

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

October 27, 2008

IN RE:)	
)	
AUDIT OF ATMOS ENERGY CORPORATION'S)	DOCKET NO.
WEATHER NORMALIZATION ADJUSTMENT)	08-00121
FOR THE PERIOD NOVEMBER 1, 2007)	
THROUGH APRIL 30, 2008)	

**ORDER ADOPTING WNA AUDIT REPORT OF THE UTILITIES DIVISION
OF THE TENNESSEE REGULATORY AUTHORITY**

This matter came before Chairman Tre Hargett, Director Eddie Roberson, and Director Mary W. Freeman of the Tennessee Regulatory Authority (the "Authority" or "TRA"), the voting panel assigned to this docket, at a regularly scheduled Authority Conference held on October 20, 2008, for consideration of the Weather Normalization Adjustment Audit Report ("Audit Report") of the Authority's Utilities Division (the "Staff") resulting from the Staff's audit of Atmos Energy Corporation's ("Atmos" or the "Company") Weather Normalization Adjustment ("WNA") for the period November 1, 2007 through April 30, 2008. The Audit Report, which was filed on September 30, 2008, is attached hereto as Exhibit 1 and incorporated by reference in this Order.

The Audit Report contained two findings. The first finding identified that the Company used incorrect actual heating degree days in its calculations of the WNA, which resulted in an over-collection of \$14,439.73. The second finding identified that the Company failed to correctly apply new rate case factors in the November 2007 billing cycle, which resulted in an under-collection of \$1,952.68. The combined impact of these findings is an over-collection from

Atmos' customers of \$12,487.05. The Staff recommended that the net over recovery be included in next year's actual cost adjustment filing. After consideration of the Audit Report, the panel unanimously approved the findings and recommendations contained therein.

IT IS THEREFORE ORDERED THAT:

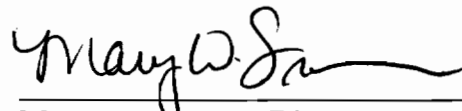
The Audit Report, a copy of which is attached to this Order as Exhibit 1, is approved and adopted, including the findings and recommendations contained therein and are incorporated in this Order as if fully rewritten herein.



Tre Hargett, Chairman



Eddie Roberson, Director



Mary W. Freeman, Director

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BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

September 29, 2008

IN RE:)
)
ATMOS ENERGY CORPORATION) **Docket No. 08-00121**
WEATHER NORMALIZATION ADJ. (WNA) AUDIT)

**NOTICE OF FILING BY UTILITIES DIVISION OF THE
TENNESSEE REGULATORY AUTHORITY**


Pursuant to Tenn. Code Ann. §§ 65-4-104, 65-4-111 and 65-3-108, the Utilities Division of the Tennessee Regulatory Authority (the "Utilities Division") hereby gives notice of its filing of the 2008 Atmos Energy Corporation WNA Audit Report in this docket and would respectfully state as follows:

1. The present docket was opened by the Authority to hear matters arising out of the audit of Atmos Energy Corporation (the "Company").
2. The Company's WNA filings were received on November 1, 2007, through May 1, 2008, and the Staff completed its audit of same on September 19, 2008.
3. On September 23, 2008, the Utilities Division issued its preliminary WNA audit findings to the Company, and on September 25, 2008, the Company responded thereto.
4. The preliminary WNA audit report was modified to reflect the Company's responses and a final WNA audit report (the "Report") resulted therefrom. The Report is attached hereto as Exhibit A and is fully incorporated herein by this reference. The Report

contains the audit findings of the Utilities Division, the Company's responses thereto and the recommendations of the Utilities Division in connection therewith.

5. The Utilities Division hereby files its Report with the Tennessee Regulatory Authority for deposit as a public record and approval of the recommendations and findings contained therein.

Respectfully Submitted:



Ron Graham
Utilities Division
Tennessee Regulatory Authority

CERTIFICATE OF SERVICE

I hereby certify that on this 29th day of September, 2008, a true and exact copy of the foregoing has been either hand-delivered or delivered via U.S. Mail, postage pre-paid, to the following persons:

Tre Hargett
Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243

Ms. Patricia Childers
Vice President of Regulatory Affairs
Kentucky/Mid-states Division
Atmos Energy Corporation
810 Crescent Centre Drive, Suite 600
Franklin, TN 37067-6226

Mr. Thomas H. Petersen
Director of Rates
Atmos Energy Corporation
P.O. Box 650205
Dallas, TX 75265-0205

Mr. A. Scott Ross, Esq.
Neal & Harwell, PLC
150 Fourth Avenue, North, Suite 2000
Nashville, TN 37219-2498



Ron Graham

EXHIBIT A

COMPLIANCE AUDIT REPORT

OF

ATMOS ENERGY CORPORATION

WEATHER NORMALIZATION ADJUSTMENT (WNA) RIDER

Docket No. 08-00121

TENNESSEE REGULATORY AUTHORITY

UTILITIES DIVISION

SEPTEMBER 2008

COMPLIANCE AUDIT
ATMOS ENERGY CORPORATION
WEATHER NORMALIZATION ADJUSTMENT (WNA) RIDER
DOCKET NO. 08-00121

I. INTRODUCTION AND AUDIT OPINION

The subject of this compliance audit is the Weather Normalization Adjustment ("WNA") Rider of Atmos Energy Corporation ("Atmos" or "Company"). The objective of this audit is to determine if the WNA adjustments were calculated correctly and applied to customers' bills appropriately between November 2007 and April 2008. As a result of the WNA Rider, the Company surcharged a net \$526,787 and \$388,113 to the residential and commercial customers respectively during the period. The impact of WNA revenues on the Company's total revenues is detailed in Section V.

