

**FILED<sup>3</sup>**  
DEC 19 2006  
Missouri Public  
Service Commission

Exhibit No.: Ex No. 10  
Issue: Cost of Service Analysis for New  
Tariff Charges or Changes to Existing  
Tariff Charges; Activation Charge;  
Late Payment Fee; Non-Sufficient  
Funds Fee; Interest on Deposits;  
Projected Service Order Revenue;  
R&D Rider

Witness: Michael H. Ellis  
Type of Exhibit: Direct Testimony  
Sponsoring Party: Atmos Energy Corporation  
Case No.: GR-2006- 0387  
Date Testimony Prepared: March 24, 2006

*PF 11-30-06*

**MISSOURI PUBLIC SERVICE COMMISSION**

**CASE NO. GR-2006-0387**

**DIRECT TESTIMONY**

**OF**

**MICHAEL H. ELLIS**

**ON BEHALF OF**

**ATMOS ENERGY CORPORATION**

March 2006

Atmos Exhibit No. 10  
Case No(s). GR-2006-0387  
Date 11-30-06 Rptr PF

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

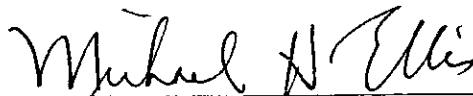
In the Matter of Atmos Energy Corporation's Tariff                     )  
Revision Designed to Consolidate Rates and                     )  
Implement a General Rate Increase for Natural Gas                     )     Case No.  
Service in the Missouri Service Area of the Company.                   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

**AFFIDAVIT OF MICHAEL H. ELLIS**

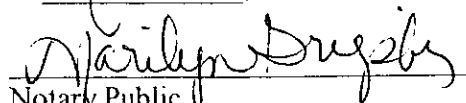
STATE OF Tennessee     )  
   ) ss  
COUNTY OF Greene     )

Michael H. Ellis, being first duly sworn on his oath, states:

1.     My name is Michael H. Ellis. I work in Johnson City, Tennessee, and I am employed by Atmos Energy Corporation as the Vice President of Marketing for Atmos' Mid-States Division.
2.     Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of Atmos Energy Corporation consisting of Eight ( 8 ) pages and Schedules MHE-1, MHE-2, MHE-3 and MHE-4, all of which having been prepared in written form for introduction into evidence in the above-captioned docket.
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.

  
\_\_\_\_\_  
Michael H. Ellis

Subscribed and sworn before me this 24<sup>th</sup> day of March, 2006.

  
\_\_\_\_\_  
Notary Public

My commission expires: 04/24/06

**BEFORE THE  
MISSOURI PUBLIC SERVICE COMMISSION  
CASE NO.  
PREPARED DIRECT TESTIMONY  
OF  
MICHAEL H. ELLIS**

**On Behalf of  
ATMOS ENERGY CORPORATION**

**I. POSITION AND QUALIFICATIONS**

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

A. My name is Michael H. Ellis. I am Vice President of Marketing of the Mid-States Division of Atmos Energy Corporation ("Atmos" or "Company"). My business address is 810 Crescent Centre Drive, Suite 600, Franklin, TN 37067-6226. I also maintain an office in Atmos' Johnson City, TN location.

**Q. Please briefly describe your educational and professional background, and current responsibilities.**

A. I have an Associates Degree from Hiwassee College and a Bachelor of General Studies from East Tennessee State University. I have been employed in the natural gas industry since 1980 and have held various positions in the marketing area. I serve on the Tennessee Gas Association's Board of Directors, where I am currently Second Vice President. I have also served on the Southeastern Gas Association's Board of Directors as well as many other marketing related committees in various state and regional associations.

1 I have been employed by the Company since 1980 which, at that time, was known  
2 as Volunteer Natural Gas Company. Volunteer subsequently became known as Tennes-  
3 see-Virginia Energy Company (TVEC), and TVEC was subsequently acquired by United  
4 Cities Gas Company. United Cities was acquired by Atmos in 1997.

