

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held at its office in
Jefferson City on the 4th day of
February, 2011.

In the Matter of the Verified Application an)	
Petition of Atmos Energy Corporation to)	<u>File No. GO-2011-0149</u>
Change its Infrastructure System Replacement)	Tariff No. YG-2011-0262
Surcharge)	

**ORDER APPROVING
INFRASTRUCTURE SYSTEM REPLACEMENT SURCHARGE**

Issue Date: February 4, 2011

Effective Date: February 14, 2011

Background

On November 22, 2010, Atmos Energy Corporation filed an application with the Missouri Public Service Commission to adjust its infrastructure system replacement surcharge (ISRS). With its application, Atmos filed a tariff sheet reflecting total ISRS revenues of \$381,998. The tariff sheet bore an effective date of December 22. On December 7, because it is required to act on the petition within 120 days,¹ the Commission suspended the tariff sheet until March 22, 2011 and set a deadline for applications to intervene. The Commission thereafter granted Noranda Aluminum, Inc.'s unopposed request to intervene.

Staff Recommendation

On January 14, 2011, the Staff of the Commission filed its recommendation suggesting revenue generated from the ISRS surcharge should be \$277,081, rather than

¹ Section 393.1915.2(3), RSMo, Cum. Supp, 2009.

the \$381,998 requested by Atmos. Atmos then filed a notice informing the Commission that it agrees with Staff's suggested amount.

Staff initially informs the Commission that Atmos is unique in that it has specific ISRS rates applicable to three different districts; namely, Northeast, Southeast and West. To arrive at its suggested ISRS amount, Staff first corrected a minor calculation error affecting only the Southeast district. The correction resulted in an increase of \$1,365 of ISRS revenues. Also, Staff determined that from November 4, 2008 through August 31, 2010, Atmos over-collected ISRS revenues of \$88,651; specifically, with over-collections of \$64,906 in the Northeast district, \$20,907 in the Southeast and, \$2,839 in the West.

Staff also recalculated the company's accumulated deferred income taxes on ISRS-eligible plant additions, resulting in a reduction of \$16,661. Finally, Staff discovered a calculation error by the company in determining its effective income tax. The error resulted in a reduction of \$970 in the ISRS revenue requirement. All of Staff's calculations result in a downward adjustment of \$104,918 to the ISRS amount requested by the company and result in the following ISRS charges: \$.68 rather than \$1.00 in the Northeast; \$.23 rather than \$.28 in the Southeast; and \$.22 rather than \$.28 in the West.²

Discussion

Missouri law affords Atmos the ability to recover certain infrastructure system replacement costs without the need to file a formal rate case.³ If the Commission finds that Atmos' petition complies with Sections 393.1009 to 393.1015, the Commission must enter

² See Appendix B to Staff's Memorandum.

³ Sections 393.1009, 393.1012 and 393.1015, RSMo. Cum Supp 2009.

an order authorizing Atmos to impose an ISRS that is sufficient to recover appropriate pretax revenue.⁴

The law prohibits the Commission from approving an ISRS to the extent that it would produce total annualized ISRS revenues below the lesser of \$1,000,000 or ½% of the company's base revenue level approved by the Commission in the company's most recent rate case.⁵ The base revenue level approved by the Commission in Atmos' last rate case was \$21,208,496.⁶ One-half of one percent of this figure is \$106,042.48, which is less than \$1,000,000. The ISRS amount suggested by Staff and agreed to by Atmos is \$277,080. The Commission therefore finds that the ISRS amount of \$277,080 is greater than the lesser of \$1,000,000 or ½% of the company's base revenue level approved in the company's last rate case.

Under the same statute, the Commission is prohibited from approving an ISRS amount that is greater than 10% of the base revenue in Atmos' last rate case. Ten percent of the base revenue in Atmos' last rate case is \$2,120,849.60. The Commission therefore finds that the ISRS amount of \$277,080 is not greater than \$2,120,849.60.

Further, the Commission shall not approve an ISRS for any gas corporation that has not had a general rate case decided within the past three years.⁷ The Commission decided Atmos' last rate case in August of 2010.⁸ Hence, this statutory requirement is satisfied.

⁴ Section 393.1015 (4), RSMo, Cum Supp 2009.

⁵ Section 393.1012.1, RSMo, Cum Supp 2009.

⁶ See Commission Case No. GR-2010-0192.

⁷ Section 393.1012.2 RSMo, Cum Supp 2009.

⁸ See Commission Case No. GR-2010-0192.

Finally, the company is required to serve its petition, proposed ISRS rate schedule and supporting documentation upon the Office of the Public Counsel.⁹ The Office of the Public Counsel is listed as having been served as such.¹⁰

Based on the above findings, the Commission concludes that Atmos' request, as adjusted by Staff and agreed to be Atmos, is in compliance with Section 393.1009 through 393.1015. Hence, the company shall be permitted to establish an ISRS sufficient to recover annual revenues of \$277,080. Because the authorized revenues and rates differ from those submitted by Atmos with its application, the Commission will reject the company's proposed tariff sheet and will allow Atmos to file a tariff sheet consistent with Staff's Recommendation.

THE COMMISSION ORDERS THAT:

1. The following tariff sheet, Tariff File No. YG-2011-0262, is rejected:

P.S.C. MO. No. 2

4th Revised SHEET No. 19, Canceling 3rd Revised SHEET No. 10

2. Atmos Energy Corporation is authorized to a tariff sheet establishing an Infrastructure System Replacement Surcharge sufficient to recover annual revenues of \$277,081, reflecting the ISRS rate for each customer class as reflected in Appendix B to Staff's Memorandum.

⁹ Section 393.1015.1(1), RSMo, Cum Supp 2009.

¹⁰ See Commission Electronic Filing and Information System, Service List for this case, GO-2011-0149.

3. This order shall become effective on February 14, 2011.

BY THE COMMISSION

A handwritten signature in black ink, appearing to read 'S. C. Reed', written in a cursive style.

Steven C. Reed
Secretary

(S E A L)

Clayton, Chm., Davis, Jarrett,
Gunn, and Kenney, CC., concur.

Jones, Senior Regulatory Law Judge