The Audit Staff's ("Staff") audit resulted in two (2) findings, showing that the Company over-collected \$12,487.05 from its customers. See Section VI for a description of the Staff's findings. This amount is considered immaterial compared to the total WNA amount billed (1.4%). Except for the findings noted in this report, Staff concludes that Atmos is correctly implementing the mechanics of the WNA Rider as specified by the Tennessee Regulatory Authority ("TRA" or the "Authority") and included in the Company's tariff (See Attachment I).

II. SCOPE OF AUDIT

In meeting the objective of the audit, the Staff compared the following on a daily basis:

- (1) the Company's actual heating degree days to National Oceanic and Atmospheric Administration ("NOAA") actual heating degree days;
- (2) the Company's normal heating degree days to the normal heating degree days calculated in the last rate case; and
- (3) the Company's calculation of the WNA factor to Staff's calculation.

The Staff selected a sample of customer bills to verify that the WNA factor had been correctly applied to the bills. The Staff also examined each sample bill to determine whether the Base Rates and Purchased Gas Adjustments were billed correctly.

The Utilities Division of the TRA is responsible for compliance audits of the regulated gas companies. Ron Graham and Michelle Ramsey of the Utilities Division conducted this audit.

III. BACKGROUND INFORMATION ON THE COMPANY

Atmos, with its principal office at 810 Crescent Centre Drive, Franklin, Tennessee, is a wholly owned subsidiary of its parent company Atmos Energy Corporation, located in Dallas, Texas. Atmos Energy Corporation is a multi-state gas distributor, providing service to multiple communities in Tennessee. The gas to serve these areas is obtained from Atmos Energy Marketing ("AEM")¹ and other suppliers, and delivered by four natural gas pipelines in accordance with separate and individual tariffs approved by the Federal Energy Regulatory Commission ("FERC"). The four interstate pipelines are East Tennessee Natural Gas ("ETNG"), Texas Eastern Transmission Corporation ("TETC"), Columbia Gulf Transmission Corporation ("CGTC"), and Texas Gas Transmission Corporation ("TGTC").

ETNG provides service to Atmos in Tennessee for the Columbia, Shelbyville, Lynchburg, Maryville-Alcoa, Morristown, Bristol, Elizabethton, Gray, Greeneville, Johnson City, and Kingsport areas.

TETC and CGTC provide service to Atmos in Tennessee for Murfreesboro, Nolensville, Franklin, and adjacent areas in Rutherford and Williamson Counties.

TGTC provides service to Atmos in Union City, Tennessee and adjacent areas in Obion County.

IV. BACKGROUND ON WEATHER NORMALIZATION ADJUSTMENT RIDER

On September 26, 1991, the Tennessee Public Service Commission² ("TPSC") approved a three-year experimental Weather Normalization Adjustment Rider³ to the tariffs of Chattanooga Gas Company, Nashville Gas Company, a division of Piedmont Gas Company, Inc. and United Cities Gas Company.⁴ The WNA Rider was to be applied to residential and commercial customers' bills during the months of October through May of each year (See Attachment 1). On June 21, 1994, the TPSC issued an Order authorizing the above mentioned gas companies to permanently implement an amended version⁵ of the WNA Rider. Atmos is authorized to calculate WNA adjustments during the months of November through April of each year. The TRA Staff audits these calculations annually.

¹ Atmos Energy Marketing is the wholly owned marketing arm of Atmos Energy Corporation.

² By legislative action, the Tennessee Public Service Commission was replaced on July 1, 1996 by the Tennessee Regulatory Authority. See Act of May 24, 1995, ch. 305, 1995 Tenn. Pub. Acts 450. The TRA retains jurisdiction over the above named gas companies. See Tenn. Code Ann. § 65-4-104; see also Tenn. Code Ann. § 65-4-101 (a) (defining public utility).

³ See petition of Chattanooga Gas Company, Nashville Gas Company, a Division of Piedmont Natural Gas Company, Inc. and United Cities Gas Company for a Rulemaking Hearing to Adopt a Weather Normalization Adjustment (WNA) Rider, Docket No. 91-01712, Order (September 26, 1991).

⁴ On July 31, 1997, United Cities Gas Company was acquired by Atmos Energy Corporation located in Dallas, Texas. Following the acquisition, the Company continued operating as United Cities Gas Company, a division of Atmos Energy Corporation. On September 4, 2002, Atmos Energy Corporation filed tariffs with the Authority to cease the use of the name "United Cities Gas Company" and to reflect the corporate name of "Atmos Energy Corporation." Effective October 1, 2002, Atmos Energy Corporation announced that all divisions of the company would start doing business as Atmos Energy™.

⁵ The amendment directed Chattanooga Gas Company and United Cities Gas Company to eliminate from their WNA Rider the shoulder months of October and May, and Nashville Gas Company to eliminate the shoulder months of October, April and May.

In setting rates, the Tennessee Regulatory Authority uses a normalized level of revenues and expenses for a test year, which is designed to be the most reasonable estimate of the Company's operations during the time the rates are to be in effect. Use of normalized operating levels eliminates unusual fluctuations that may occur during the test period, which causes rates to be set too high or too low.

Specifically, one part of normalizing revenues consists of either increasing or decreasing the test year weather related sales volumes to reflect the difference between the normal and actual heating degree days. (A heating degree day is calculated as the difference in the average daily temperature and 65 degrees Fahrenheit.) This average daily temperature constitutes normal weather and is determined based on the previous thirty years weather data.