5 I assumed my current position in 2000. As Vice President of Marketing of At-  
6 mos' Mid-States division, my primary responsibilities include the development, coordi-  
7 nation and implementation of marketing programs to increase market share, sales and  
8 revenue for the Company. I also serve on both internal and external committees involved  
9 in monitoring technological advances in gas equipment and efficiencies and the resulting  
10 change in customer consumption profiles.

11 **Q. Have you ever testified before this Commission?**

12 A. No. However, I have filed testimony in support of the Company's past general rate cases  
13 filed in Georgia and Virginia.

14 **II. PURPOSE OF TESTIMONY**

15 **Q. What is the purpose of your testimony?**

16 A. The purpose of my testimony is to support certain new tariff charges, changes to existing  
17 utility tariff charges and changes to Atmos' service Rules and Regulations.

18 **Q. Are you sponsoring any of the proposed tariff changes in this proceeding?**

19 A. Yes. I am sponsoring Atmos' proposal to make Utility Related Charges and late payment  
20 penalties uniform and consistent across our Missouri service area. I support the rates that  
21 we would like to change with a cost analysis which I will discuss in more detail below.

22 Also, I am sponsoring the addition of a Research & Development ("R&D") Rider which

1 would apply to all sales services. All of my proposed changes have been incorporated  
2 into the tariff sheets included in the minimum filing requirements.

### 3 **III. COST ANALYSIS**

4 **Q. Has the Company prepared a cost analysis to support the requested new charges**  
5 **and changes to existing charges?**

6 A. Yes. The cost analysis is attached to my testimony as Schedule MHE-1. This analysis  
7 was prepared by me and with the assistance of Company employees under my direction.

8 **Q. Can you explain the contents of the cost analysis?**

9 A. Yes. This report contains data that shows the average travel time and average completion  
10 time for service orders of the type specified in the analysis for all Company service areas  
11 in Missouri for the period of October 1, 2004 through September 30, 2005. In addition,  
12 average labor rates, benefits and reasonable overheads for both service technicians and  
13 customer service agents associated with these service orders are included. Estimated av-  
14 erage vehicle costs are also included based upon an average estimated travel distance at  
15 the mileage rate in effect near the end of the test year as published by the Internal Reve-  
16 nue Service. The data for after hours cost includes a minimum of two hours assigned by  
17 the Company to such service orders at employee time and a half rates. All of this data  
18 was then utilized for purposes determining the proposed new charges and/or changes to  
19 existing charges which are more fully discussed hereinafter.

### 20 **IV. NEW TARIFF CHARGES**

21 **Q. What new tariff charges are being proposed?**

22 A. The Company is proposing to implement an "Activation Charge" in the amount of \$30.00  
23 applicable to all rate schedules. Except as hereinafter discussed, this charge will apply to

1 all meter turn-ons at an existing premise (meter location) as well as to any situation  
2 where a reconnect is performed by the Company at a location where gas service has been  
3 disconnected (such as due to delinquency or reinstating service at the request of the cus-  
4 tomer after being temporarily off for seasonal reasons). An additional sum of \$30.00, for  
5 a total charge of \$60.00, would be charged for activation outside of normal working  
6 hours to cover the Company's overtime costs.

7 The Activation Charge would not apply for the initial, first time activation of ser-  
8 vice for a home or business that has not previously had gas service, nor would the charge  
9 apply to builders for activation of gas service for new construction.

10 **Q. What is the purpose of the Activation Charge?**

11 A. Atmos serves approximately 60,000 customers in Missouri, which include residential,  
12 commercial and industrial customers, with a Missouri-based work force of approximately  
13 75 employees. While we are able to provide excellent customer service to our customers,  
14 activation of gas service, particularly to customers who have been shut off as a result of  
15 delinquency or based upon a seasonal request, is a labor-intensive task. The labor and  
16 other costs of the Company associated with service re-activation should be borne by  
17 those customers who require such service. As reflected in the cost analysis included as  
18 Schedule MHE-1 to my testimony, the sum of \$30.00 for the Activation Charge, together  
19 with an additional sum of \$30.00 for an after hours request, reasonably represents the  
20 Company's costs associated with a service re-activation.

