

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

In the Matter of Atmos Energy Corporation's)	
Tariff Revisions Regarding its Energy)	Case No. GT-2010-0108
Conservation and Efficiency Program.)	

**STAFF'S RECOMMENDATION TO
APPROVE TARIFF FILING ON AN EXPEDITED BASIS**

COMES NOW the Staff of the Missouri Public Service Commission, and, in compliance with Commission Order, states:

1. On October 2, 2009, The Atmos Energy Coporation (Atmos or Company) of Owensboro, Kentucky, filed with the Commission the Weatherization Variance (WV or Variance), consisting of two (2) tariff sheets with a proposed effective date of November 1, 2009.

2. Staff has reviewed the tariffs and recommends approval on an expedited basis.

3. As a result of the Federal American Recovery and Reinvestment Act (ARRA) of 2009, the amount of funding available for the Department of Energy (DOE) Low-Income Weatherization Assistance Program (LIWAP) has increased.

4. This substantial increase in funding levels creates significant opportunities for weatherizing homes for Missouri energy consumers.

5. The requested variance is intended to give Missouri Agencies receiving the ARRA funds the ability to prepare to use the funds and be able to begin weatherizing an increased number of homes as soon as ARRA funds became available. The ability of the Agencies to "hit the ground running" will increase the number of homes weatherized, because the ARRA funds are available only for a limited time.

WHEREFORE based on the reasons stated in the attached Staff recommendation, Staff recommends the tariff sheets may be approved to become effective on or before November 1, 2009.

Respectfully submitted,

/s/ Lera L. Shemwell

Lera L. Shemwell
Deputy General Counsel
Missouri Bar No. 43792

Attorney for the Staff of the
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102
(573) 751-7431 (Telephone)
(573) 751-9285 (Fax)
lera.shemwell@psc.mo.gov

Certificate of Service

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or emailed to all counsel of record this 8th day of October 2009.

/s/ Lera L. Shemwell

MEMORANDUM

To: Missouri Public Service Commission Official Case File, Case No. GT-2010-0108,
Tariff File No. JG-2010-0245, Related Case No. GR-2006-0387, Atmos Energy
Corporation

HW

From: Henry Warren, Energy Department – Tariffs/Rate Design

/s/ Thomas M. Imhoff 10/08/09
Utility Operations Division/Date

/s/ Lera Shemwell 10/08/09
General Counsel's Office/Date

Subject: Staff Recommendation to Approve Tariff Sheets Filed to Add to the Atmos Energy
Corporation's tariff:

- 1) The *Weatherization Variance* immediately following Sheet 112.1 of the
Residential Low Income Weatherization Assistance Program ("RLIWAP").
- 2) The *High Efficiency Natural Gas Water Heating and Space Heating Rebates*,
immediately following sheet 115, replacing the Energy Conservation and
Efficiency Program.

These tariff modifications are pursuant to the Missouri Public Commission Order
Approving the Unanimous Stipulation and Agreement in Case No. GR-2006-0387,
Effective March 4, 2007.

Date: 10/08/2009

Weatherization Variance

On October 2, 2009, The Atmos Energy Corporation (Atmos or Company) of Owensboro, Kentucky, filed with the Commission the Weatherization Variance (WV or Variance), consisting of two (2) tariff sheets – Sheets 112.2 and 112.3 - with a proposed effective date of November 1, 2009.

Purpose of Weatherization Variance

The Variance was developed as a result of the Federal American Recovery and Reinvestment Act (ARRA) of 2009. The ARRA expands significantly the amount of funding available for the Department of Energy (DOE) Low-Income Weatherization Assistance Program (LIWAP). The funding for the LIWAP in the state of Missouri is administered by the Missouri Department of Natural Resources (DNR) Energy Center. Eighteen (18) regional entities (Agencies) carry out the LIWAP, which is intended to assist low-income households in reducing their energy usage by providing both education and weatherization of participants' homes. The total funding, average expenditure per home, and income criteria for the Missouri LIWAP in Program Years 2008 and 2009 is shown below.

