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Missouri Public
Service Commission

Exhibit No.: Ex No. 7

Issue: Rebuttal Positions on Various Issues

Witness: Patricia J. Childers

Type of Exhibit: Surrebuttal Testimony

Sponsoring Party: Atmos Energy Corporation

Case No.: GR-2006-0387

Date Testimony Prepared: November 13, 2006

PF
11-30-06

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. GR-2006-0387

PREPARED SURREBUTTAL TESTIMONY

OF

PATRICIA J. CHILDERS

On Behalf of

ATMOS ENERGY CORPORATION

November 2006

Atmos Exhibit No. 7
Case No(s). GR-2006-0387
Date 11-30-06 Rptr PF

In the Matter of Atmos Energy Corporation's Tariff)
Revision Designed to Consolidate Rates and)
Implement a General Increase for Natural Gas) Case No.: GR-2006-0387
Service in the Missouri Service Area of the Company)

STATE OF TENNESSE)
) ss.
COUNTY OF WILLIAMSON)

1. My name is Patricia J. Childers. I work in Franklin, Tennessee and I am employed by Atmos Energy Corporation as the Vice President of Rates and Regulatory Affairs for the Kentucky/Mid-States division of Atmos Energy Corporation.

3. I have knowledge of the matters set forth therein. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, including any attachments thereto, are true and accurate to the best of my knowledge, information and belief.

Patricia J. Childers

My commission expires May 28, 1968

**BEFORE THE
MISSOURI PUBLIC SERVICE COMMISSION
CASE NO. GR-2006-0387
PREPARED SURREBUTTAL TESTIMONY
OF
PATRICIA J. CHILDERS**

**On Behalf of
ATMOS ENERGY CORPORATION**

I. POSITION

1
2 **Q. Please state your name, position and business address.**

3 A. My name is Patricia J. Childers. I am Vice President – Rates & Regulatory
4 Affairs for Atmos Energy Corporation's Kentucky/Mid-States operations which
5 includes Atmos' Missouri operations. My business address is 810 Crescent Centre
6 Drive, Suite 600, Franklin, Tennessee 37067-6226.

7 **Q. Are you the same Patricia J. Childers who previously filed Direct and**
8 **Rebuttal Testimony in this case?**

9 A. Yes. I presented Direct Testimony in this docket on April 7, 2006 and Rebuttal
10 Testimony on October 31, 2006.

11

12 **II. PURPOSE OF TESTIMONY**

13 **Q. What is the purpose of your surrebuttal testimony?**

14 A. The purpose of my surrebuttal testimony is to address certain issues raised by the
15 Office of the Public Counsel (OPC) in Rebuttal Testimony filed on October 31,

1 2006. I will also address issues raised by Commission Staff witnesses in rebuttal
2 testimony filed on October 31, 2006.

3 **Q. Is Atmos filing any other surrebuttal testimony?**

4 A. Yes. Gary Smith will be addressing the rate design issues raised by OPC. Dr.
5 Donald Murry will be addressing the return on equity in the context of Atmos and
6 Commission Staff both having a common recommendation regarding the revenue
7 requirement.

8 **Q. After reviewing Staff's rebuttal testimony is it your opinion that Atmos and**
9 **Staff have reached a common ground with respect to the issues in this case?**

10 A. Yes. After reviewing Staff's rebuttal testimony, it appears that the Staff and
11 Company have no areas of disagreement remaining in this case. Specifically with
12 regard to the overall revenue requirement, I would note the consistency between
13 my rebuttal testimony on page 3, line 13-18, and Staff witness Stephen M.
14 Rackers' rebuttal testimony page 2, lines 16-18, where he states, "The Staff
15 believes that no change in cost of the service, on a total company basis, will still
16 result in just and reasonable rates as a result of this case." Given Atmos' and
17 Staff's agreement on the revenue requirement and the additional items outlined in
18 my rebuttal testimony, Atmos is concerned with issues raised by the OPC and my
19 surrebuttal testimony will focus on those issues.

