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August 8, 2007

Chairman Eddie Roberson
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243

RE: Comments of Atmos Energy Corporation in Response to Chairman Roberson's
Motion Issued on July, 9th 2007 in TRA Docket No. 06-00309.

Dear Chairman Roberson:

Atmos respectfully submits its comments regarding the pilot Energy Conservation Program, in response to the Motion issued on July 9th, 2007 in TRA Docket No. 06-00309. Please find enclosed the original, four (4) copies, and 1 electronic copy on CD.

Sincerely,

A handwritten signature in cursive script that reads "Patricia Childers".

Patricia J. Childers
Vice President - Rates & Regulatory Affairs

c: Docket File 06-00309

**BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

IN RE:

DOCKET FOR THE COLLECTION OF)	
COMMENTS AND DATA RELATING TO)	DOCKET NO. 06-00309
HOME ENERGY CONSERVATION MATTERS)	
IN TENNESSEE)	

**COMMENTS OF ATMOS ENERGY CORPORATION
IN RESPONSE TO CHAIRMAN ROBERSON'S JULY 9, 2007 MOTION**

Atmos Energy Corporation ("Atmos" or "Company") respectfully submits these comments regarding a pilot Energy Conservation Program in response to Chairman Roberson's motion adopted by the Tennessee Regulatory Authority ("TRA") during the Authority Conference on July 9, 2007.

In recent years, rising gas cost has highlighted the issue of conservation. Growing demand has placed a strain on the nation's gas supply and conservation is one important part of the solution. Energy conservation is a tool that can best be maximized through the participation of individual energy consumers. Atmos is committed to educating its customers about energy efficiency and embarking on a long-term, comprehensive conservation strategy that would achieve a lasting benefit for customers by reducing the overall demand for energy, leading to lower energy costs. Currently, the Company's common conservation program, available throughout its twelve state service area, includes customer educational materials and website energy management tools. Atmos supplements these efforts in certain jurisdictions with specific conservation programs that address efficiency improvements and weatherization.

Atmos is pleased to have been able to participate in the Tennessee Home Energy Conservation Task Force, an organization that submitted recommendations to the TRA in November 2006. Among these were the implementation of a low income energy conservation program in Tennessee and the development of a statewide public awareness

campaign aimed at educating consumers about energy conservation and energy efficient practices.

Atmos has already implemented a pilot conservation program in Middle Tennessee which encompasses Williamson and Rutherford Counties. The Company's shareholders have voluntarily pledged fifty-thousand (\$50,000) dollars toward assessing the energy conservation needs of low income home owners in Atmos' service area within these two counties and then assisting them with the weatherization of their homes. In order to administer the program, Atmos has entered into a partnership with the Mid-Cumberland Community Action Agency ("MCCAA"). Partnering with local non-profit agencies like MCCAA is a common sense way to leverage naturally existing synergies because such agencies are already well acquainted with the process for qualifying customers for LIHEAP. MCCAA will assist Atmos in qualifying customers for the pilot conservation program. Additionally, MCCAA will provide recommendations to Atmos on specific weatherization measures that would be beneficial to program participants and should therefore receive dollars from the Atmos pilot. Funding is currently limited to two-thousand, five hundred (\$2,500) dollars per qualified household. Just a few examples of weatherization measures contemplated by the program are window and door caulking, weather stripping, water heater wrapping, and repair of broken windows. MCCAA is responsible for employing the contractors to complete weatherization work that is approved by Atmos.

While the Company is proud to be taking this important step toward conservation in Tennessee, both Atmos and the TRA recognize that a more comprehensive strategy must be developed in order to maximize the future benefits of responsible energy use by and for ratepayers. The TRA has proposed a pilot Energy Conservation Program that would last eighteen (18) months. The planned scope of the TRA's proposed pilot for the Company's service area would be two-hundred and fifty-five thousand (\$255,000) dollars. In addition to the diagnostic and weatherization components already included in the Company's current program, the TRA suggests that gas utilities also target education and include a contribution to GTI for the purpose of research. Additionally, the TRA's proposal includes an evaluation reporting requirement at the conclusion of the pilot program.

As previously noted, Atmos already provides certain educational resources to all of the Company's customers in its twelve state service area. In order to achieve the most optimal use of resources possible and achieve economies of scale, Atmos believes that a partnership with Piedmont Natural Gas (Nashville Gas Company) and AGL Resources, Inc. (Chattanooga Gas Company) would provide the best opportunity to develop an effective educational program. Such a cooperative would synthesize strong aspects of individual educational efforts that are already in place and bring consistent messaging about the fundamentals of conservation to natural gas customers across the state. Atmos proposes that ten thousand (\$10,000) dollars of pilot program funding designated for its service area in Tennessee be earmarked for a collaborative education program.

Another element of the pilot Energy Conservation Program outlined by Chairman Roberson's motion was that an amount be designated as a contribution to the Gas Technology Institute ("GTI") for research. Atmos is a member of GTI and supports GTI as an innovator in the natural gas industry. The Company is confident that GTI can make important contributions to technological advances in the future. In Docket 07-00105 currently before the TRA, Atmos has proposed a volumetric amount to be included in the requested rate increase in order to continue to provide valuable funding to GTI. As part of this general rate case, the Company has recommended that \$.0174 per MMBtu be permitted as funding for GTI. If approved, this volumetric recovery would amount to approximately two-hundred and sixty-one thousand (\$261,000) dollars based on annual throughput in Tennessee. Consistent with the TRA's pilot program, Atmos would be willing to earmark a certain amount of this contribution for research purposes. If it is the case that TRA selects additional industry groups for participation in the future, the Company would not be opposed to their inclusion in the program as well.