Major changes that affect the Missouri LIWAP as a result of the ARRA

Missouri Funding	DOE	ARRA	LIHEAP ¹	Investor Owned Gas & Electric Utilities
Program Year 2008 (July 2008 – June 2009)	\$ 5,975,410	\$ 0	\$ 1,200,000	\$ 4,088,388
Program Year 2009 (July 2009 – June 2010)	\$ 11,566,101	\$128,148,027	Unknown	\$ 4,088,388
Change from 2008 to 2009	\$ 5,290,691	\$128,148,027	Unknown	No change

	Program Year 2008	Program Year 2009	Change
Average Weatherization Investment per Home per DOE Rules	\$2,966	\$6,500	117%

Income Criteria for Weatherization of a Four Person Household

	Income as a Percent of Federal Poverty Guideline	Household Income
Program Year 2008 (July 2008 – June 2009)	150%	\$ 33,000
Program Year 2009 (July 2009 – June 2010)	200%	\$ 44,000

This substantial increase in funding levels creates significant opportunities for weatherizing homes for Missouri energy consumers. It also creates a number of challenges for the Agencies. First, the income criterion for eligible consumers has been raised to 200% of the Federal Poverty Guideline, so Agencies will need outreach to find additional qualifying consumers. Second, to use the money, Agencies must be able to audit many more homes to determine weatherization needs, so the Agencies will require additional trained auditors and additional equipment to perform audits. Agencies will also require more employees and/or trained contractors to do the home weatherization projects, as well as inspectors to certify that all work was done correctly. The proposed tariffs permit Atmos to assist the Agencies in meeting these needs so that the Agencies will be able to use the additional funds immediately upon receipt and spend the additional funds in the most effective manner.

Low-Income Weatherization Pre- and Post-ARRA

¹ Low Income Home Energy Assistance Program. This program primarily provides grants to households with income less than 135% of the Federal Poverty Guideline for payment of utility bills, and is administered by the Missouri Department of Social Services.

Missouri investor-owned utility (IOU) funding of low-income weatherization began in 1992. As a result of agreements reached in rate cases before the Commission, all Missouri natural gas and electric IOUs supply funds to the Agencies providing weatherization services in their service territories; the only exception is Southern Missouri Gas Company. In the past, IOU-supplied funds have been primarily used to supplement DOE funds. This has enabled the Agencies to either weatherize additional customer homes, or to exceed the DOE cap on the per-average amount that could be spent on a customer's home when using Federal funds.

As the ARRA took shape, it became obvious that there would be a major increase in funding available for investment in weatherization. This funding would create inspection and construction jobs, stimulate local economies by increasing purchases of building materials, and benefit low-income energy consumers who qualify for weatherization assistance. In February, 2009, DNR hosted a series of regional meetings, attended by the Agencies, IOUs, and MO Public Service Commission Staff (Staff). At these meetings the participants discussed the limited time frame for utilizing the ARRA funding, and the resulting need to quickly expand Agencies' production capacity by increasing training and adding equipment.

Access to funding in advance of the ARRA will allow the Agencies to hire and train additional energy auditors, inspectors, and crews to perform the work. Supplies and capital equipment such as vehicles and diagnostic equipment can be obtained, and storage space located for equipment and supplies. As a result, the Agencies will be able to begin weatherizing the increased number of homes as soon as ARRA funds become available. The ability of the Agencies to "hit the ground running" will increase the number of homes weatherized, because the ARRA funds are available only for a limited time. This is crucial. At the current production capabilities and budget, Agencies have waiting lists that can range from 6 months to 5+ years; the ARRA funds will allow them to immediately begin weatherizing these customers. Additional outreach to income-eligible customers will increase the number of homes weatherized, and the higher household income criteria will further increase demand on the Agencies' capacity. The Agencies' ability to begin the training and investment process as soon as possible will enable the Agencies to most effectively use the ARRA funds when those funds become available. Additionally, the *Minor Home Repairs* provision in the Tariff Sheet No. 112.2 will allow homes of eligible customers to be repaired so more weatherization measures can be implemented. This should benefit all Atmos ratepayers by reducing the energy usage of Atmos low-income customers, thus making their utility bills more affordable.