20

21 **III. ISSUES RAISED BY OPC IN SURREBUTTAL**

22 **Q. What issues have been raised by OPC that will be addressed in Atmos'**
23 **surrebuttal testimony?**

1 A. Atmos' surrebuttal testimony will address the following issues raised by OPC in
2 its rebuttal testimony: rate of return (Dr. Murry); Depreciation; Rate Design-
3 Delivery Charge (Smith); Rate Design-Rates by Class; Rate Area Consolidation;
4 and Miscellaneous Utility Charges.

5 **Q. What is Atmos' concern with the Deprecation issue raised by Mr.**
6 **Trippensee?**

7 A. Mr. Trippensee has selectively pulled this item out of the revenue requirement to
8 dispute. As indicated in my rebuttal testimony (page 8, line 16 and following),
9 Atmos is committed to working with Staff to resolve the issues raised by Staff
10 witness Guy Gilbert. It is anticipated that resolution of these issues will be
11 completed prior to the next case filed by Atmos and that the 'negative
12 amortization' issue that Mr. Trippensee finds objectionable will no longer be an
13 issue.

14 **Q. What is Atmos' concern with the Ms. Meisenheimer's rate consolidation and**
15 **rate design proposal regarding rates?**

16 A. As indicated her direct testimony, Ms. Meisenheimer's position is that existing
17 classes and rate districts should be maintained and she is opposed to any type of
18 consolidation. In addition, she proposes in her direct testimony (page 2, line 20
19 and following) that rate design issues be spun off to another docket. The
20 Company believes that this rate case is clearly the most appropriate forum to
21 address these issues.

22 **Q. Would a separate docket be an efficient use of all of the resources of the**
23 **parties?**

1 A. No. The parties have invested considerable amount of time and resources
2 addressing the issues in this docket, including Staff's CCOS analysis which
3 provides a basis for establishing rates on a cost supported basis.

4 **Q. What have you done to address the concerns raised by Ms. Meisenheimer?**

5 A. Utilizing Staff's billing determinants in this case, I have developed a set of rates
6 based on uniform statewide classes and non-base rates in three geographic areas
7 utilizing the sculpted residential Delivery Charge rate design proposed by Mr.
8 Smith in his rebuttal testimony and the Delivery Charge rate design proposed by
9 Ms. Ross for small and medium non-residential general classes. I then evaluated
10 the impact of these rates on each of Atmos' existing rate districts and the
11 residential, small general, and medium general classes within each district.
12 Attached to my surrebuttal testimony is PJC SURREB - 1 which is a summary of
13 the rates that would be implemented if these rates, which are consistent with both
14 Atmos' and Staff's positions, are adopted by the Commission. Also attached to
15 my surrebuttal testimony is PJC SURREB -2 which is the class level impact.

16 **Q. Do you have any concerns regarding Ms. Meisenheimer's testimony**
17 **concerning PGA consolidation?**

18 A. Yes. Ms. Meisenheimer also opposes any PGA consolidation. As I indicated in
19 my rebuttal testimony (page 4, line 10 and following), the Company concurs with
20 Staff witness Tom M. Imhoff's proposal to consolidate PGA's into four areas.
21 Although the four PGA areas don't align exactly (Kirksville is the exception) with
22 the geographic non-gas rates, they are substantially the same in most areas, and
23 therefore the benefits of bill comparability will be achieved if the Commission

1 adopts the four areas as recommended by Staff and Atmos. Consequently, the
2 Company believes that OPC's 'status quo' regarding PGA's should be rejected.