Normal weather, however, rarely occurs. This has two impacts:

- (1) The customers' bills fluctuate dramatically due to changes in weather from month to month; and
- (2) The gas companies earn more or less than their authorized rate of return. For example, if weather is colder than normal, then more gas than anticipated in the rate case will be sold. This results in higher customer bills and overearnings for the company. On the other hand, if weather is warmer than normal, less gas than anticipated in the rate case will be sold, the customers' bills will be lower and the company will underearn.

In recognition of this fact, the TRA approved an experimental WNA mechanism, which became permanent on June 21, 1994, to reduce the impact abnormal weather has on the customers' bills and on the gas utilities' operations. In periods of weather colder than normal, the customer receives a credit on his bill, while in periods of warmer than normal weather, the customer is billed a surcharge. Thus, customers' monthly bills should not fluctuate as dramatically and the gas company should have a more stable rate of return.

V. IMPACT OF WEATHER NORMALIZATION ADJUSTMENT RIDER

The graphs appearing at the end of this section show a comparison of actual heating degree days to normal heating degree days for Atmos Energy Corporation during the 2007 - 2008 heating season, in each of its four service areas.⁶ During the past winter, overall, weather was 8.77% warmer in the Bristol area, 8.08% warmer in the Knoxville area, 8.79% warmer in the Nashville area, and 3.25% warmer in the Paducah area compared to normal weather. The following tables show a comparison of the actual heating degree days ("ADD") to normal heating degree days ("NDD") by month for each of the four weather stations.

⁶ Atmos' service territory is divided into four (4) service areas for WNA calculation purposes. Each area's WNA factors are calculated separately based on the actual degree days calculated from daily weather observations as reported by Tri-Cities Regional TN/VA Airport (KTRI) for the Bristol area, McGhee Tyson Airport (KTYS) for Knoxville area, Nashville International Airport (KBNA) for Nashville area, and Barkley Regional Airport (KPAH) for the Paducah area. The weather observations from these locations are reported to NOAA and the daily actual degree days are published by NOAA monthly in its *Local Climatological Data* report.

Bristol:

Month	Actual Heating Degree Days	Normal Heating Degree Days	Warmer/Colder than Normal
October 2007	143	268	Warmer
November 2007	572	570	Colder
December 2007	686	843	Warmer
January 2008	937	939	Warmer
February 2008	695	768	Warmer
March 2008	573	561	Colder
April 2008	276	306	Warmer
Total	<u>3,882</u>	<u>4,255</u>	Warmer

Knoxville:

Month	Actual Heating Degree Days	Normal Heating Degree Days	Warmer/Colder than Normal
October 2007	106	204	Warmer
November 2007	464	470	Warmer
December 2007	597	733	Warmer
January 2008	861	841	Colder
February 2008	624	672	Warmer
March 2008	476	467	Colder
April 2008	194	227	Warmer
Total	<u>3,322</u>	<u>3,614</u>	Warmer

Nashville:

Month	Actual Heating Degree Days	Normal Heating Degree Days	Warmer/Colder than Normal
October 2007	102	190	Warmer
November 2007	451	460	Warmer
December 2007	571	744	Warmer
January 2008	861	859	Colder
February 2008	636	684	Warmer
March 2008	453	462	Warmer
April 2008	224	217	Colder
Total	<u>3,298</u>	<u>3,616</u>	Warmer

Paducah:

Month	Actual Heating Degree Days	Normal Heating Degree Days	Warmer/Colder than Normal
October 2007	165	197	Warmer
November 2007	533	531	Colder
December 2007	768	855	Warmer
January 2008	940	982	Warmer
February 2008	784	772	Colder
March 2008	516	530	Warmer
April 2008	<u>283</u>	<u>256</u>	Colder
Total	<u>3,989</u>	<u>4,123</u>	Warmer

Note: Charts showing a comparison of actual degree days compared to normal degree days can be found at the end of this Section.

Since overall the winter was warmer than normal, the net impact the WNA Rider had on the Company's revenues was that residential and commercial customers were **surcharged** \$526,787 and \$388,113 respectively. This equates to an increase in revenues from residential and commercial sales of 0.78% and 0.91% respectively. (See Table 1) During the previous year, warmer than normal weather resulted in residential and commercial customers being **surcharged** \$442,504 and \$372,014 respectively. (See Table 2 for a comparison of the last three heating seasons.)

