

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

In the Matter of the Verified Application       )  
and Petition of Atmos Energy Corporation to   )  
Change its Infrastructure                               )  
System Replacement Surcharge.                       )

**Case No.GO-2010-0168**  
Tariff No. YG-2010-0369

**STAFF RECOMMENDATION**

**COMES NOW** the Staff of the Commission and submits its Recommendation concerning tariff sheets filed by Atmos Energy Corporation (Atmos or the Company) in this case on December 1, 2009. Staff states that:

1. On December 1, 2009, Atmos filed its Application to Change its Infrastructure System Replacement Surcharge (ISRS) with the Missouri Public Service Commission.
2. Atmos submitted its Application based upon Missouri statutory sections in Chapter 393 RSMo, authorizing Infrastructure System Replacement Surcharges which became effective on August 28, 2003.
3. On December 8, 2009, the Commission suspended Atmos' tariff for 120 days, until March 31, 2010, in accord with statutory provisions. §§ 393.1009, 393.1012 and 393.1015 RSMo (2003).
4. Atmos is unique among Missouri natural gas local distribution companies because it has specific ISRS rates for each of its three districts. District specific revenue requirements are necessary to calculate district specific ISRS rates.
5. For reasons further detailed in Staff's Memorandum, attached hereto as Appendix A, Staff recommends that the Commission:

- 1.) Reject the ISRS tariff sheet (YG-2010-0369) filed by Atmos on December 1, 2008.
- 2.) Approve Staff's determination of the incremental ISRS surcharge revenues.
- 3.) Authorize Atmos to file an ISRS rate for each customer class as reflected in Appendix B.

**WHEREFORE**, for the foregoing reasons, Staff respectfully requests that the Commission accept Staff's recommendations in this case, and issue its Order in accord with those recommendations.

Respectfully submitted,

**/s/ Samuel D. Ritchie**

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Missouri Bar No. 61167

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### **Certificate of Service**

I hereby certify that copies of the foregoing have been mailed, hand-delivered, or transmitted by facsimile or electronic mail to all counsel of record this 1st day of February, 2010.

**/s/ Sam Ritchie**

## **MEMORANDUM**

TO: Missouri Public Service Commission Official Case File  
Case No. GO-2010-0168 / File No. YG-2010-0369– Atmos Energy Corporation

FROM: Lisa Hanneken, Auditing Department  
Michael Ensrud, Tariffs/Rate Design - Energy

/s/ Tom Imhoff      01/29/10  
Project Coordinator / Date

/s/ Lera Shemwell    01/29/10  
General Counsel's Office / Date

SUBJECT: Staff Report and Recommendation Regarding the Application of Atmos Energy Corporation Seeking the Missouri Public Service Commission's Approval to Increase its Existing Infrastructure System Replacement Surcharge

DATE: January 29, 2010

### **BACKGROUND**

On December 1, 2010, Atmos Energy Corporation (Atmos or the Company), filed an Application and Petition (Application) with the Missouri Public Service Commission (Commission) to increase its existing Infrastructure System Replacement Surcharge (ISRS) with a proposed effective date of December 31, 2010. The Commission's Rule Natural Gas Utility Petitions for Infrastructure System Replacement Surcharges at 4 CSR 240-3.265 allows Gas corporations to recover certain infrastructure system replacement costs outside of a formal rate case filing through a surcharge on customers' bills. Atmos filed these tariff sheets to reflect a total revenue requirement of \$1,004,748.

On December 8, 2009, the Commission issued its order, directing notice, setting an intervention date of December 23, 2008, and suspending tariff YG-2010-0369 through March 31, 2010.

In the same order, the Commission set a filing date of February 1, 2010 for Staff's Recommendation. This Memorandum is in response to that Order.

Atmos is unique among Missouri natural gas local distribution companies in that it has specific ISRS rates for each of its three districts. Therefore, Atmos needs district-specific revenue requirements in order to calculate those district-specific ISRS rates. Atmos proposes to increase existing ISRS rates in a manner that will have the following district-specific revenue impact – both incremental to this filing and cumulative:

	<b>Cumulative</b>	<b>Filing</b> GO-2010-0168	<b>Previous</b> GO-2009-0046
<b><u>Total ISRS Revenue</u></b>	<b><u>\$971,645</u></b>	<b><u>\$563,465</u></b>	<b><u>\$408,180</u></b>
Northeast District NEMO	\$717,860	\$419,634	\$298,226
Southeast District SEMO	\$218,501	\$118,879	\$99,622
West District WEMO	\$35,284	\$24,952	\$10,332
	<b><u>\$971,645</u></b>	<b><u>\$563,465</u></b>	<b><u>\$408,180</u></b>

## STAFF'S INVESTIGATION

Staff from the Auditing and Energy Departments participated in the investigation of Atmos' Application. The investigation included a review of: the Application, all supporting documentation, Missouri statutory sections 393.1009, 393.1012 and 393.1015 RSMo and all additional data provided by Atmos.

