

**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	)	<u>Case No. GR-2006-0387</u>
Implement a General Rate Increase for Natural Gas	)	
Service in the Missouri Service Area of the Company.	)	

**BIANNUAL 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 second Biannual Report regarding Atmos' Energy Conservation and Efficiency Program ("Program").

**A. BACKGROUND**

Pursuant to the Commission's *Report and Order* ("Order") issued in this matter on February 22, and effective March 4, 2007, and as the work product of the collaborative process described therein, Atmos filed original and revised tariff sheets setting forth the Program Description, General Terms and Conditions, and the specific components of the Conservation Efforts constituting Atmos' Energy Conservation and Efficiency Program. Those tariff sheets reflected a Date of Issue of June 28, 2007, a Date Effective of August 31, 2007, and they were approved by the Commission's *Order Approving Tariff Sheets In Compliance With Report and Order* effective August 31, 2007. Along with the tariff sheets, Atmos submitted a filing memorandum describing the program. As specifically set forth therein, and in accordance with the Commission's Order, the tariffs provide that the Company will contribute annually one percent (1%) of

its annual gross non-gas revenues (approximately \$165,000 the first program year) to be used for the energy conservation and efficiency program, and program funds for the first year would be apportioned to the various Conservation Efforts as follows: Customer Education on Energy Efficiency (\$5,000), Residential Low Income Weatherization Assistance (\$100,000), and High Efficiency Furnace and Boiler Rebates (\$60,000).

The specific purposes, descriptions and terms and conditions of the above components can be found in the tariff sheets as follows:

Customer Education: Tariff Sheet No. 116;

Residential Low Income Weatherization Assistance Program: Promotional Practices Tariff Sheet 112.1; and

High Efficiency Space Heating Rebates: Pilot Programs Tariff Sheets 117-118.

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, the collaborative members agreed that the first Biannual Report would be filed with the Commission concurrent with the May 15, 2008 Quarterly Report submitted to the collaborative, with the second Biannual Report to be filed after the close of the program year (to provide summary information for the first year).

## **B. REPORT**

### **1. Overview**

During the first Program year, substantial progress was made toward a long-term successful and sustainable Energy Efficiency and Conservation Program that works in conjunction with the Company's rate design. The first year of the Program came to a close on June 30, 2008, during which time a total of \$30,461 was spent on the three components of the program. Being the inaugural year for the Program's creation and implementation (including a compressed program-year due to the late start), the full amount of the \$165,000 Company contribution was not fully utilized as of the end of the first program year. Accordingly, there was a large amount of funds available to roll-over into the second year of the program which began July 1, 2008. However, activities have steadily increased since the mid-point of the first year and are anticipated to continue as more customers and business partners become aware of the program and its benefits. In addition to the Program dollars invested, the Company has contributed \$6,500 toward the promotion of the program (web page development/bill inserts) and administration costs.

### **2. Customer Education**

During the second half of the Program year the focus shifted from the development of the materials/presentation of the Customer Education component (as described in the first Biannual Report), to gaining access to the classroom, scheduling, and presenting the materials to students. Three presentations were delivered before the school year ended to 4<sup>th</sup> grade students in the Hannibal public school system. The Company anticipates this activity to ramp up sharply after the beginning of the school year. Meetings with school superintendents the Spring were positive and many indicated

interest in having the materials presented to their students. These presentations will be made throughout the Company's three geographic service areas in Missouri. Again, "The intent shall be to educate the students concerning the importance of energy conservation, and to introduce ways to reduce their family's energy consumption through various low or no-cost efficiency measures." (Tariff Sheet No. 116).

To date, over \$2,000 of Program funds has been spent to develop, print, and purchase the educational materials necessary for the presentations to students

### **3. High Efficiency Space Heating Rebates**

Since the program officially began on August 31, 2007, there have been a total of 46 rebates issued to customers, consisting of 45 furnaces and 1 boiler. Of those 46 rebates, 45 have involved residential customers and one has involved a small commercial customer. Through the end of the Program year, the average equipment removed had an Annual Fuel Utilization Efficiency ("AFUE") of 68%, while the average AFUE of the new equipment was 93%. Perhaps reflective of current economic conditions and the lead time to promote and make customers aware of the rebate dollars available, approximately \$11,500 of the \$60,000 allocated has been spent as of the end of the first Program year. While personal contacts with several of the larger HVAC dealers in the Company's territories were made at the start of the program, additional communication by letter (attached as Exhibit A) is currently being sent to a broader base of HVAC dealers from each of the Company's local offices in Missouri.