The need for significant increase in the Agencies' ability to weatherize homes gives rise to a second factor that must be considered - the treatment of various funding sources in the DOE's calculation of per-home average investment, and how the upcoming investment might affect individual households participating in the program. Federal monies are factored into the average; IOU funds are not. This distinction is important because of the increase in the level of capital investment that will be needed to adequately increase production capacity (the capital investment needed will be 'new' investment, as opposed to replacement of current equipment), and the need for the investment to be made in a relatively short period of time.

If ARRA money is used for these needs, the amount that may be spent on actual weatherization for each home must be reduced in order to stay within the per-home average investment

requirement. If Atmos money is used for the up-front costs, each Atmos customer who is weatherized using the ARRA funds will have the opportunity to receive more weatherization measures.

In this variance request, Atmos is asking the Commission to temporarily modify tariff Sheets No. 112.2 and 112.3 to allow 2009 weatherization funding to be used for ramp-up purposes for the ARRA, rather than used for direct weatherization of customers' homes. It is anticipated that this variance will end at the end of the period for ARRA funded weatherization.

As noted above, past IOU funding has been used to supplement Federal funding, and has been invaluable because it allowed more customers to be served and/or increased the amount of weatherization that could be done on a customer's home. Given the increased funding for weatherization, and the higher average investment per home allowed under DOE rules, more Atmos low-income customers will benefit if the Agencies are allowed to use this money for immediate ramp-up needs. The amount of Atmos money going to the Agencies will not change; therefore, other Atmos customers will not be harmed by this action.

Weatherization and Conservation Funding

Conservation/EE Program	Year 3 Allocation	Carry Over Balance	Total
Weatherization/Flexibility	\$102,410.00	\$38,570.00 ²	\$140,980.00
Rebates	\$60,000.00	\$87,250.00	\$147,250.00
Education	\$5,000.00	\$10,400.00	\$15,400.00
Totals	\$167,410.00	\$136,220.00	\$303,630.00

Recognizing the need for increased flexibility for Community Action Agencies in preparation for massive increases in federal weatherization funding (ARRA), the Collaborative agreed that the remaining funds in the weatherization component and new funding in the amount of \$102,410 will be allocated to the Weatherization program, to be disbursed by the EIARA to Agencies for the weatherization of homes of eligible customers, as well as for specific additional expenditures for enhancing the Agencies' ability to perform weatherization. An amendment to the underlying Cooperation and Funding Agreement and requisite tariff variance will be the vehicles for effectuating this funding decision.

High Efficiency Natural Gas Water Heating and Space Heating Rebates

On October 2, 2009, The Atmos Energy Corporation (Atmos or Company) of Owensboro, Kentucky, filed with the Commission four (4) tariff sheets – Sheets 115-119 - with a proposed

² Per latest information provided by EIARA under cover letter of August 26, 2009, regarding financial statements for the program year total ending June 30, 2009.

effective date of November 1, 2009. Tariff Sheets 115-119 contain a description of the High Efficiency Natural Gas Water Heating and Space Heating Rebates (Rebate Program) in the Company's tariff under the Promotional Practices (PP) Section.

This expanded Rebate Program was developed in accordance with provisions of the Missouri Public Service Commission's (PSC or Commission) REPORT AND ORDER in Case No. GR-2006-0387 effective March 4, 2007 (GR-2007-0387 Order). These tariff sheets apply to all residential customers located in the Missouri gas service divisions of Atmos.