## THE APPLICATION

Atmos seeks to recover costs of ISRS-qualifying plant placed in service from April 1, 2008 through June 30, 2009.

## STAFF REVIEW

### **Reconciliation of Last ISRS Case No. GO-2009-0046**

In accordance with Commission Rule 4 CSR 240-3.265 (17), the Company provided Staff with a reconciliation of the amount of revenues to be collected, as determined in its prior ISRS, and the actual revenues collected. This reconciliation revealed an under-collection by the Company of \$1,755; therefore, Staff has made an adjustment to the current ISRS case for that amount.

### **Incremental Increase in Accumulated Depreciation and Deferred Taxes**

In its filing, the Company omitted the calculation for the incremental increase in accumulated depreciation and deferred taxes related to the additions approved in the Company's prior ISRS, Case No. GO-2009-0046. Staff's calculation of this incremental increase, resulted in an overall reduction in the Company's revenue requirement of \$27,798.

### **Correction for Deferred Tax Calculation**

During its analysis of the Company's filed revenue requirement workpapers, Staff discovered Atmos' calculation of the ISRS revenue requirement did not account for all of the accumulated

deferred income taxes on ISRS additions. Staff recalculated the Company's accumulated deferred taxes, which resulted in an overall reduction in the Company's revenue requirement of \$4,440.

#### **Correction for Income Tax Rate Calculation**

As part of its analysis of the Company's revenue requirement workpapers, Staff reviewed Atmos' calculations related to its income tax rate and tax conversion factor. This process revealed a calculation error by the Company which Staff corrected resulting in an overall reduction in the Company's revenue requirement of \$2,619.

#### **STAFF'S REVENUE CALCULATION**

The Staff's individual adjustments as discussed above resulted in an incremental revenue requirement calculation of \$563,466, which is an overall reduction to the Company's proposed incremental revenue requirement of \$33,102.

#### **THE ISRS RATE SCHEDULES**

The Staff has verified that the Company has filed its 2008 annual report and is not delinquent on any assessment. The Staff is not aware of any other matter before the Commission that affects or is affected by this filing.

P.S.C. MO. No. 2

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2<sup>nd</sup> Revised SHEET NO. 19, Cancelling 1st SHEET NO. 19

#### **RECOMMENDATION**

Based upon the above, the Staff recommends that the Commission issue an order in this case that:

1. Rejects the ISRS tariff sheet (YG-2010-0369) filed by Atmos on December 1, 2008;
2. Approves the Staff's determination of the incremental ISRS surcharge revenues in the amount of annual pre-tax revenues of \$563,466, consisting of \$24,952 for the West District, \$118,879 for the Southeast District, and \$419,634 for the Northeast District; and
3. Authorizes Atmos to file an ISRS rate for each customer class as reflected in Appendix B. The three districts will generate cumulative annual revenues of \$971,645, consisting of \$35,284 for the West District, \$218,501 for the Southeast District, and \$717,860 for the Northeast District.

Atmos Energy Corporation  
CASE NO. GO-2009-0168  
ISRS RATE DESIGN  
ISRS RATE FILING NO.1  
Northeast District  
Staff's Total ISRS Revenue Calculation Northeast District

Revenue Requirement **\$717,860**

<u>Customer Rate Class</u>	<u>Number of Customers</u>	<u>Cust Charge</u>	<u>Ratio Cust Charge</u>	<u>Weighted Customer Nos.</u>	<u>Customer Percent</u>	<u>Monthly ISRS Charge</u>	<u>Annual ISRS Revenues</u>
Firm Residential	16769	\$20.61	1	16,769	78.9370%	<b>\$2.82</b>	\$566,657
Small Firm GS	1738	\$20.61	1	1,738	8.1813%	<b>\$2.82</b>	\$58,730
Medium Firm GS	654	\$75.00	3.63901	2,380	11.2030%	<b>\$10.25</b>	\$80,422
Large Firm GS	18	\$350.00	16.98205	306	1.4389%	<b>\$47.82</b>	\$10,329
Interruptible Large Volu	3	\$350.00	16.98205	51	0.2398%	<b>\$47.82</b>	\$1,722
	<u>19,182</u>			<u>21,244</u>	<u>100.00%</u>		<u>\$717,860</u>
<b>Total</b>	<u>19,182</u>				100.0000%		\$717,860

\* Due to rounding to the nearest penny, the designed ISRS rates will over collect by \$ 910  
. However, it should be noted that the total amount collected will be trued-up at a later date.

