

TENNESSEE REGULATORY AUTHORITY



2011 OCT 21 AM 1:07

TRANSMISSION

460 James Robertson Parkway
Nashville, Tennessee 37243-0505

MEMORANDUM

TO: Docket File 11-00158

FROM: Michelle Ramsey *MR by PM*
Utilities Division

DATE: October 21, 2011

SUBJECT: Audit of Atmos Energy Corporation's ("Atmos") Incentive Plan Account for the Period April 1, 2001 through March 31, 2004.

On October 4, 2011, Audit Staff filed its audit report in this case. Audit Staff respectfully submits the attached amended Page 5 to that report in order to clarify the resetting of the deadband for Atmos' plan years ended March 2006, March 2007, and March 2008. Please replace the original Page 5 with the attached amended Page 5.

C: David Foster
Pat Murphy
Patricia Childers (via Facsimile)
Scott Ross (via Facsimile)
Edwin Wilkens (via E-mail)
Terry Buckner (via Facsimile)

VI. IPA AUDIT FINDINGS

Staff reviewed the purchasing activities and capacity management activities of Atmos to determine whether the Company correctly calculated the amount of gains and losses under its Incentive Plan and whether it complied fully with the terms of its tariff. The period April 1, 2001 to March 31, 2004 is the subject of this audit.

The Incentive Plan states that at the end of every three-year period, the lower end of the deadband will be adjusted to 1% below the most recent audited results.¹² The first three-years of the plan ended on March 31, 2002. Therefore, the lower limit of the deadband for the second three-years period beginning April 1, 2002 is determined based on the results of Staff's audit report in Docket No. 01-00704¹³. The period April 1, 2001 to March 31, 2002 is the third year of the plan and is subject to the lower limit of the deadband as stated in the tariff.

Staff agrees with the IPA Account balances as calculated by the Company. Therefore, there are no findings. The results of the audited plan year ending March 2004, less 1%, will establish the lower end of the deadband for plan years ending March 2006, March 2007 and March 2008.

SUMMARY OF THE IPA ACCOUNT:

	<u>Atmos Filing</u>
Under-recovered IPA Account Balance at 3/31/01	\$ 124,286.00
Plus Gas Procurement Savings Accruing to Atmos	342,080.73
Plus Capacity Mgt. Savings Accruing to Atmos	62,043.88
Minus Amount Recovered from Customers (4/1/01-9/30/02)	<u>722,931.66</u>
Equals IPA Balance Before Interest	\$(194,521.05)
Plus Interest Calculated on Monthly Balances	<u>(19,260.73)</u>
Equals IPA Account Balance at 3/31/04	<u>\$(213,781.78)</u>

VII. AUDIT CONCLUSIONS AND RECOMMENDATIONS

As a result of this audit, Staff determined that Atmos has correctly calculated its share of savings under its Performance Based Ratemaking Mechanism Rider¹⁴ for the plan years ended March 31, 2002, March 31, 2003, and March 31, 2004. The balance in the IPA Account as of March 31, 2004 is \$(213,781.78). This balance will serve as the beginning balance for the next audit

¹² See Attachment 1, TRA No. 1, Original Sheet No. 45.2.

¹³ *In Re: Audit of United Cities Gas Company's Incentive Plan Account (IPA) for the Period of April 1, 2000 through March 31, 2001*, Docket No. 01-00704, Staff Audit Report (April 10, 2002).

¹⁴ See Attachment 1, TRA No. 1, Original Sheet No. 45.