This expanded Rebate Program in tariff Section PP is pursuant to the Stipulation and Agreement (Agreement) referenced in the GR-2007-0387 Order. The GR-2007-0387 Order provided total funding of \$167,410 for the Energy Efficiency and Conservation Programs. As a result of the GR-2006-0387 Order the Atmos Energy Conservation and Efficiency Program Collaborative (Collaborative) was established. The Collaborative approved the expanded Rebate Program.

Rebate Program

Based on precedent, \$60,000 of the new funding will be allocated to the expanded Rebate Program.

The collaborative agreed to offer additional appliance rebates and Atmos will undertake a more intensive media outreach regarding the rebate program. A \$25 programmable thermostat rebate in conjunction with a furnace rebate or a-la-cart, a \$50 rebate for tank water heaters, and a \$200 rebate for tankless water heaters will be added to the existing program.

Program Marketing

Expanded media outreach efforts would consist of at least the following four actions. First, continue correspondence with local HVAC dealers and increase the frequency to at least twice annually. Second, expand outreach to other vendors especially plumbers since they would most likely install tank-less water heaters. Third, modify bill inserts to include modifications to the rebate program and consider increasing frequency to twice a year. Fourth, utilize radio advertising to promote the rebate program, at a funding level of \$12,000.

Program Purpose

This voluntary Program is intended to encourage residential customers (Customers) to identify and implement improvements that can be applied to their home to improve energy efficiency and comfort while helping to protect the environment.

The benefits for a customer that participates in the program include:

- Significant savings on energy bills
- Higher home resale value
- A quieter, more comfortable living environment
- Improved air quality for better health
- Greater home durability with lower maintenance
- Increased environmental safety and energy efficiency

Program Availability

This Program may be applied to any single family home, multiplex unit, or apartment unit where the current resident is receiving service under any generally available residential rate schedule offered by the Company. The Company reserves the right to modify or terminate this Program at any time, subject to Commission approval.

Program Evaluation

The Company and its partners will provide a joint evaluation of the Program within 24 months after the start of the program. The evaluation will include a process and impact evaluation along with a billing analysis and cost effectiveness test.

Staff Recommendation

The Commission's Energy Department Staff (Staff) has reviewed the filed tariff sheets and recommends approving the following tariff sheet, as filed on October 2, 2009, go into effect for service on or before November 1, 2009, the requested effective date:

P.S.C. MO. No. 2

Original Sheet No. 112.2

Original Sheet No. 112.3

First Revised Sheet No. 116 canceling Original Sheet No. 116

First Revised Sheet No. 117 canceling Original Sheet No. 117

First Revised Sheet No. 118 canceling Original Sheet No. 118

Original Sheet No. 119

Staff has reviewed the Company's tariff filing and has determined that the tariff sheets have been filed in compliance with Commission rules and regulations. Staff is of the opinion that good cause for approval of these tariff sheets on less than thirty (30) days notice is demonstrated by Atmos in its Motion.

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

cc: Mark A. Martin
Lewis Mills

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

In the Matter Atmos Energy)
Corporation's Tariff Revisions)
Regarding its Energy Conservation and)
Efficiency Program)

Case No. GT-2010-0108

AFFIDAVIT OF HENRY E. WARREN

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

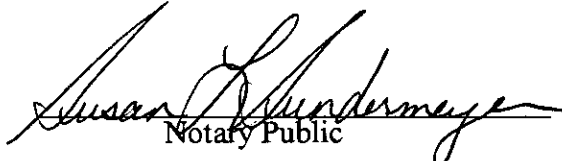
Henry E. Warren, of lawful age, on oath states: that he participated in the preparation of the foregoing Staff Recommendation in memorandum form, to be presented in the above case; that the information in the Staff Recommendation was provided to him; that he has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true to the best of his knowledge and belief.


Henry E. Warren

Subscribed and sworn to before me this 8th day of October, 2009.



SUSAN L. SUNDERMEYER
My Commission Expires
September 21, 2010
Callaway County
Commission #06942086


Notary Public