Revenue Generated **\$718,770**

Atmos Energy Corporation  
CASE NO. GO-2009-0168  
ISRS RATE DESIGN  
ISRS RATE FILING NO.1  
Southeast District

Revenue Requirement **\$218,501**

<u>Customer Rate Class</u>	<u>Number of Customers</u>	<u>Cust Charge</u>	<u>Ratio Cust Charge</u>	<u>Weighted Customer Nos.</u>	<u>Customer Percent</u>	<u>Monthly ISRS Charge</u>	<u>Annual ISRS Revenues</u>
Firm Residential	29,441	\$13.92	1	29,441	79.14%	<b>\$0.49</b>	\$172,933
Small Firm GS	3,126	\$13.92	1	3,126	8.40%	<b>\$0.49</b>	\$18,362
Medium Firm GS	785	\$75.00	5.38793	4,230	11.37%	<b>\$2.64</b>	\$24,844
Large Firm GS	13	\$350.00	25.14368	327	0.88%	<b>\$12.31</b>	\$1,920
Interruptible Large Volume	3	\$350.00	25.14368	75	0.20%	<b>\$12.31</b>	\$443
				<u>37,199</u>	<u>100.00%</u>		<u>\$218,501</u>
	<u>33,368</u>						

\* Due to rounding to the nearest penny, the designed ISRS rates will over collect by \$ 225.  
. However, it should be noted that the total amount collected will be trued-up at a later date.

\$218,501

\$225

**Revenue Generated**

\$218,726

Atmos Energy Corporation  
CASE NO. GO-2009-0168  
ISRS RATE DESIGN  
ISRS RATE FILING NO.1  
West t District

Revenue Requirement \$ 35,284

<u>Customer Rate Class</u>	<u>Number of Customers</u>	<u>Cust Charge</u>	<u>Ratio Cust Charge</u>	<u>Weighted Customer Nos.</u>	<u>Customer Percent</u>	<u>Monthly ISRS Charge</u>	<u>Annual ISRS Revenues</u>
Firm Residential	3,482	\$19.43	1	3,482	77.63%	\$ 0.66	\$ 27,392.46
Small Firm GS	437	\$19.43	1	437	9.74%	\$ 0.66	\$ 3,437.82
Medium Firm GS	114	\$75.00	3.86001	440	9.81%	\$ 2.53	\$ 3,461.75
Large Firm GS	6	\$350.00	18.01338	108	2.41%	\$ 11.81	\$ 850.25
Interruptible Large Volume	1	\$350.00	18.01338	18	0.40%	\$ 11.81	\$ 141.71
Revenue Requirement	0						<u>\$ 35,284.00</u>
	<u>4,040</u>			<u>4,485</u>	<u>100.00%</u>		\$ 35,284

\* Due to rounding to the nearest penny, the designed ISRS rates will over collect by \$ 208  
. However, it should be noted that the total amount collected will be trued-up at a later date.

Gevenual collected \$ 35,492



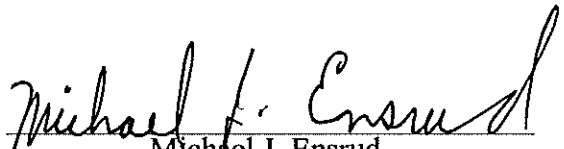
**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

In the Matter of the Verified Application	)	
and Petition of Atmos Energy	)	
Corporation to Change its Infrastructure	)	Case No. GO-2010-0168
System Replacement Surcharge	)	

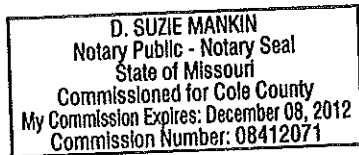
**AFFIDAVIT OF MICHAEL J. ENSRUD**

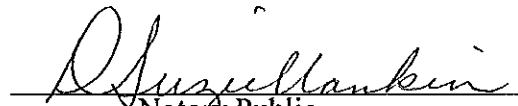
STATE OF MISSOURI    )  
                                  ) ss  
COUNTY OF COLE     )

Michael J. Ensrud, employee of the Missouri Public Service Commission, being of lawful age and after being duly sworn, states that he has participated in preparing the accompanying Staff Recommendation in Memorandum form, and that the facts therein are true and correct to the best of his knowledge and belief.

  
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Michael J. Ensrud

Subscribed and sworn to before me this 28<sup>th</sup> day of January 2010.



  
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Notary Public