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LA PUBLIC SERVICE COMMISSION

BEFORE THE
LOUISIANA PUBLIC SERVICE COMMISSION

BATON ROUGE, LOUISIANA

LOUISIANA PUBLIC SERVICE COMMISSION DOCKET NO. R-31106

In re: Rulemaking to study the possible development of financial incentives for the promotion of energy efficiency by jurisdictional electric and gas utilities.

ATMOS ENERGY'S RESPONSE TO STAFF'S PROPOSED ENERGY EFFICIENCY RULES APPLICABLE TO LPSC JURISDICTIONAL ELECTRIC AND GAS UTILITIES IN LOUISIANA AND FINAL REQUEST FOR COMMENT

NOW COMES, through undersigned counsel, ATMOS ENERGY CORPORATION (hereinafter referred to as "Atmos Energy" or "the Company") and hereby submits its Comments to Staff's Proposed Energy Efficiency Rules Applicable to LPSC Jurisdictional Electric and Gas Utilities in Louisiana ("Proposed Rules") and Final Request for Comment in the above-captioned proceedings as follows:

I. General Comments

Atmos Energy is pleased to provide its perspective on the Proposed Rules. The Company supports the overall policy objectives of promoting energy efficiency in the State of Louisiana and believes the Proposed Rules generally create a workable framework for energy efficiency program implementation. Atmos Energy is in agreement with the filed comments of CenterPoint Energy Resources Corp. in this docket. In addition, the Company respectfully suggests one further refinement to the Proposed Rules.

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II. Budget Caps

Atmos Energy believes that the proposed method of calculating budget caps, as they relate to gas utilities, results in considerable uncertainty that burdens the program budget development process. Section VI of the proposed Quick Start Rule provides,

> In the first year, the utility shall make a good faith effort to spend a minimum of .25% of the utility's prior calendar year retail revenues, but the utility shall not exceed a maximum expenditure of .50% of the utility's prior calendar year retail revenues. In the second year and thereafter, the utility shall make a good faith effort to spend a minimum amount that is close to but does not exceed the budget cap amount of .50% of the same revenue value as had been used in the prior year.

Atmos Energy believes funding levels for gas utilities should not be linked to gross revenues because of the potential for volatility in commodity prices and the resulting budget uncertainty for gas utilities. Natural gas commodity charges, which are passed through to customers, typically represent a high percentage of a gas utility's annual gross revenue. Because the dollar amount of these pass-through natural gas commodity charges can fluctuate wildly depending on the market price of natural gas, a gas utility's annual gross revenues can similarly fluctuate. Atmos Energy believes that this uncertainty caused by linking program budgets with annual gross revenues would lead to difficulty in developing program budgets for comprehensive and cost-effective long-term energy efficiency programs.

Atmos Energy believes that a more prudent approach would be for gas utilities to develop program budgets based on margin revenues (total revenues less fuel costs) rather than gross revenues. This would allow the gas utility greater predictability in developing program budgets for comprehensive and cost-effective long-term energy efficiency programs. Atmos further believes that a budget amount of .5% to 1% of margin revenues would be appropriate.

Respectfully submitted, this 29th day of October 2012,

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