3 **Q. What is Atmos' response to OPC's recommendations regarding**
4 **miscellaneous utility charges?**

5 A. Although Ms. Meisenheimer does not offer any type of adjustment to the
6 Company's revenue requirement to adjust for seasonal customers, she believes
7 that it is appropriate to allow customers to disconnect during the non-winter
8 months and not pay for the costs associated with providing utility service. Her
9 arguments against collecting lost revenue as a result of seasonal customers
10 leaving the system would be more consistent if she made some type of adjustment
11 to the non-gas revenue to account for the lost revenue. However, Ms.
12 Meisenheimer has not proposed any such adjustment and she appears to simply
13 expect the Company to absorb the lost revenue despite the fact that fixed costs
14 remain the same during the seasonal customer's absence. It is the Company's
15 position that the Commission should reject her position and adopt the
16 miscellaneous utility charges recommended by Staff Witness Ensrud.

17 **Q. Is the Company in agreement that customer education is important in**
18 **regards to the Delivery Charge rate design proposal?**

19 A. Yes. As I indicated in my rebuttal testimony (page 7, line 20 and following), the
20 Company is committed to educating customers about the the Delivery Charge
21 prior to and during implementation to ensure that they are aware of it and assist in
22 their understanding of it.

23 **Q. Should the Commission be concerned with Ms. Meisenheimer's contention**
24 **that "...Atmos' customers have not been appropriately notified that this**

1 drastic departure from traditional rulemaking is being proposed in this
2 case?"

3 A. No. Atmos and the Commission have complied with all Commission
4 requirements related to customer notice in this case.

5 Q. Are their any issues in the Company's rebuttal testimony that need
6 clarification?

7 A. Yes, there is an issue regarding one of Staff witness Lisa Kremer's proposals
8 concerning the call center on p. 18 of her direct testimony. In my rebuttal
9 testimony (page 7, lines 7-9), I characterized the recommended call center metrics
10 (ACR and ASA) as being "new". However, these performance measures were
11 established by a unanimous stipulation and agreement in Case No. GM-2000-312
12 which was approved by the Commission at the time of Atmos' acquisition of
13 Associated Natural Gas (ANG). The Company acknowledges this fact, and
14 accepts Staff recommendation to continue these metrics at the stated levels
15 (Kremer Direct, page 18) going forward.

16 Q. Are there any additional issues that you would like to address?

17 A. Yes, I would like to point out that, as agreed with Staff, Atmos has made the FAS
18 106 contribution of \$1,275,000 as recommended by Mr. Rackers in his rebuttal
19 testimony (page 3). In addition, the Company has reviewed Staff witness Anne
20 Ross' rebuttal testimony (page 11) encouraging the Company to initiate an energy
21 audit program which would be made available to all residential customers. Ms.
22 Ross also recommends the development of a home weatherization program for at
23 least 30 low income customers on an annual basis. Atmos agrees to implement
24 these programs as described by Staff.

25 Q. Please summarize the Company's position in this case.

26 A. As I mentioned in my rebuttal testimony, the Company has thoroughly reviewed
27 and compared its direct case with Staff's direct case, analyzed and compared the
28 various adjustments to the test period in both cases and considered the impact of
29 the Staff's proposed rate design in connection with the other issues I have
30 addressed in my rebuttal to Staff's direct testimony. Company has concluded

1 after this analysis that if the Commission approves Staff's proposed rate design
2 and resolves the other issues in a manner consistent with Company's position as
3 described in my rebuttal testimony, that it will have a reasonable opportunity to
4 earn a fair return at the revenue requirement that its current tariffs are designed to
5 collect. The Commission should reject all recommendations made by the OPC in
6 this case that are inconsistent with the rebuttal positions taken by Atmos and
7 Staff.

