

STATE OF IOWA  
DEPARTMENT OF COMMERCE  
UTILITIES BOARD

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IN RE:  ATMOS ENERGY CORPORATION	DOCKET NO. PGA-06-47
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**ORDER APPROVING ANNUAL RECONCILIATION FILING AND DIRECTING THE FILING OF A NEW REFUND PLAN AND AN ASSET MANAGEMENT CONTRACT FILING**

(Issued December 13, 2006)

On October 2, 2006, Atmos Energy Corporation (Atmos) filed its annual reconciliation of gas costs for the 12-month period ending August 31, 2006, in accordance with 199 IAC 19.10(7). The reconciliation shows that Atmos over-recovered from customers during the 12-month period and will be required to make refunds to customers. Atmos filed a refund plan as part of the reconciliation filing. The filing has been identified as Docket No. PGA-06-47.

On October 26, 2006, the Board issued an order docketing the reconciliation filing and refund plan for further review. The Board stated that it needed additional time to review the filing to determine the cause of the over-recovery and to consider changes to Atmos' purchased gas adjustment (PGA) filings to reduce any over-recovery or under-recovery in the future. The refund plan filed on October 2, 2006, shows that Atmos would be refunding on average approximately \$100 to each residential customer.

After reviewing the reconciliation filing, the Board has made several recommendations to Atmos in an attempt to improve the accuracy of Atmos' monthly

PGA filings. These changes include using estimates based upon monthly indexes that should allow Atmos to more closely track actual purchased gas costs. In addition, Atmos will attempt to make more effective use of the Rb factor to correct significant differences between estimated and actual purchased gas prices. The Rb factor is the "adjusted amount necessary to obtain the anticipated balance for the remaining PGA year calculated by taking the anticipated PGA balance divided by the forecasted volumes, including storage, for one or more months of the remaining PGA year." These two changes should allow Atmos to reduce the possibility of having a significant over-recovery or under-recovery in its next reconciliation.

The Board will approve the annual reconciliation filing made by Atmos on October 2, 2006. The Board recognizes that even with the changes described above, Atmos may still see significant swings in monthly PGA balances due to the small number of customers served by Atmos in Iowa. Since the Board docketed the annual reconciliation filing, it will require Atmos to file a new refund plan to update the amount to be refunded to include the additional earned interest. The Board will shorten the period for objections to the refund plan in order to allow the refunds to be made during the January 2007 billing cycle.

While reviewing the annual reconciliation filing, the Board learned that Atmos has entered into a contract to manage its purchased gas adjustment assets. Board staff raised the question with Atmos of whether Atmos should have filed the asset management contract for Board review as a reorganization under Iowa Code § 476.77 and 199 IAC 32.2. Other utilities have discussed asset management contracts with the Board, but none have been approved. Atmos will be directed to

provide the Board with an explanation of why the asset management contract is not covered by Iowa Code § 476.77 and 199 IAC 32.2 or to make the appropriate filing as a proposed reorganization.

**IT IS THEREFORE ORDERED:**

1. The annual reconciliation filed by Atmos Energy Corporation on October 2, 2006, is approved.
2. Atmos Energy Corporation shall file a new refund plan within ten days of the date of this order.
3. Objections to the refund plan shall be filed within five days of the date the refund plan is filed.
4. Atmos Energy Corporation shall make a filing regarding the asset management contract for purchased gas within 30 days of the date of this order.

**UTILITIES BOARD**

/s/ John R. Norris

/s/ Diane Munns

ATTEST:

/s/ Judi K. Cooper  
Executive Secretary

/s/ Curtis W. Stamp

Dated at Des Moines, Iowa, this 13<sup>th</sup> day of December, 2006.