Table 1

**Impact of WNA Rider on Residential & Commercial Revenues
November 2007 - April 2008**

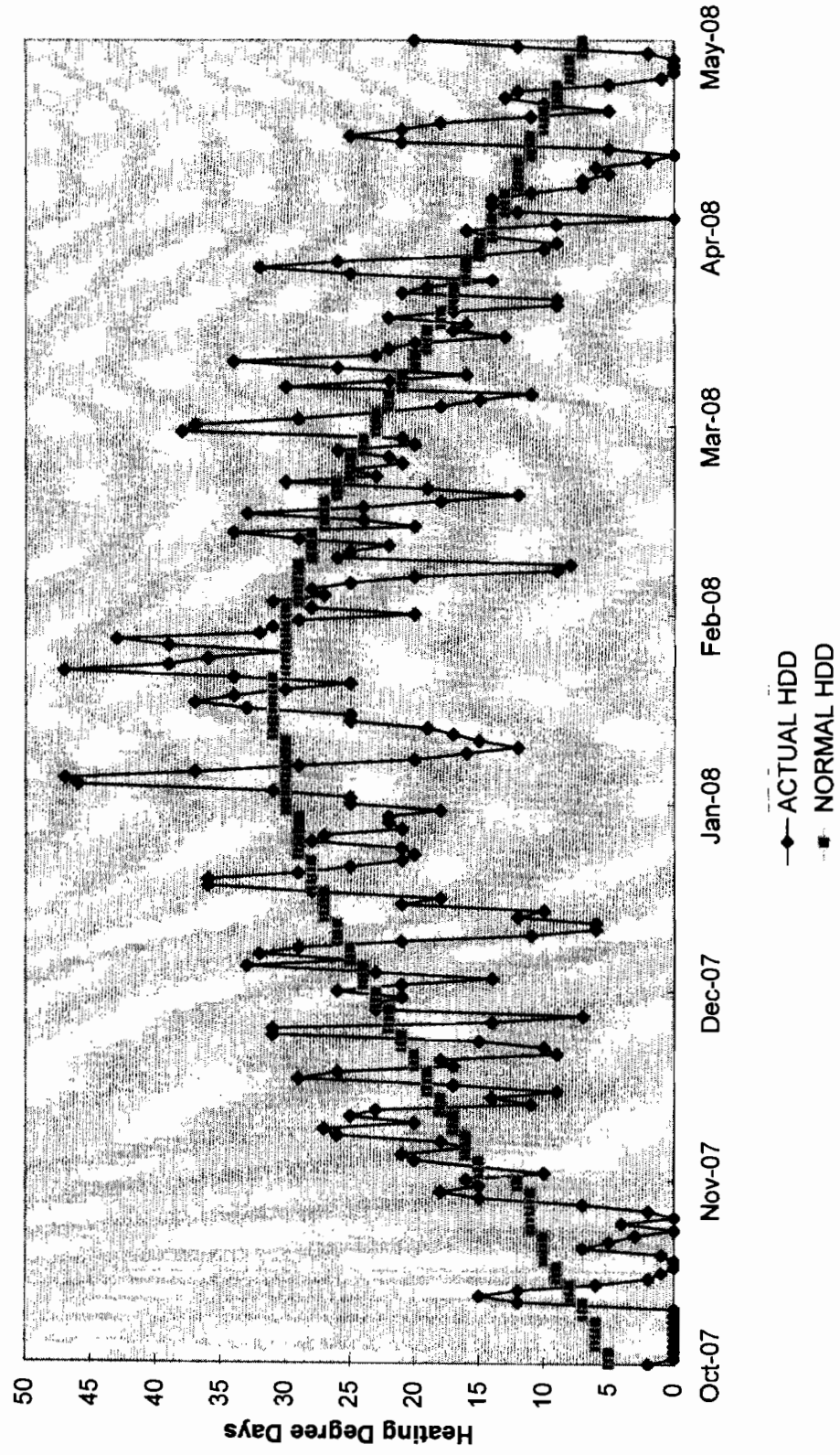
	<u>WNA Rider Revenues</u>	<u>Total Revenues</u>	<u>Percentage Impact of WNA Rider On Revenues</u>
Residential Sales	\$526,787	\$67,710,051	0.78%
Commercial Sales	<u>388,113</u>	<u>42,482,694</u>	0.91%
Total	<u>\$914,900</u>	<u>\$110,192,745</u>	0.83%

Table 2

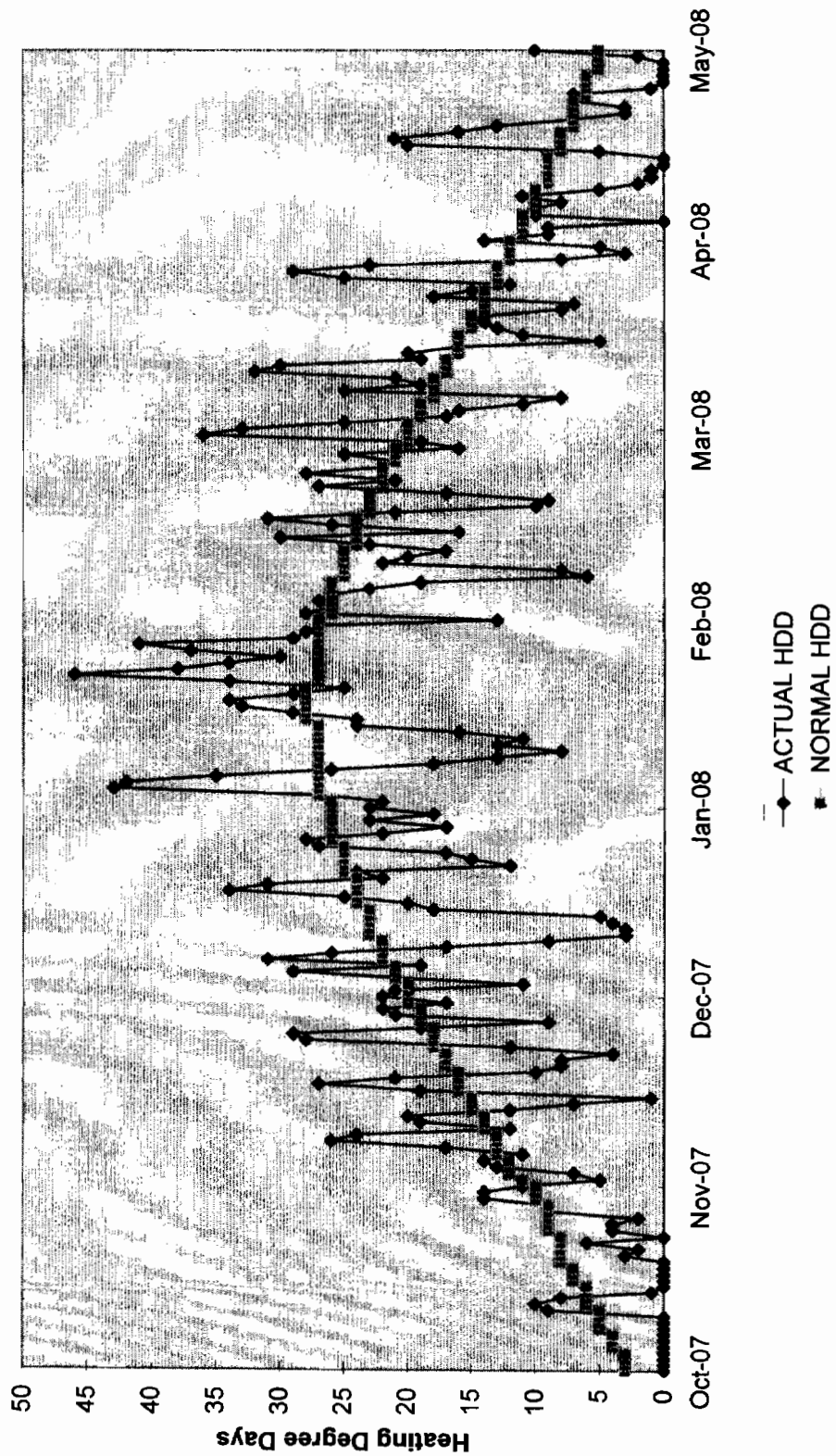
**Amount Surcharged (Refunded)
2005 - 2008**