21 **Q. Does the new Activation Charge replace any existing rate schedule charges?**

22 A. Yes. In several of its Missouri service areas, the Company is already permitted to charge  
23 a seasonal use charge and a reconnect charge. Both charges are equal to the Customer

1 Charge multiplied by the number of months and fractions of months that service has been  
2 disconnected, plus the additional sum of \$37.50, and an additional sum of \$40.00 for ser-  
3 vice activation after normal working hours. This formula can actually produce a higher  
4 charge than the requested Activation Charge, but is often difficult to administer. More-  
5 over, the existing charges do not apply across all rate schedules in all service areas. The  
6 replacement of these charges with the Activation Charge, as well as implementation of  
7 the Activation Charge across all rate schedules, will bring parity to the Company's tariffs  
8 and provide a more workable and easily administered fee.

9 **Q. What other new tariff charges does the Company propose to implement?**

10 A. As reflected in revised Tariff Sheet No. 20, the Company also proposes to implement a  
11 reconnection charge of \$25.00 for situations in which it is not required that a meter be  
12 turned on and if such service is provided during normal business hours. In other words, if  
13 a transfer of service is requested by a new premise occupant and only a meter read is re-  
14 quired (as opposed to reconnection), then the fee would be \$25.00 instead of \$30.00. The  
15 Company's costs associated with this charge are reflected in the cost analysis attached as  
16 Schedule MHE-1, and the amount of the charge requested for this service is reasonable.  
17 In circumstances requiring after hours service, then an additional sum of \$30.00 would be  
18 charged to cover the Company's overtime costs, for a total fee of \$55.00.

19 **V. CHANGES TO EXISTING TARIFF CHARGES**

20 **Q. Does the Company propose any changes to existing tariff charges?**

21 A. Yes. The Company requests authority to apply the authorized late payment fee found in  
22 existing Tariff Sheet Nos. 154, 156, 158, 159, 162 and 171 (equal to 1.5% of the out-

standing balance) across all rate schedules. This change is reflected on the applicable tariff Sheets filed with the Minimum Filing Requirements.

**Q. What is the purpose of changing the late payment fee?**

A. This change will bring uniformity and consistency to all of the Company's Missouri customers. Currently, the existing tariffs denote that a residential bill is delinquent if unpaid after the 21<sup>st</sup> day following rendition and that a general service, large volume, interruptible or transportation bill is delinquent if unpaid after the 14<sup>th</sup> day following rendition. Some of these tariffs specify that a late payment fee of 1.5% of the outstanding balance will be assessed while other tariffs are silent on this issue. The late payment fees existing in the Company's Missouri tariffs therefore vary in amounts and this change will make the charge consistent across all of the Company's Missouri service areas. In addition, the proposed changes will clarify that the 21<sup>st</sup> day delinquency date will be applied to all residential bills in Missouri and the 14<sup>th</sup> day delinquency date will be applied to all general service, large volume, interruptible or transportation bills.

**Q. Is the Company proposing any other changes to existing tariff charges?**

A. Yes. The Company further requests authority to implement a non-sufficient funds charge of \$30.00 across all of the Company's service areas. This would result in an increase of \$20.00 in existing Areas P and U, an increase of \$30.00 in Area G and an increase of \$15.00 in existing Areas B, K and S. As reflected in the cost analysis attached as Schedule MHE-1, the cost is inclusive of the Company's labor as well as fees paid to third party financial institutions for processing charges, and is comparable to the similar fees charged by other merchants and utilities.

