

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

In the Matter of Atmos Energy Corporation’s Tariff)
Revision Designed to Consolidate Rates and) Case No. GR-2006-0387
Implement a General Rate Increase for Natural Gas)
Service in the Missouri Service Area of the Company.)

**THIRD BIENNIAL REPORT OF ATMOS ENERGY CORPORATION
REGARDING
ENERGY EFFICIENCY AND CONSERVATION PROGRAM**

Atmos Energy Corporation (“Atmos” or “Company”), in accordance with its tariff and working collaboratively with the Commission Staff, the Office of the Public Counsel and the Energy Center of the Missouri Department of Natural Resources, respectfully submits its Third Biennial Report regarding Atmos’ Energy Efficiency and Conservation Program (“Program”).

REPORT

1. Overview

In accordance with its approved tariffs setting forth the specific components of its Energy Efficiency and Conservation Program, Atmos previously filed its First and Second Biennial Reports with the Commission on May 15, 2008, and August 29, 2008, respectively. Being the inaugural year for the Program’s creation and implementation (including a compressed program-year due to the late start), those Reports included various Exhibits reflecting customer bill inserts and web pages (announcing the three program components), copies of materials utilized in the customer education and outreach efforts, and specific communications directed to a broad base of HVAC dealers from each of the Company’s local offices in Missouri regarding the High Efficiency Space Heating Rebates component of the Program.

As referenced in the General Terms and Conditions at Tariff Sheet 115, and pursuant to amended quarterly time frames as agreed to by collaborative members, Atmos has submitted to collaborative members reports on a quarterly basis which detail the cost and participation of the program. Given the extended time frame required for instituting the program specifics as noted above and discussed in previous Reports, substantial funds were rolled over from year one. A total of \$136,055 was added to allocations for the second year program (\$84,837 for weatherization, \$48,500 for rebates and \$2,718 for the education component). The total program funds available for this program year are: \$184,837 for weatherization; \$108,500 for rebates; and, \$15,493 for customer education.

The first half of the second Program Year indicates a significant increase of program expenditures and activities for each of the three energy efficiency components. Current expenditure and activity rates would indicate allocations are adequate to handle demand for the weatherization and education components. While activity has increased dramatically for the rebate component, it appears unlikely that demand for the rebates will result in all funds being expended. Theoretically, 240 rebates could be given with a \$60,000 allocation. Projecting the current rebate activity rate forward would result in total rebates of 80 to 100 for the program year. This would be a doubling of the first year program production but significantly below the funding capacity for the rebate program. Furthermore, the funding carryover from the First Program Year appears to be creating an even greater funding surplus for the rebate component and to a lesser degree the weatherization and education components. Collaborative members will be addressing these issues prior to the start of the next program year.

2. Customer Education

The first half of the Second Program Year experienced a significant increase in activity. Every school district in our service area (46) received a letter describing the program and requesting permission to present it. Thus far ten districts have responded affirmatively. Over 900 fourth and fifth grade students viewed presentations by Atmos Energy staff. Six elementary schools were served with multiple presentations made at each school. Four were in the Southeast District and one each in the West and Northeast Districts. Over \$3,600 was expended. Additional presentations will be made in the second half of the program year at the four districts that have responded. Atmos will continue to follow up with the 36 districts that have not responded to seek their permission. Current and expected expenditures will most likely fall short of exhausting the funds in this component.

3. High Efficiency Space Heating Rebates

For the six month period ending December 31, 2008, 42 rebates have been issued to customers. The total since program inception is 88. Two landlords and one commercial customer received rebates, while the remaining 39 rebates went to residential homeowners. All the rebates were for furnaces. The old equipment had an average Annual Fuel Utilization Efficiency (AFUE) rating of 70 while the new equipment had an AFUE of 93. This translates to a nearly 33% gain in the AFUE rating. The average age of the structures was 46 years while the average for the replaced furnaces was 26 years. All rate districts showed activity with 25 rebates issued in the Northeast District, 12 in the Southeast District and 5 in the West District. A total of \$10,500 has been expended on rebates for this six month period and the company has absorbed another \$1,115 in

administrative costs. At the current production rate it appears that an annual allocation in the range of \$20,000 to \$30,000 would handle existing demand and allow for 90 to 120 rebates annually.

4. Residential Low Income Weatherization Assistance

The weatherization component of the program has resulted in 25 homes being weatherized during the first six months of the second program year. This more than doubles the production during year one when 12 homes were completed. Nearly \$47,000 was spent on the homes while over \$1,800 was spent on administrative costs. Administrative costs represent less than 4% of the total funds expended. The current activity rate would indicate that an annual allocation of \$100,000 would handle demand and agency production capacity. However implementing agencies have not reported any projects underway as of January 2009 and the carryover from year one may not be expended.

5. The Next Program Year¹

Atmos' Missouri annual gross non-gas revenues for the year ending June 30, 2008 were \$16,741,000. One percent (1%) of this amount provides \$167,410 for the upcoming program year beginning on July 1, 2009. This will result in a \$5,365 reduction from Year Two funding, but still represents an increase from the Year One funding level (\$165,000).

¹ The Office of the Public Counsel sought a Writ of Review of the Commission's Report and Order in this matter in the Cole County Circuit Court, and on August 27, 2008, the Court entered a judgment reversing the Commission's decision and remanding for further proceedings. Atmos filed its notice of appeal with the Missouri Court of Appeals, Western District, on October 3, 2008, and the Western District currently has jurisdiction over the Commission's final Order. Atmos' currently approved Tariff Sheet No. 115 (Energy Conservation and Efficiency Program) provides that the program will remain in effect unless the program is modified or terminated by the Commission, or a court invalidates or otherwise overturns the Commission's Order. As this Commission recently noted, given that the circuit court's judgment to reverse and remand is on appeal, it is not yet known whether the Commission's Order will remain intact or whether an ultimate remand will involve any issue connected with the rate design and its interrelation to the conservation and efficiency program.

All remaining funds and associated interest from each Program Year will continue to roll forward and be available for future years in addition to the 1% margin contribution each year.

As reflected in the tariff, the various Conservation Efforts, and the amount of funds designated for each Conservation Effort, are subject to change after the annual evaluation of the program and upon consensus of the collaborative group. Such annual evaluation shall take place on or before May 1 of each calendar year, with funding levels and the allocation/designation of such funds to be implemented by July 1 of each succeeding calendar year. Representatives of the collaborative group will be meeting in March and/or April 2009 for the annual evaluation and determination of allocation percentages for the next Program Year. In addition, at the end of the second Program Year, the Company will perform an evaluation [of the program] to evaluate the success of the program in accordance with parameters developed by the Collaborative members.

Respectfully submitted,

/s/ Larry W. Dority

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CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been hand-delivered, emailed or mailed, First Class mail, postage prepaid, this 25th day of February, 2009, to all counsel of record in this matter.

/s/ Larry W. Dority

Larry W. Dority