	<u>Residential</u>	<u>Commercial</u>	<u>Total Surcharge/(Refund)</u>
11/05-4/06	\$933,261	\$485,878	\$1,419,139
11/06-4/07	442,504	372,014	814,518
11/07-4/08	<u>526,787</u>	<u>388,113</u>	<u>914,900</u>
Total	<u>\$1,902,552</u>	<u>\$1,246,005</u>	<u>\$3,148,557</u>

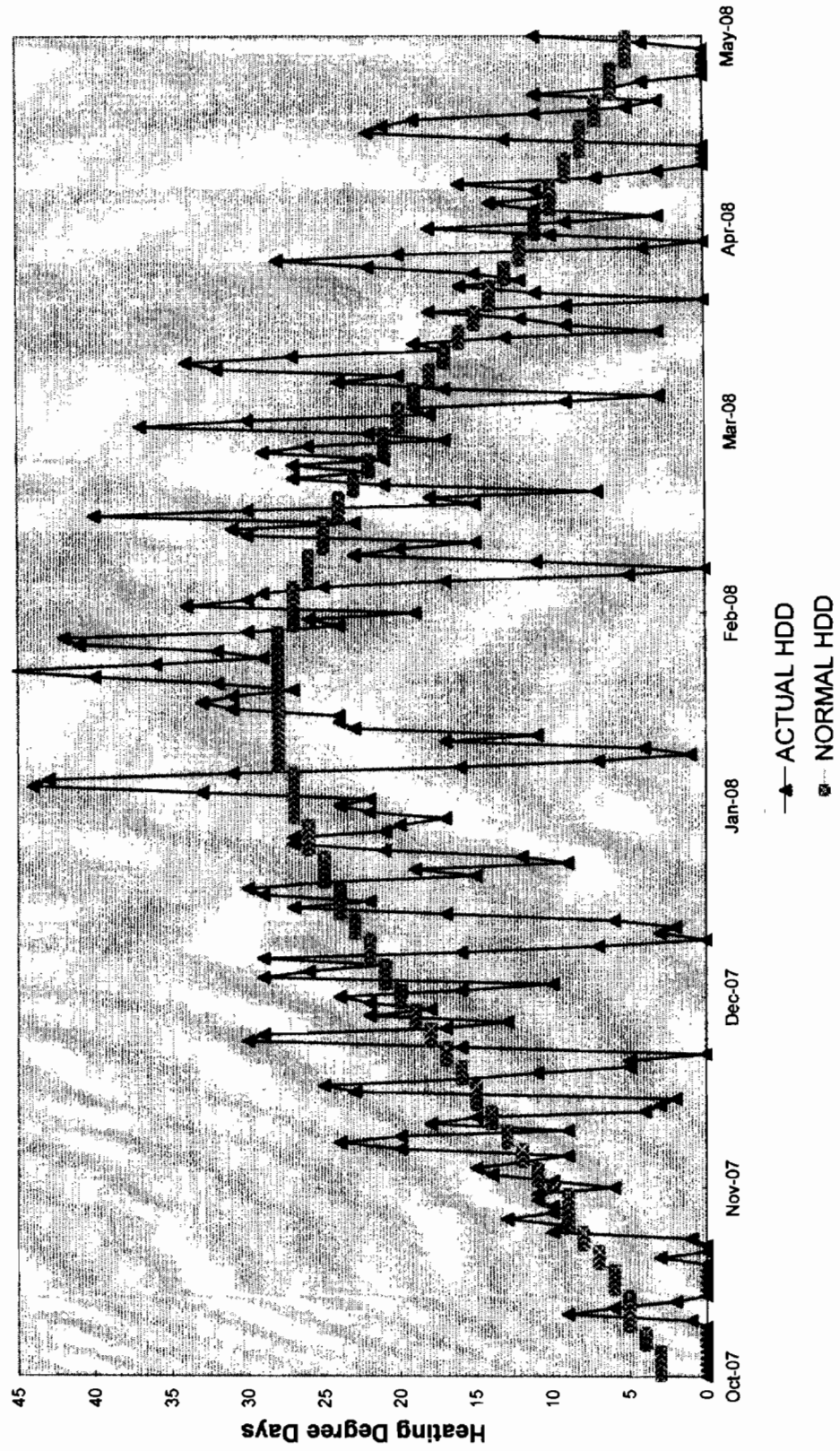
Atmos Energy Corporation
Comparison of Actual to Normal Heating Degree Days
Bristol Weather Station