### **4. Residential Low Income Weatherization Assistance**

The DNR/EIERA (Environmental Improvement and Energy Resources Authority) processes were finalized in mid-February (the point at which DNR completed the

cooperative agreements with all of its participating agencies to enable a uniform start and end date for all utility-based weatherization activities which DNR manages), and since that time the EIERA has distributed almost \$17,000 to three agencies in the state: NECAC (Northeast Community Action Corporation), DAEOC (Delta Area Economic Opportunity Corporation), and NMCAA (Northeast Missouri Community Action Agency) have together weatherized 12 homes during the first year of the Program, and as of the end of the year 6 homes are currently in the process of being weatherized. Over the course of first year, the \$100,000 allocated funds earned \$1,870.58 in interest, and administrative expenses (accounting fees) of \$175.00 were paid (as of EIERA's financial statements dated 6/30/08). The net of these two items will be rolled into the total dollars available for the weatherization portion of the Program.

#### **5. The Next Program Year**

Whereas the funding level for the first program year was based on a test-year updated through June 30, 2006, funding levels for the second Program year (program funds) will be based on 1% of Atmos' Missouri annual gross non-gas revenues for the period ending June 30, 2007. That amount equates to \$173,000 in total funding for the second Program year, or an \$8,000 increase over the initial funding level of \$165,000. As mentioned earlier in this report, 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. As previously reported, representatives of the collaborative group met on April 24 and May 1, 2008 for the annual evaluation and group agreed that the current allocation percentages among the three programs would be continued for the next program year, with the \$8,000 additional funding to be allocated to the customer education component.

Respectfully submitted,

**/s/ Larry W. Dority**

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James M. Fischer, MBN 27543  
email: [jfischerpc@aol.com](mailto:jfischerpc@aol.com)  
Larry W. Dority, MBN 25617  
email: [lwdority@sprintmail.com](mailto:lwdority@sprintmail.com)  
Fischer & Dority, P.C.  
101 Madison Street, Suite 400  
Jefferson City, MO 65101  
Telephone: (573) 636-6758  
Facsimile: (573) 636-0383

Douglas C. Walther, MBN 32266  
Associate General Counsel  
Atmos Energy Corporation  
P.O. Box 650205  
Dallas, Texas 75265-0205

Attorneys for Atmos Energy Corporation

### **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 29<sup>th</sup> day of August, 2008, to all counsel of record in this matter.

**/s/ Larry W. Dority**

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Larry W. Dority



August 2008

Dear Trade Ally:

All of us at Atmos Energy appreciate the important services that you and your employees provide in our community and we value our association with you. Both of our companies work to ensure the winter comfort and safety of our neighbors and, accordingly, we serve many of the same Missouri customers.

With that in mind, I want to let you know about Atmos Energy's High-Efficiency Rebate Program. We started this program a year ago to offer our customers who replace heating equipment a **\$250 rebate for installing ENERGY STAR® listed natural-gas-fueled furnaces or boilers**. We also offer qualifying customers a **\$450 rebate for installing an ENERGY STAR listed natural-gas-fueled combination system** (in which the water heater is the source both for hot water and for heating the air in a conditioned space).

More details about our High-Efficiency Rebate Program—application form, installation verification form, eligibility requirements, local ENERGY STAR retailers, and program guidelines—are on our Web site at [www.atmosenergy.com/Missouri\\_ECE](http://www.atmosenergy.com/Missouri_ECE), and can also be obtained at any of Atmos Energy's Missouri offices or by calling the program administrator, EFI, at 1-877-333-9965.

Our goal for this program, along with that of the Missouri Public Service Commission, is to encourage the replacement of old equipment with new high-efficiency heating systems. ENERGY STAR listed systems can provide long-term savings for our customers as well as environmental benefits for our communities.

We intend for this rebate program to be ongoing and funded annually. We hope that you will tell your customers about it and make them aware of the value they gain when they choose an ENERGY STAR listed natural gas heating system. If you have questions or need our assistance, please call us at (000) 000-0000.

Sincerely,

[signature]

[Local manager's name or program contact]

Atmos Energy