

**BEFORE THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS**

<b>IN THE MATTER OF THE APPLICATION</b>	)	<b>Docket No.</b>
<b>OF ATMOS ENERGY CORPORATION</b>	)	
<b>FOR REVIEW AND ADJUSTMENT OF ITS</b>	)	
<b>NATURAL GAS RATES</b>	)	<b>10-ATMG-____-RTS</b>

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**DIRECT TESTIMONY OF**

**JOHN C. JOHNSON**

**FOR ATMOS ENERGY CORPORATION**

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**I. INTRODUCTION**

- 1
- 2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**
- 3 **A.** My name is John C. Johnson and my business address is 5420 LBJ Freeway, Suite 1600,  
4 Dallas, Texas 75240.
- 5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**
- 6 **A.** I am employed as a Senior Rate Analyst for Atmos Energy Corporation ("Atmos" or the  
7 "Company").
- 8 **Q. WHAT ARE YOUR JOB RESPONSIBILITIES?**
- 9 **A.** As a Senior Rate Analyst, I prepare and analyze schedules for rate case filings and oversee  
10 various annual filings. I also coordinate with consultants regarding depreciation studies and  
11 oversee the compliance of implementing approved depreciation rates.
- 12 **Q. WHAT IS YOUR EDUCATIONAL BACKGROUND AND WORK EXPERIENCE?**



1 5. Rate Case Expense (IS-5)

2 6. Expense Reports & Other Misc. Employee Expenses (IS-6)

3 **Q. PLEASE DESCRIBE THE LABOR ADJUSTMENT (IS-1).**

4 **A.** The labor adjustment reflects the product of the budgeted merit increase of 3.0% to the  
5 total gross labor recorded on the books and records for the test year. The merit increase is  
6 an annual increase provided to employees that primarily goes into effect on October 1<sup>st</sup> of  
7 each year. Once the total adjusted gross labor is calculated, a three year average expense  
8 rate is applied to reflect the portion of the adjusted gross labor related to O&M expense.  
9 The calculation of the labor adjustment is set forth in Workpaper 9-2 as Adjustment IS-1.

10 **Q. PLEASE DESCRIBE THE BENEFITS ADJUSTMENT (IS-2).**

11 **A.** A benefits adjustment was made based on a budgeted rate applied to the adjusted labor in  
12 IS-1. This adjustment is calculated by multiplying the 2010 budgeted benefits percentage,  
13 located on Workpaper 9-3, by the labor expense adjustment (IS-1). The budgeted rates are  
14 based on actuarial reports prepared by Towers Perrin, along with insurance information  
15 received by the Company's Human Resources Department. The benefits adjustment  
16 calculation is set forth in Workpaper 9-3 as Adjustment IS-2.

17 **Q. PLEASE DESCRIBE THE ADJUSTMENT TO AGA DUES (IS-3).**

18 **A.** The AGA dues paid by Atmos are adjusted to remove the portion of the payment that relates to  
19 advertising and public affairs. The calculation of the adjustment is shown on Workpaper 9-4  
20 as Adjustment IS-3.

21 **Q. PLEASE EXPLAIN THE ADJUSTMENT TO CHARITABLE CONTRIBUTIONS (IS-**  
22 **4).**

1    **A.**    The charitable contributions adjustment is shown in detail on Workpaper 9-5 as Adjustment  
2           IS-4. The Company is seeking to recover 50% of the total charitable contributions, excluding  
3           any expenditures for civic or political activities and sporting events.

4    **Q.**    **PLEASE EXPLAIN THE ADJUSTMENT TO RATE CASE EXPENSES (IS-5).**

5    **A.**    Atmos is seeking to recover the expenses associated with the rate case. Adjustment IS-5  
6           reflects a three year amortization of the estimated rate case expense. A calculation of those  
7           estimated expenses are shown in Workpaper 9-6.

8    **Q.**    **PLEASE DESCRIBE THE EXPENSE REPORT ADJUSTMENT (IS-6).**

9    **A.**    The Company has reviewed the expense reports recorded within the test year for Shared  
10           Services (“SSU”) and the Colorado/Kansas General Office, along with those reported from its  
11           direct Kansas Property Divisions. An O&M adjustment has been made to exclude  
12           management committee expense reports and other selected expense report items.  
13           Additionally, the Company has elected not to pass on other miscellaneous employee expense  
14           items, not included in expense reports, to its Kansas ratepayers. This Adjustment is IS-6 and is  
15           shown on workpaper 9-7.

16   **Q.**    **PLEASE DESCRIBE THE ALLOCATION FACTORS UTILIZED FOR**  
17           **ADJUSTMENTS TO KANSAS.**

18   **A.**    In this filing, the fiscal year 2010 allocation factors were utilized to allocate expense items.  
19           The allocation factors can be found on Schedule 12 of the filing. The methods utilized in the  
20           development of these factors are discussed as part of the Cost Allocation Manual (“CAM”)  
21           included in Mr. Dan Meziere’s testimony. Additionally, for costs allocated for ratemaking  
22           purposes only, such as SSU plant in service, the Company used the fiscal year 2010 composite

1 factor to allocate SSU General Office costs and a customer factor to allocate Shared Services  
2 Customer Support costs.

3 **III. TAXES, OTHER THAN INCOME TAXES**

4 **Q. IS THE COMPANY PROPOSING ANY ADJUSTMENTS TO TAXES OTHER THAN**  
5 **INCOME TAXES?**

6 **A.** Yes. There are four adjustments being proposed to taxes other than income taxes. The first  
7 two adjustments, ad valorem and ad valorem associated with Construction Work in Progress,  
8 are supported by Company witness Joe T. Christian. I discuss the other two adjustments: (1)  
9 payroll tax, and (2) the Kansas Corporation Commission ("KCC") assessment.

10 **Q. PLEASE DESCRIBE THE PAYROLL TAX ADJUSTMENT (IS-10).**

11 **A.** Payroll taxes are adjusted to synchronize with the labor adjustment discussed previously.  
12 This adjustment is comprised of applying the budgeted payroll tax rate of 8.00% to the direct  
13 Kansas proforma labor expense less the per book direct Kansas payroll tax. This is reflected  
14 in Adjustment IS-10 and is shown on Workpaper 11-5.

15 **Q. PLEASE DESCRIBE THE KANSAS CORPORATION COMMISSION ASSESSMENT**  
16 **ADJUSTMENT (IS-11).**

17 **A.** The KCC assessment adjustment is a known and measurable adjustment to normalize to the  
18 actual amounts paid by the Company to the KCC as of December 31, 2009. This is reflected  
19 in Adjustment IS-11 and is shown on Workpaper 11-6.

20 **Q. DOES THIS COMPLETE YOUR TESTIMONY?**

21 **A.** Yes.

22

VERIFICATION

STATE OF TEXAS        )  
                                  ) ss  
COUNTY OF DALLAS    )

John C. Johnson, being duly sworn upon his oath, deposes and states that he is the Sr. Rate Analyst of Atmos Energy Corporation; that he has read and is familiar with the foregoing Direct Testimony filed herewith; and that the statements made therein are true to the best of his knowledge, information and belief.

John C. Johnson  
John C. Johnson

Subscribed and sworn before me this 22<sup>nd</sup> day of January, 2010.

Ethel Z. Taylor  
Notary Public

My appointment expires: August 13, 2010