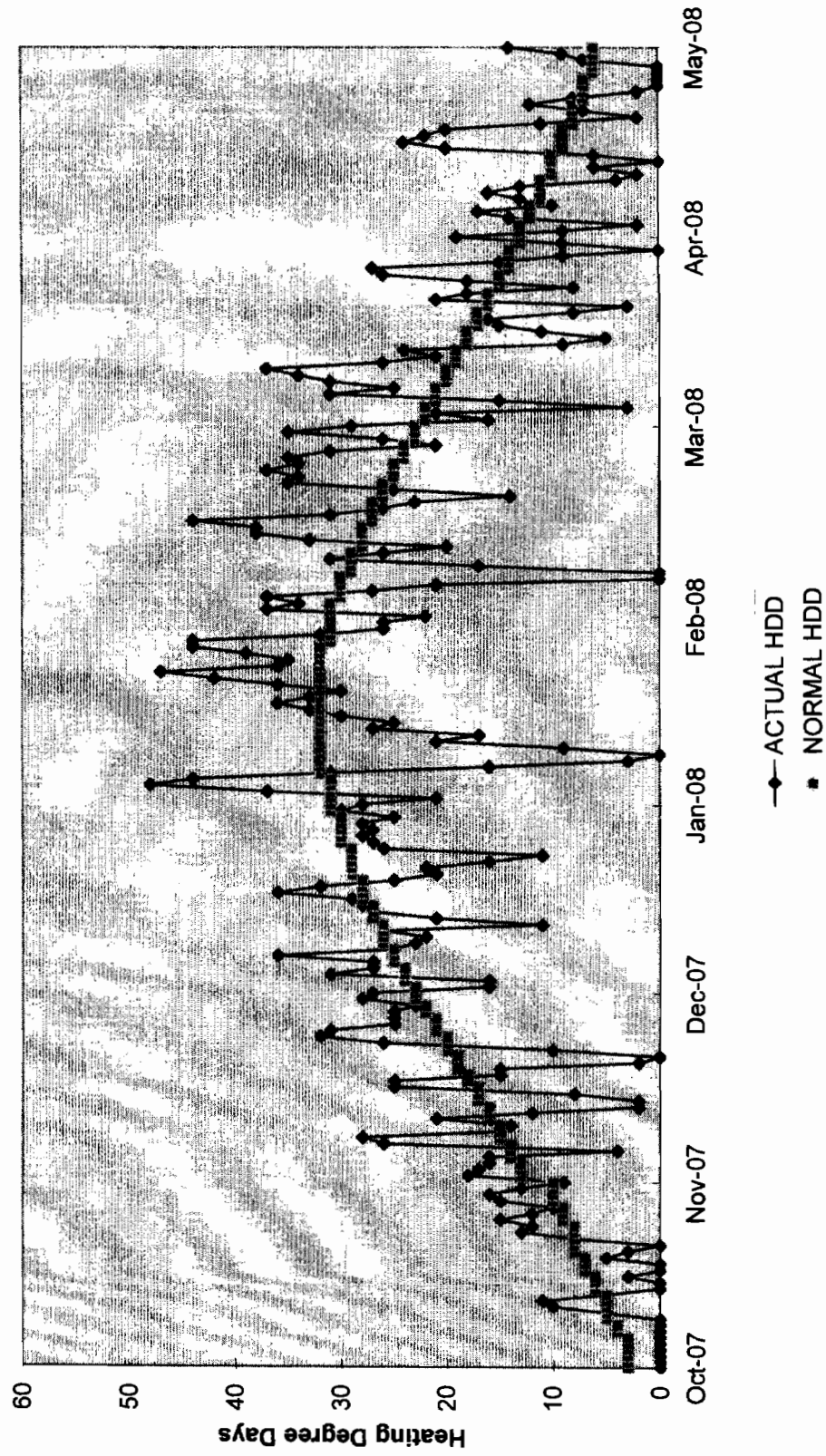
Atmos Energy Corporation
Comparison of Actual to Normal Heating Degree Days
Knoxville Weather Station



Atmos Energy Corporation
Comparison of Actual to Normal Heating Degree Days
Nashville Weather Station



Atmos Energy Corporation
Comparison of Actual to Normal Heating Degree Days
Paducah Weather Station



VI. WNA AUDIT FINDINGS

As noted in Section I of this report, Staff's audit resulted in two findings. The first finding identified that the Company used incorrect actual heating degree days for twenty-four (24) days out of the WNA period in their WNA calculations. This difference resulted in an over-recovery from the Company's customers of \$14,439.73. The second finding identified that the Company had various errors in its calculation of the WNA factors due to delayed implementation of updated WNA formula numbers established in the Company's recent rate case (Docket No. 07-00105). This finding resulted in an under-recovery from the Company's customers of \$1,952.68. The net findings amount to an over-recovery of \$12,487.05.

The dollar amount of the findings is considered immaterial when compared to the total WNA revenue (1.4%) and Staff believes that the Company is materially complying with its WNA Rider.

