

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

IN RE:)
)
APPROPRIATENESS OF)
IMPLEMENTATION OF PURPA)
STANDARD 5 (ENERGY EFFICIENCIES))
AND STANDARD 6 (RATE DESIGN) Docket No. 09-00065
MODIFICATION) FOR PIEDMONT)
NATURAL GAS COMPANY,)
CHATTANOOGA GAS COMPANY, AND)
ATMOS ENERGY COMPANY)

COMMENTS OF ATMOS ENERGY CORPORATION

The Tennessee Regulatory Authority on May 18, 2009 opened a docket for the purpose of considering and determining the appropriateness of the implementation of certain federal standards for gas utilities set forth in the Public Utility Regulatory Policies Act of 1978 ("PURPA"), as amended by the Energy Independence and Security Act of 2007. Atmos Energy Corporation petitioned to intervene in this proceeding on June 1, 2009. All intervening parties were directed to file comments no later than 2:00 p.m. on August 4, 2009. Atmos Energy hereby submits its comments.

Section 303(b) of the Public Utility Regulatory Policies Act of 1978 was amended by adding subsections (5) Energy Efficiency, and (6) Rate Design Modifications to Promote Energy Efficiency. Regulatory agencies although not required to adopt the aforementioned amendments, must consider whether such amendments should be adopted. Section 303 (b) (5) states that natural gas utilities shall (A) integrate energy efficiency resources into their plans and planning processes and (B) adopt policies that establish energy efficiency as a priority resource in the

plans and planning processes of the natural gas utility. Section 303 (b) (6) states that rates allowed to be charged by a natural gas utility shall align utility incentives with the deployment of cost effective energy efficiency. Furthermore, each state regulatory authority shall consider (i) separating fixed-cost revenue recovery from the volume of transportation or sales service provided to the customer; (ii) providing to utilities incentives for the successful management of energy efficiency programs, such as allowing utilities to retain a portion of the cost reducing benefits accruing from the programs; (iii) promoting the impact on adoption of energy efficiency as one of the goals of retail rate design, recognizing that energy efficiency must be balanced with other objectives; and (iv) adopting rate designs that encourage energy efficiency for each customer class.

All of the amendments above have been issues before most regulatory agencies for several years. The nature of predominant rate design for natural gas utilities, in which the majority of their revenue is volumetrically driven, has placed the utility, its customers, and shareholders at odds when promoting energy conservation. When lower volumes are sold to the consumer, the utility receives less revenue needed to meet its operating and infrastructure requirements and to meet expectations of its shareholders. The remedy is to address these issues now before the Authority. The Tennessee Regulatory Authority as early as August 2006 created a Task Force to address these very issues. The Task Force is made up of the rate of return regulated gas utilities, Department of Human Services, Gas Technology Institute, and the Office of Consumer Advocate and Protection Division of the Attorney General's Office.

On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act of 2009, conditioning a state's receipt of stimulus funds on the Governor certifying that its regulatory authority would implement a general policy that ensures that utility

financial incentives are aligned with helping the customer use energy more efficiently, and that provides timely cost recovery and a timely earnings opportunity for utilities associated with cost-effective measurable and verifiable efficiency savings, in a way that sustains or enhances utility customers' incentives to use energy more efficiently. One June 25, 2009, Governor Bredesen signed into law Public Chapter No. 531 (Senate Bill No. 2357). Section 53 of that Act establishes new Section 65-4-126 of the TCA which provides for the policy set forth in the ARRA of 2009.

Atmos respectfully requests that the Commission authorize each natural gas utility to implement the above-referenced policies through utility-specific proposals submitted by the utility during a general rate case or in another proceeding specific to each utility, rather than seeking to implement a "one size fits all" approach.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing has been served, via the method(s) indicated below, on the following counsel of record, this the 3rd day August, 2009.

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