8 **Q. Does this conclude your testimony?**

9 **A. Yes.**

10

Atmos Energy Corporation
Docket No. GR-2006-0387
Rate Design Utilizing Atmos and Staff's Rebuttal Positions

Staff Billing Determinants with MGS broken out					Atmos Proposed Residential, SGS, MGS Rate Design								
Line No.	District/Class	Revenues	Customer Bills	CCF's Usage	Delivery Charge	Summer		Winter		Annual Delivery Chg.	Annual Volumetric	Total	Annual Volumetric
						Del.Chg.	Revenue	Del.Chg.	Revenue	Revenue	Revenue	Revenue	Rate/ccf
1	Old Butler (71)												
2	Residential	\$722,109	38,677	2,514,034									
3	Small Gas Service	308,618	4,854	362,367									
4	Medium Gas Service	0	1,248	843,793									
5													
6	Old Greeley (29)												
7	Residential	\$126,374	4,982	317,869									
8	Small Gas Service	31,522	622	34,847									
9	Medium Gas Service	0	60	20,704									
10													
11	"Butler" Rate District												
12	Residential	\$848,483	43,659	2,831,903	\$19.43	\$15.00	\$377,325	\$25.46	\$471,158	\$848,483		\$848,483	
13	Small Gas Service	340,140	5,476	397,214	\$19.43	\$19.43	\$62,066	\$19.43	\$44,333	\$106,399		106,399	
14	Medium Gas Service	0	1,308	864,497		\$75.00	\$57,225	\$75.00	\$40,875	\$98,100	\$135,641	233,741	\$0.15690
15	Total "Butler" Rate District	\$1,188,623	50,443	4,083,614			\$496,616		\$556,366	\$1,052,982	\$135,641	\$1,188,623	
16													
17	Kirksville (70)												
18	Residential	\$728,728	61,049	4,018,470									
19	Small Gas Service	337,966	7,770	735,263									
20	Medium Gas Service	0	2,888	1,793,757									
21													
22	Palmyra (97P)												
23	Residential	\$208,246	14,747	997,810									
24	Small Gas Service	76,562	1,698	320,878									
25	Medium Gas Service	0	480	292,745									
26													
27	Old UCG (excl Neelyville) (97U)												
28	Residential	\$3,380,356	132,685	9,487,300									
29	Small Gas Service	1,316,404	12,949	1,507,597									
30	Medium Gas Service	0	4,884	3,481,038									
31													
32	"Northeast" Rate District												
33	Residential	\$4,297,330	208,481	14,503,580	\$20.61	\$15.00	\$1,801,500	\$28.24	\$2,495,830	\$4,297,330		\$4,297,330	
34	Small Gas Service	1,730,932	22,417	2,563,736	\$20.61	\$20.61	\$289,508	\$20.61	\$182,506	\$482,014		482,014	
35	Medium Gas Service	0	8,052	5,587,540		\$75.00	\$352,275	\$75.00	\$251,625	\$503,900	\$665,018	1,268,918	\$0.11945
36	Total "Northeast" Rate District	\$6,028,262	238,950	22,634,856			\$2,423,283		\$2,939,961	\$5,363,244	\$665,018	\$6,028,262	
37													
38	Old Southeast Missouri (72)												
39	Residential	\$5,139,948	370,881	20,204,770									
40	Small Gas Service	1,956,489	41,053	4,809,245									
41	Medium Gas Service	0	9,876	5,413,359									
42													
43	Neelyville (na)												
44	Residential	\$88,528	4,842	211,327									
45	Small Gas Service	39,710	825	101,991									
46	Medium Gas Service	0	0	0									
47													
48	"Southeast" Rate District												
49	Residential	\$5,228,476	375,723	20,416,097	\$13.92	\$10.00	\$2,163,440	\$19.23	\$3,065,036	\$5,228,476		\$5,228,476	
50	Small Gas Service	1,996,199	41,878	4,711,236	\$13.92	\$13.92	\$340,049	\$13.92	\$242,892	\$582,941		582,941	
51	Medium Gas Service	0	9,876	5,413,359		\$75.00	\$432,075	\$75.00	\$308,625	\$740,700	\$672,558	1,413,258	\$0.12424
52	Total "Southeast" Rate District	\$7,224,675	427,477	30,540,692			\$2,995,564		\$3,816,553	\$6,552,117	\$672,558	\$7,224,675	
53													