A detailed discussion of each finding follows.

SUMMARY OF FINDINGS:

				Page
Finding #1	Errors in Actual Heating Degree Days	\$ 14,439.73	Over-collection	8
Finding #2	Errors in Normal Heating Degree Days and WNA formula factors	<u>1,952.68</u>	Under-collection	10
	Total	<u>\$ 12,487.05</u>	Over-collection	

FINDING #1:

Exception

The Company used inaccurate actual daily heating degree days in the calculation of the WNA factor.

Discussion

The audit period consisted of 852 weather observations (213 days in the period times four weather stations). Audit results indicate that the Company used inaccurate actual daily heating degree days in the calculation of the WNA factor on six (6) days for the Bristol weather station, two (2) days for the Knoxville weather station, five (5) days for the Nashville weather station and eleven (11) days for the Paducah weather station for a total of twenty-four (24) weather observations. These inaccuracies are due to differences in daily heating degree days published in NOAA's Local Climatological Data report⁷ and the daily heating degree days that the Company used in calculating its WNA factors.⁸ In order to timely bill its customers, the Company must obtain actual degree day information from its weather information source(s) on a real time basis. The WNA Rider and the Staff's audit of this Rider are based on the official NOAA publication. Therefore, Staff recognizes that discrepancies can be caused by the Company's weather information source through no fault of the Company.

Weather Station/ Date	Company Actual Degree Days	NOAA Actual Degree Days	Difference
<u>Bristol:</u>			
12/13/07	9	10	1
12/21/07	20	21	1
2/6/08	7	8	1
2/26/08	20	21	1
3/20/08	20	21	1
4/20/08	12	13	1
		Total	<u>6</u>

⁷ This published report is the official data supplied by NOAA and is the standard that the Staff uses to audit the Weather Normalization Rider. There is typically a two month lag in publication.

⁸ See Table below for detail of the differences.

Weather Station/ Date	Company Actual Degree Days	NOAA Actual Degree Days	Difference
<u>Knoxville:</u>			
1/30/08	27	28	1
3/15/08	12	13	1
		Total	<u>2</u>
<u>Nashville:</u>			
11/15/07	21	23	2
12/7/07	17	16	-1
1/13/08	23	24	1
2/12/08	22	23	1
3/19/08	10	11	1
		Total	<u>4</u>
<u>Paducah:</u>			
12/23/07	30	26	-4
1/05/08	20	16	-4
1/8/08	2	9	7
1/9/08	20	21	1
1/10/08	16	17	1
1/11/08	24	27	3
1/14/08	34	33	-1
1/15/08	31	36	5
2/12/08	34	38	4
2/13/08	42	44	2
2/16/08	24	23	-1
		Total	<u>13</u>
		Net of 4 Stations	<u>25</u>

Recommendation

These heating degree day differences resulted in a **net over-recovery of \$14,439.73** in WNA revenues. Since the dollar amount of this finding is immaterial on a per customer basis, Staff recommends that the Company include the over-recovery in its next Actual Cost Adjustment filing, as has been its custom.

Company Response

Atmos regrets the billing inaccuracies that resulted from use of third party weather data and continues to monitor for opportunities to improve our processes. We agree to include the over-recovery amount in our Actual Cost Adjustment filing as has been done in the past.

FINDING #2:

Exception

The Company did not correctly apply the new rate case factors in the November billing cycles.

Discussion

New rates approved in Docket No. 07-00105 were effective for all bills “rendered” on or after November 19, 2007. This included an update to the factors used in the WNA formula used to calculate WNA factors. These factors are the Heat Sensitive Factor (HSF), the Base Load Factor (BL) and the R Value (volumetric base rates). The HSF and BL factors appear to have been changed appropriately. Efforts to reconcile Staff’s calculations with the Company’s were challenging, since the Company is able to only report the “read dates” and not the “billing dates.” However, based on discussions with Company staff, Staff concludes that these two factors were appropriately implemented.

The findings noted by Staff are the result of two observations. First, the Company did not change the R Value in the billing system until December 2007. And second, Staff noted a significant number of discrepancies in the number of normal heating degree days used by the Company compared to Staff’s calculations, especially during the month of November. The Company has assured us that they appropriately updated the normal degree days in its billing system. Staff concludes that there may be a reliability issue with the reports sent to Staff. Staff notes that these issues will not continue into the next heating season.

The result of this finding is a **net under-recovery of \$1,953.**

Recommendation

Since the dollar amount of this finding is immaterial on a per customer basis, Staff recommends that the Company include the under-recovery in its next Actual Cost Adjustment filing, as has been its custom. Staff also recommends that the Company and Staff work together during the next heating season to streamline the Company’s reporting process. See Staff Conclusions and Recommendations in Section VI.

Company Response

Atmos acknowledges a delay in timely updating its billing system tables related to weather normalization adjustments following approval of new rates and factors. We have reviewed our internal procedures and enhanced the awareness of the appropriate personnel to guard against future lapses. We agree to include the under-recovery amount in our Actual Cost Adjustment filing as has been done in the past. Further, we look forward to working with Staff to streamline the reporting process.

VII. CONCLUSIONS AND RECOMMENDATIONS

Staff appreciates the cooperation of the Company staff, particularly Mr. Jim Paul, during the course of this WNA Audit. The Company collects data from four (4) weather stations compared to just one weather station for other gas companies. The amount of data that must be submitted and reviewed by Staff is further compounded by the Company's submission of data for each unique billing period for each weather station each month. As an example, for November 2007, Atmos submitted 5,227 lines of data in Excel spreadsheets covering its four service areas. That amount of data must be reviewed and processed by Staff each month. By contrast, other gas companies report twenty-one (21) lines of data each month, based on data related to scheduled read dates for the twenty-one cycles. Those twenty-one reported cycles contain the majority of the customers.