Atmos intends to engage in ongoing analysis during the life of the eighteen month pilot in order to monitor the performance of the program and gather data for the evaluation report that is to be submitted at the conclusion of the pilot period. The Company is concerned, however, with the proposed requirement to document the benefits of the program. While Atmos can certainly report on distribution of funds, weatherization measures and educational messaging, it is challenging to benchmark the effectiveness of such individual program elements. A number of factors contribute to energy

consumption. A beneficiary of the program may indeed be engaging in more conservative energy use, but may still exhibit stable or elevated consumption due to the addition of a household member or new appliance. Conversely, this same beneficiary may demonstrate lower consumption, but some portion of the conservation may be the result of an aversion to higher gas costs (such as those experienced during the 2005/2006 winter) as opposed to the Company's Energy Conservation Program. Benefits attributable to less tangible pieces of the program like education and research are especially difficult to measure. Additionally, when these elements are combined with more concrete measures such as weatherization, it is uncertain which of them have provided the greatest impact. Atmos is dedicated to spending conservation funds wisely and vested in carrying out the most effective program possible. The Company would like to take this opportunity to caution the TRA against crafting an evaluation report which places a high burden on utilities to prove up the links between dollars spent and decreased energy consumption.

The TRA has proposed an initial program size of two-hundred fifty-five thousand (\$255,000) dollars for Atmos. The Company believes that it would be appropriate to share the costs of this larger pilot program with ratepayers, who would contribute approximately one-hundred twenty-seven thousand (\$127,000) dollars while Atmos would provide the remaining amount, less the fifty thousand (\$50,000) dollars the Company has already invested in its voluntary program. Ratepayer funding could come from either incentive plan revenues or asset management fees. Currently, Atmos credits ratepayers for the entire amount of asset management fees spent on behalf of Tennessee customers. One mechanism for cost sharing would be to lower this refund.

Weatherization, education, and research are all key components of a conservation program. In order to create a truly comprehensive strategy designed for long term success, however, the TRA must address the issue of the disconnect currently existing between between ratepayer interests resulting from the current rate design. Currently, Atmos recovers a portion of its cost of service through a volumetric charge even though these are largely fixed costs, with very few of these expenses being volume driven. The result is that the Company cannot recover its authorized revenue unless volumetric consumption is sustained. This rate design once fulfilled the purpose of encouraging gas

utilities to seek out new customers and grow their infrastructure. It is no longer prudent to promote increasing energy consumption, however. Public policy has shifted in the face of rising energy prices and decreasing natural resources. Conservation has become an important goal, and the policy shift away from rate designs that encourage consumption has been recently addressed and supported by numerous government bodies and policy groups such as the American Gas Association, the Natural Resources Defense Council, the National Association of Regulatory Utility Commissioners, the United States Congress, the Environmental Protection Agency and various state utility regulatory commissions to name a few.

In Docket 07-00105, Atmos has proposed a long term conservation mechanism in the form of its Customer Utilization Adjustment (“CUA”) which is designed to eliminate the historical disincentives associated with conservation by breaking the link between, or “decoupling,” the Company’s revenue and the quantities of gas that its customers use. Decoupling mechanisms have proven successful in other jurisdictions and are gaining support from regulators as a “win-win” for both customers and utilities. Customers benefit from the lower costs stemming from both decreasing overall demand and decreasing individual use. The utility remains authorized to earn its costs of service, while being liberated to assist customers in reducing their consumption.

Atmos firmly believes that a successful long term conservation program must include a thoughtful long term funding solution and common sense rate design. In March of this year, the Missouri Public Service Commission (“MPSC”) approved such a comprehensive strategy, based upon a cooperative agreement between Commission Staff and the Company. The MPSC authorized a decoupled rate design in conjunction with the Company’s commitment to provide annual funding of approximately one hundred sixty-five thousand (\$165,000) dollars to an energy conservation program. The program is similar to the pilot in Tennessee in that it is intended to assist customers in reducing their consumption of natural gas through education, conservation, and weatherization. The Missouri program also includes rebates for high energy efficiency furnaces and boilers. A copy of the Missouri tariffs outlining the Company’s Energy Conservation and Efficiency Program are attached hereto as Exhibit A.

Revenue decoupling does not eliminate the benefits of conservation measures taken by customers. Their efforts will continue to be rewarded as they avoid incremental gas costs. Gas commodity costs are the largest part of a customer's bill, and even in the case that the volumetric rate does not include any of the utility's fixed costs in addition to the commodity cost, customers will remain motivated to eliminate unnecessary energy consumption. Once the essentially fixed cost of service is removed from the volumetric rate, a variable charge, there is no longer a disincentive for Atmos to fully support its customers' efforts to avoid unnecessarily purchasing and consuming excess gas. Unfortunately, under traditional rate design, the largest portion of the Company's authorized revenue requirement is attached to the incremental units of gas sold. The Company's proposed CUA mechanism would realign the interests of customers and shareholders, bolstering the conservation efforts supported by the TRA.

Energy utilities can play a key role in promoting energy efficiency. Atmos is pleased to assist the TRA in developing a pilot conservation program for its customers in Tennessee. Saving energy through achievements in conservation, however, does not fundamentally lower a utility's cost to serve customers and bring energy to their homes and businesses. Under traditional rate design, development of effective conservation efforts would eventually diminish the utility's economic resources. The opportunity to earn a fair return affords Atmos the ability to continually and consistently make new investments and provide safe and reliable service at the level of excellence ratepayers have come to expect. Atmos would encourage the TRA to closely examine rate design as an essential ingredient in the success of a long term, forward thinking conservation strategy.

RESPECTFULLY SUBMITTED,

A handwritten signature in dark ink, appearing to read "Douglas C. Walther", written over a horizontal line.

Douglas C. Walther
Associate General Counsel