1           The Company also seeks authority to change the interest paid on customer depos-  
2           its. Currently, the deposit interest rate paid in Areas P and U is 6%, 9% in Area G and  
3           9.5% in Areas B, K and S. The new proposed rate for all areas would be equal to one  
4           percentage point over the prime bank lending rate as published in *The Wall Street Journal*  
5           for the last business day of the preceding calendar year, compounded annually. This is  
6           the same deposit interest rate which the Missouri Public Service Commission has previ-  
7           ously approved for Missouri Gas Energy and more accurately reflects prevailing interest  
8           rates in effect from time to time than the fixed rates currently prescribed by the Com-  
9           pany's tariffs. Such a change would also bring parity to all of the Missouri customer de-  
10          posits held by the Company.

#### 11                           **VI. PROJECTED SERVICE ORDER REVENUE**

12   **Q.    With respect to the proposed new tariff charges and/or changes to existing tariff**  
13   **charges discussed in your testimony, have you prepared any revenue projections as-**  
14   **sociated with those charges?**

15   A.    Yes. Attached to my testimony as Schedule MHE-2 is a report which I, with the assis-  
16   tance of Company employees under my direction, prepared showing such revenue projec-  
17   tions.

18   **Q.    What is shown in this report?**

19   A.    This report contains a compilation of all service orders by type for all of the Company's  
20   Missouri service areas for an approximate 3-year period from 2002 to 2005. From this  
21   compilation, the total number of service orders which would be impacted by the new  
22   and/or changed tariff charges for the period was taken and then averaged to determine an  
23   estimated number of service orders per year. This estimated number was then multiplied

1 by the requested new tariff charge and/or change to existing tariff charge to yield an es-  
2 timated annual revenue associated with such charge. The results for each type of affected  
3 service order were then totaled to yield the total estimated annual revenue from such  
4 charges in the amount of \$427, 479.

5 **VII. RESEARCH & DEVELOPMENT (R&D) RIDER**

6 **Q. Please describe the proposed Research & Development Rider.**

7 A. The R&D Rider, on Sheet 53 of the proposed tariffs, would apply a \$0.00174 per Ccf  
8 charge to the distribution commodity charge for Residential Firm Service, Small General  
9 Firm Service, Large Firm General Service and Interruptible Large Volume Service vol-  
10 umes. Prior to 1998, research & development charges were collected by interstate pipe-  
11 lines at an equivalent rate which were borne by sales customers through the Company's  
12 Purchased Gas Adjustment. Thereafter, interstate pipelines decreased their collection of  
13 R&D charges eliminating the charge altogether by 2004.

14 Please refer to the testimony of Ron Edelstein, Director-State Regulatory Programs for  
15 Gas Technology Institute ("GTI"), for information regarding the former R&D collection  
16 program and the consumer benefits of research & development activities.

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

18 A. Yes.

**Cost Analysis for changes to/ new service fees****Account activation/ turn on fee (MSET, NEWC, TOSI, RDEL, RSEA orders) \$30**

This fee is based on the company labor associated with activating a new account that requires setting and turning on a meter. Currently, these fees are included in general expenses that are ultimately borne by all customers/ rate payers. This fee will directly associate the cost with the cause.

Customer Service Agent	time in hrs.	rate	benefits	O/H	Total
call time, account research, processing, updating customer record, posting, reporting, etc.	0.108	\$ 12.00	44.95%	70.52%	\$ 3.21
Service Tech.	time in hrs.	rate	benefits	O/H	Total
travel time	0.264	\$ 22.00	44.95%	70.52%	\$ 14.35
completion time	0.437	\$ 22.00	44.95%	70.52%	\$ 3.86
after hours	2.000	\$ 33.00	44.95%	70.52%	\$ 26.53
Vehicle Cost	miles	rate		O/H	Total
travel time	5.3	\$ 0.405			\$ 2.14
<b>Total - business hours</b>					<b>\$ 23.56</b>
<b>Total - after normal hours</b>					<b>\$ 50.09</b>

**Transfer service, meter read only \$25**

This fee is based on the company labor associated with activating a new account that requires only reading a meter in order to transfer service to a new occupant where a meter already exists. Currently, these fees are included in general expenses that are ultimately borne by all customers/ rate payers. This fee will directly associate the cost with the cause.