Atmos has traditionally submitted this detailed data on all of its customers. Then at the end of the audit period (usually in August) the Company runs a program to recalculate each and every customer bill rendered during the six (6) months heating season, utilizing corrected degree day information. The Company's results are compared with Staff's results, to arrive at the dollar amount of findings. Usually the results are reasonably close, and the Company has historically accepted Staff's results. Staff avers that the extraordinary effort required by Staff to conduct a WNA Audit of Atmos in this manner and the equally time consuming efforts of the Company to provide such detailed information is unnecessary.

Staff understands that there are customers whose meters are read off-cycle.⁹ But Staff does not need to examine every calculation to conclude that the Company is correctly implementing its WNA Rider. By using the normal daily heating degree days and WNA factors established in a rate case and the actual daily heating degree days reported by the Company, Staff is able to calculate the WNA billing factor for any customer if need be. And it is often necessary to separately calculate the WNA billing factor for a specific customer during the bill audit.

By reporting the data for twenty-one cycles per month in each of its service areas, the number of spreadsheets needed to analyze the data is reduced from twenty-four (24) to four (4). The reduced data decreases the chance for error by both the Staff and the Company. And the audit could be completed in a more timely manner. Currently, the magnitude of the data and the time needed for the Company to accomplish its bill re-run normally pushes the completion of the audit into October, less than one month from the start of the next heating season.

Staff communicated these concerns to the Company and the Company was very cooperative. It has verbally agreed to provide data similar to other gas companies, multiplied by the four weather stations. Both the Staff and the Company recognize that it is mutually beneficial to streamline the audit process for Atmos, thereby conserving significant resources. Staff and Company will work together as the next heating season approaches to determine an appropriate reporting format for Atmos.

⁹ There are many reasons that a particular customer's meter might not be read as part of the normal scheduled cycle reading, such as: (1) for weather-related or other reasons, the normal schedule must be delayed or divided into 2 or more days, (2) a customer moves from his current location, (3) service to the location must be cut off, etc.

ATMOS ENERGY CORPORATION

WEATHER NORMALIZATION ADJUSTMENT (WNA) RIDERProvisions for Adjustment

The base rate per therm/Ccf (100,000 Btu) for gas service set forth in any Rate Schedules utilized by the Tennessee Regulatory Authority in determining normalized test period revenues shall be adjusted by an amount hereinafter described, which amount is referred to as the "Weather Normalization Adjustment." The Weather Normalization Adjustment shall apply to all residential and commercial bills based on meters read during the revenue months of November through April.

Definitions

For purpose of this Rider:

"Regulatory Authority" means the Tennessee Regulatory Authority

"Relevant Rate Order" means the final order of the Regulatory Authority in the most recent litigated rate case of the Company fixing the rates of the Company or the most recent final order of the Regulatory Authority specifically prescribing or fixing the factors and procedures to be used in the application of this Rider.

Computation of Weather Normalization Adjustment

The Weather Normalization Adjustment shall be computed to the nearest one-hundredth cent per therm/Ccf by the following formula:

$$WNA_i = R_i \frac{(HSF_i \quad (NDD-ADD) \quad)}{(BL_i \quad + \quad (HSF_i \times ADD))}$$

Where

- i = any particular Rate Schedule or billing classification within any such particular Rate Schedule that contains more than one billing classification
- WNA_i = Weather Normalization Adjustment Factor for the i^{th} rate schedule or classification expressed in cents per therm/Ccf
- R_i = weighted average base rate of temperature sensitive sales for the i^{th} schedule or classification utilized by the Tennessee Regulatory Authority in the Relevant Rate Order for the purpose of determining normalized test year revenues

WEATHER NORMALIZATION ADJUSTMENT (WNA) RIDER (Continued)

- HSF_i = heat sensitive factor for the ith schedule or classification utilized by the Regulatory Authority in the Relevant Rate Order for the purpose of determining normalized test year revenues
- NDD = normal billing cycle heating degree days utilized by the Regulatory Authority in the Relevant Rate Order for the purpose of determining normalized test year revenues
- ADD = actual billing cycle heating degree days
- BL_i = base load sales for the ith schedule or classification utilized by the Regulatory Authority in the Relevant Rate Order for the purpose of determining normalized test year revenues

Filing with Regulatory Authority

The Company will file as directed by the Regulatory Authority (a) a copy of each computation of the Weather Normalization Adjustment, (b) a schedule showing the effective date of each such Weather Normalization Adjustment, and (c) a schedule showing the factors or values derived from the Relevant Rate Order used in calculating such Weather Normalization Adjustment.

Heat Use/Base Use Factors

<u>Town</u>	<u>Residential/PA</u>		<u>Commercial</u>	
	<u>Base use</u> <u>Ccf</u>	<u>Heat use</u> <u>Ccf/HDD</u>	<u>Base use</u> <u>Ccf</u>	<u>Heat use</u> <u>Ccf/HDD</u>
Union City	10.43	.124185	112.80	.416839
Columbia Shelbyville Franklin Murfreesboro	11.34	.147091	112.93	.473009
Maryville Morristown	11.39	.122329	195.74	.392082
Johnson City Elizabethton Kingsport Greeneville Bristol	11.51	.112572	125.95	.489418

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