determine the distribution commodity rates in its rate case. Atmos also stated that it has historically used the 30-year normal HDD data published by the National Oceanic and Atmospheric Administration ("NOAA") and that the most recently available data from NOAA is for the 30 years ending in 2000, which it had used in its most recent rate case, Case No. 2009-00354.³

The Commission notes that, prior to the settlement of Case No. 2009-00354, information requests were propounded to Atmos which questioned its use of the 1971 through 2000 period both in its WNA tariff and as the basis for weather-normalizing its sales volumes, and which requested Atmos to provide recalculations of its exhibits based on 30 years ending in 2008. The Commission's finding that the settlement entered in that case, which included the use of the 1971 through 2000 period, was reasonable when considered in toto should not be construed as a finding that it is reasonable to use that same 30-year period as the basis for establishing normal HDD for the next five years of Atmos's WNA. While the NOAA data is acceptable for this

³ Case No. 2009-00354, Application of Atmos Energy Corporation for an Adjustment of Rates (Ky. PSC May 28, 2010).

purpose, it is not reasonable to continue to use data from the 30 years ending in 2000 when data for the 30 years ending in 2010 will be available well before 2015. Given the recent, well-publicized trend of warmer weather, including milder heating season temperatures, Atmos's WNA could produce unreasonable or unintended results if the most current HDD data available is not used.

Based on a review of the application and Atmos's response to the information request and being otherwise sufficiently advised, the Commission finds that Atmos's request to continue its current WNA for five additional years should be denied. Atmos's WNA should be subject to approval on a year-to-year basis until new 30-year data for establishing normal HDD is available.

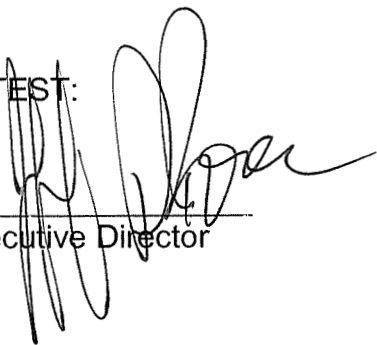
IT IS THEREFORE ORDERED that:

1. Atmos's proposal to continue its WNA for five years is denied.
2. Atmos's WNA shall be continued for a period of one year commencing November 1, 2010. Atmos shall file a request to continue using this mechanism by June 15, 2011.
3. Within 20 days of the date of this Order, Atmos shall file its revised WNA tariff rider showing the date issued and that it was issued by authority of this Order.
4. Atmos shall use the most current 30-year data from NOAA at the time of each yearly filing. Following NOAA's release of HDD data for the 30 years ending in 2010, Atmos may request approval to extend its WNA for a period greater than one year.

By the Commission

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SEP 10 2010
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



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