Customer Service Agent	time in hrs.	rate	benefits	O/H	Total
call time, account research, processing, updating customer record, posting, reporting, etc.	0.167	\$ 12.00	44.95%	70.52%	\$ 4.94
Service Tech.	time in hrs.	rate	benefits	O/H	Total
travel time	0.183	\$ 22.00	44.95%	70.52%	\$ 9.97
completion time	0.067	\$ 22.00	44.95%	70.52%	\$ 3.63
after hours	2.000	\$ 33.00	44.95%	70.52%	\$ 26.53
Vehicle Cost	miles	rate		O/H	Total
travel time	3.7	\$ 0.405			\$ 1.49
<b>Total - business hours</b>					<b>\$ 20.02</b>
<b>Total - after normal hours</b>					<b>\$ 46.55</b>

## Schedule MHE-1

**Bad Check charge****\$30**

This fee is based on the general prevailing costs for handling checks that are returned for insufficient funds. The costs include the labor costs associated with processing and handling, and the fees charged to the company by the bank on whose accounts the funds were drawn. Current returned check fees charged by banks to their own customers for returned checks in the area range from \$25 to \$32.

Customer Service Agent	time in hrs.	rate	benefits	O/H	Total
0.333	\$	12.00	44.95%	70.52%	\$ 9.89
call time, account research, processing, updating customer record, posting, reporting					
Bank fee					\$ 2.25
					<b>\$ 12.14</b>

New Meter Set		Service Order Status
S/O		C
MSET	Req Avg Travel Minutes	14
MSET	Req Avg Compl Minutes	32
MSET	Req Qty	1,124

New Customer/ Construction		Service Order Status
S/O		C
NEWC	Req Avg Travel Minutes	12
NEWC	Req Avg Compl Minutes	24
NEWC	Req Qty	265

Reconnect at Customer's Request		Service Order Status
S/O		C
RCUS	Req Avg Travel Minutes	17
RCUS	Req Avg Compl Minutes	32
RCUS	Req Qty	68

Reconnect from Delinquency		Service Order Status
S/O		C
RDEL	Req Avg Travel Minutes	13
RDEL	Req Avg Compl Minutes	20
RDEL	Req Qty	2,128

Reconnect from Seasonal		Service Order Status
S/O		C
RSEA	Req Avg Travel Minutes	24
RSEA	Req Avg Compl Minutes	24
RSEA	Req Qty	38

Turn on order		Service Order Status
S/O		C
TOSI	Req Avg Travel Minutes	15
TOSI	Req Avg Compl Minutes	23
TOSI	Req Qty	2,784

Read and Run (meter is on)		Service Order Status
S/O		C
RRUN	Req Avg Travel Minutes	11
RRUN	Req Avg Compl Minutes	4
RRUN	Req Qty	4,516

Schedule MHE-2  
Page 1 of 1

BU	50
State	MO
YYYY	2003
Status	C

BU	50
State	MO
YYYY	2004
Status	C

BU	50
State	MO
YYYY	2005
Status	C

Sum of Qty	
SO	Total
NEWC	318
RCUS	65
RDEL	4329
RRUN	8221
RSEA	50
TOSI	4355
Grand Total	17338

Sum of Qty	
SO	Total
NEWC	378
RCUS	88
RDEL	3377
RRUN	7092
RSEA	64
TOSI	4365
Grand Total	15364

Sum of Qty	
SO	Total
NEWC	345
RCUS	91
RDEL	2701
RRUN	6844
RSEA	48
TOSI	4139
Grand Total	14168

**Average over last three years**

Order	Count	New Charge	Existing Charge	Revenue
NEWC	347	\$ 30.00	0	\$ 10,410
RCUS	81	\$ 30.00	0	\$ 2,440
RDEL	3,469	\$ 30.00	0	\$ 104,070
RRUN	7,386	\$ 25.00	0	\$ 184,642
RSEA	54	\$ 30.00	\$ 79.50	\$ (2,673)
TOSI	4,286	\$ 30.00		\$ 128,590
				<u>\$ 427,479</u>