

Exhibit No.:
Issue: Deprecation
Witness: Guy C. Gilbert,
M.S., P.E., R.G.
Sponsoring Party: MOPSC Staff
Type of Exhibit: Surrebuttal
Testimony
Case No.: GR-2006-0387
Date Testimony Prepared: November 13, 2006

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

SURREBUTTAL TESTIMONY

OF

GUY C. GILBERT, MS, PE, RG

ATMOS ENERGY CORPORATION

CASE NO. GR-2006-0387

Jefferson City, Missouri
November 2006

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)
Service in the Missouri Service Area of the)
Company.

Case No. GR-2006-0387

AFFIDAVIT OF GUY C. GILBERT

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Guy C. Gilbert, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Surrebuttal Testimony in question and answer form, consisting of 3 pages to be presented in the above case; that the answers in the foregoing Surrebuttal Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.

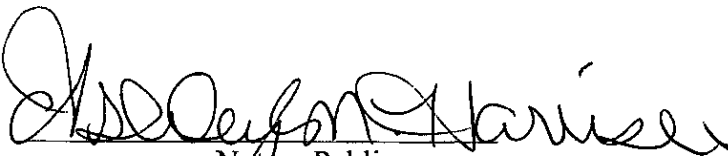


Guy C. Gilbert

Subscribed and sworn to before me this 13th day of November 2004.



ASHLEY M. HARRISON
My Commission Expires
August 31, 2010
Cole County
Commission #0898978



Notary Public

1 **SURREBUTTAL TESTIMONY**
2 **OF**
3 **GUY C. GILBERT, M.S., P.E., R.G.**
4 **ATMOS ENERGY CORPORATION**
5 **CASE NO. GR-2006-0387**

6 Q. Please state your name and business address.

7 A. Guy C. Gilbert, P.O. Box 360, Jefferson City, Missouri, 65102.

8 Q. Are you the same Guy C. Gilbert who submitted direct and rebuttal testimony
9 in this case?

10 A. Yes, I am.

11 Q. Please state the purpose of your testimony?

12 A. The purpose of my surrebuttal testimony is to offer the Staff's position on
13 depreciation in response to the Office of Public Council's (OPC) filed rebuttal position.

14 Q. Has there been any additional information as a result of OPC's filed rebuttal
15 testimony that would cause your recommendations for the Commission in this case to be any
16 different than those recommendations filed as part of your direct testimony.

17 A. No, there are no changes. However, I would like to offer additional questions
18 and answers in support of the recommendations stated in my direct testimony.

19 Q. Are there any clarifications, explanations or amplifications that you would like
20 to provide the Commission at this time with respect to your direct testimony?

21 A. Yes. The OPC's witness in his rebuttal testimony at page 12, lines 19 and 20,
22 states the purpose of the amortization is to "hold current rates lower". The purpose of the
23 negative amortization to the depreciation reserve as viewed by Staff is that the Company's

1 management recognizes that, as a whole, the annual depreciation accrual should be reduced
2 by approximately \$591,000. Under the depreciation principle that the stockholders are due a
3 return of their investment this negative amortization to the depreciation reserve accrual
4 recognizes that the stockholders investment is not being consumed at the rate currently
5 ordered depreciation rates would indicate. The reason as stated in Staff's direct testimony that
6 the depreciation rates by individual account have not been adjusted to reflect this reduced rate
7 of plant consumption, as represented by depreciation rates, is due to a lack of actuarial data to
8 develop an empirical representation by account of depreciation rates. Therefore as a surrogate
9 to adjusting the depreciation rates, Staff recommends the reduction should be facilitated by a
10 negative amortization to the depreciation reserve account in the amount of \$591,000 annually.

11 Furthermore as stated in my direct and rebuttal testimony it will be necessary for the
12 Company to convert, transfer and restate their continuing property records and actuarial data,
13 in order that, in the near term, the Staff and Company will be able to conduct a depreciation
14 study that will facilitate the development of life and net salvage parameters by which
15 appropriate depreciation rates may be determined and ordered by the Commission in lieu of
16 the amortization described above.

17 Q. Does Staff's recommendation result in a reversal or a taking away of amounts
18 currently accrued to the depreciation reserve?

19 A. No. Staff's recommendation would however result in a decrease of the net
20 accrual to the depreciation rates as recognized by Company's management on a going forward
21 basis without changing the currently ordered depreciation rates until the Company can
22 provide actuarial data and conduct a depreciation study as noted previously in this testimony.

23 Q. Does the negative amortization result in lower future rates for customers?

1 A. Yes it does. As a result of the negative amortization customers will experience
2 an amount of depreciation accrual that is fixed as opposed to increased depreciation rates that
3 would require increasing depreciation accrual as a result of increasing plant balances. This is
4 because the Company will continue to add to the plant account balances in the future.

5 Q. Does this conclude your prepared rebuttal testimony?

6 A. Yes, it does.