Atmos Energy Corporation
Docket No. GR-2006-0387
Calculation of Change in Total Bill

Currently Effective Rates (PGA's based on 11-2006 Filing)

[illegible]

Atmos Energy Corporation
Docket No. GR-2006-0387
Calculation of Change In Total Bill

Proposed Delivery Charge Rate Design: THREE Non-Gas Areas: FOUR PGA Areas:

Line	Division	Class	Delivery Charge ^[1]	Average Annual Ccf	Base Dist. Rate	PGA	Commodity Charge	Total Commodity Charge	Total Bill	Percentage Change	Dollar Change
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
1	BUTLER - (B) DIVISION 71	Residential Firm Service	\$19.43	761	\$0.00000	\$0.86930	0.8693	661.54	894.70	1.4%	\$ 12.53
2		Small General Service	19.43	896	0.00000	0.86930	0.8693	778.89	1,012.05	-8.1%	\$ (89.44)
3		Medium General Service	75.00	8,113	0.15690	0.86930	1.0262	8,325.56	9,225.56	5.2%	\$ 460.12
4											
5											
6	MISSOURI - (G) DIVISION 29	Residential Firm Service	\$19.43	746.9	0.00000	0.86930	0.8693	649.28	882.44	-6.9%	\$ (65.25)
7		Small General Service	19.43	673.0	0.00000	0.86930	0.8693	584.17	817.33	-4.8%	\$ (41.34)
8		Medium General Service	75.00	4,141.0	0.15690	0.86930	1.0262	4,249.49	5,149.49	3.4%	\$ 167.91
9											
10	KIRKSVILLE - (K) DIVISION 70	Residential Firm Service	\$20.61	771	0.00000	0.92020	\$ 0.9202	\$ 709.47	\$ 956.79	12.4%	\$ 105.49
11		Small General Service	20.61	1,136	0.00000	0.92020	0.9202	1,045.35	1,292.67	0.3%	\$ 4.22
12		Medium General Service	75.00	8,008	0.11945	0.92020	1.0397	8,325.52	9,225.52	12.8%	\$ 1,050.22
13											
14											
15											
16	MISSOURI - (P) DIVISION 97	Residential Firm Service	\$20.61	793	0.00000	0.92020	0.9202	729.90	977.22	8.8%	\$ 79.27
17		Small General Service	20.61	2,268	0.00000	0.92020	0.9202	2,087.01	2,334.33	-4.7%	\$ (114.01)
18		Medium General Service	75.00	7,319	0.11945	0.92020	1.0397	7,609.20	8,509.20	11.1%	\$ 850.10
19											
20											
21											
22											
23	MISSOURI - (U) DIVISION 97	Residential Firm Service	\$20.61	817	0.00000	0.92020	0.9202	751.71	999.03	-4.4%	\$ (46.19)
24		Small General Service	20.61	1,397	0.00000	0.92020	0.9202	1,285.52	1,532.84	-17.4%	\$ (323.98)
25		Medium General Service	75.00	8,553	0.11945	0.92020	1.0397	8,892.13	9,792.13	-6.3%	\$ (654.04)
26											
27											
28											
29											
30	SEMO - (S) DIVISION 72	Residential Firm Service	\$13.92	638	0.00000	0.99830	0.9983	636.52	803.56	0.4%	\$ 3.16
31		Small General Service	13.92	1,347	0.00000	0.99830	0.9983	1,344.71	1,511.75	-9.9%	\$ (166.41)
32		Medium General Service	\$75.00	6,578	0.12424	0.99830	1.1225	7,384.07	8,284.07	8.8%	\$ 671.39
33											
34											
35											

[1] Although Atmos' proposes sculpting the charge; on an annual basis, the Delivery Charge rate design is the same.