

JAN 26 2012

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

by
State Corporation Commission
of Kansas

IN THE MATTER OF THE APPLICATION) Docket No.
OF ATMOS ENERGY CORPORATION)
FOR REVIEW AND ADJUSTMENT OF ITS)
NATURAL GAS RATES) 12-ATMG-564-RTS

DIRECT TESTIMONY OF

BARTON W. ARMSTRONG

FOR ATMOS ENERGY CORPORATION

I. POSITION AND QUALIFICATIONS

1
2 Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

3 A. My name is Barton W. Armstrong. My business address is 25090 W. 110th
4 Terrace, Olathe, Kansas 66061.

5 Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

6 A. I am the Vice President of Operations for Atmos Energy Corporation ("Atmos" or
7 the "Company").

8 Q. WHAT ARE YOUR JOB RESPONSIBILITIES?

9 A. I have overall responsibility for the safe and reliable provision of gas service in
10 the Kansas Region, including daily operations and maintenance activities, and
11 planning and completion of capital investment projects

12 Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND
13 PROFESSIONAL EXPERIENCE.

1 A. I received a Bachelor of Science degree from Texas Tech University, Lubbock,
2 Texas, in 1991. I have been employed in the natural gas distribution business for
3 19 years, during which time I have worked in various capacities in operations and
4 marketing. In 1990, I began working for Atmos (formerly Energas) in Lubbock,
5 Texas as a utility worker in the service department. In 2000, I left Atmos for a
6 brief period time to work in marketing for Xcel Energy, located in Lubbock,
7 Texas. The following year, 2001, I returned to Atmos as their Industrial and Large
8 Volume Sales Manager and in 2004 was promoted to Marketing Manager for the
9 West Texas Division. In this role I was responsible for all business development,
10 gas transportation revenues, sales revenues, customer growth and operations of an
11 intrastate pipeline that supplied natural gas to over 200,000 customers in West
12 Texas. In 2007 I was promoted to Operations Manager in Lubbock. In that
13 capacity, I was responsible for 89 employees, 6,000 miles of pipe, all daily field
14 operations, maintenance and capital projects. In 2008 I was promoted to Vice
15 President of Marketing for the Colorado-Kansas Division and relocated to Olathe,
16 Kansas, where I was responsible for coordinating growth activity, business
17 development, and customer service for both Colorado and Kansas. In 2009 I was
18 named to my current position in Kansas.

19 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION**
20 **OR OTHER REGULATORY ENTITIES?**

21 A. Yes, I filed testimony with this Commission in Docket No.10-ATMG-133-TAR
22 and Docket No.10-ATMG-495-RTS.

23

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22

II. PURPOSE OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. Primarily, my testimony provides an overview of the Company, sets forth the principal factors requiring Atmos to file this rate application, and introduces the witnesses who will be providing support for the proposed rate increase and tariff changes. My testimony also summarizes Atmos’s requests regarding the following topics:

1. Atmos is asking the Commission to adopt an annual Customer Rate Stabilization (“CRS”) mechanism in this docket. The CRS will create more frequent but less costly rate reviews and result in rates and revenues that will better match the return the Commission has determined to be appropriate.

2. Atmos is requesting investment recovery due to a pipeline replacement project that was unknown to us at the time Atmos settled its 2010 rate case and agreed to suspend the use of its Gas Safety and Reliability Surcharge tariff until its next general rate case.

3. Atmos desires to move costs directly related to Atmos’ natural gas storage out of rate base and reflect those costs instead in the Purchased Gas Adjustment (“PGA”) clause.

4. The Company is also requesting the approval of new tariff revisions that will enable Atmos to recover its actual costs for additional services provided to our customers.

1 **III. OVERVIEW OF ATMOS OPERATIONS**

2 **Q. PLEASE PROVIDE A BRIEF DESCRIPTION OF ATMOS ENERGY'S**
3 **CORPORATE STRUCTURE.**

4 A. Yes. Atmos is one of the largest pure natural gas distribution companies in the
5 United States. Atmos delivers natural gas to approximately 3.1 million
6 residential, commercial, industrial and public-authority customers in twelve
7 states. Atmos has six unincorporated gas utility operating divisions. The division
8 offices are located in Denver, Colorado (Colorado/Kansas division); Dallas,
9 Texas (Mid-Tex division); Baton Rouge, Louisiana (Louisiana division);
10 Franklin, Tennessee and Owensboro, Kentucky (Kentucky/Mid-States division);
11 Jackson, Mississippi (Mississippi division); and Lubbock, Texas (West Texas
12 division). In addition, Atmos has an unincorporated operating division, Atmos
13 Pipeline Texas, which is based in Dallas and consists of an intrastate pipeline that
14 operates only in Texas. Atmos' corporate offices are located in Dallas, Texas.

15 **Q. CAN YOU PROVIDE THE COMMISSION WITH A GENERAL**
16 **DESCRIPTION AND BACKGROUND OF ATMOS' OPERATIONS IN**
17 **KANSAS?**

18 A. Yes. Kansas is included in Atmos' Colorado/Kansas division, which provides
19 natural gas service to over 239,000 customers in 177 communities located in
20 Colorado, Kansas and parts of Missouri. Our division office is located in Denver,
21 Colorado. Our regional offices are located in Greeley, Colorado and Olathe,
22 Kansas.

1 In Kansas, Atmos serves 106 communities in 33 counties. The
2 communities are spread throughout the state, and include Olathe, Bonner Springs,
3 DeSoto and portions of Kansas City, Overland Park, Shawnee, Lenexa and
4 Lawrence in the Kansas City metropolitan area, Independence, Coffeyville and
5 Yates Center in Southeast Kansas, Council Grove and Herington in Central
6 Kansas, Anthony and South Haven, near Wichita, Ness City in Northwest Kansas
7 and Ulysses and Johnson City in Southwest Kansas, just to name a few.

8 Our active customer base consists of approximately 117,869 residential
9 customers, 9,975 commercial customers, 20 industrial customers, 272 irrigation
10 customers, and 366 transportation customers. We have a Kansas-based work
11 force of approximately 146 employees. Our utility plant includes 4,753 miles of
12 service lines, distribution and transmission lines. I have included a map of Atmos'
13 Kansas service territory as Exhibit BWA-1.

14

15

IV. CUSTOMER RATE STABILIZATION (“CRS”)

16 **Q. WHY IS ATMOS SEEKING APPROVAL OF A CUSTOMER RATE**
17 **STABILIZATION (“CRS”) TARIFF IN THIS RATE CASE**
18 **PROCEEDING?**

19 **A.** Atmos’ level of investment and ongoing cost increases have resulted in the need
20 to file a rate case about every two years. These increases are predominantly due to
21 operating costs and new pipeline safety rules which may include action related to
22 excess flow valves, specific types of relocations, adding additional facilities
23 without replacing the existing facility; some or all of which may be outside the

1 scope of the Gas Safety and Reliability Surcharge recovery guidelines which are
2 currently in place. Without GSRS to fall back on to recover these types of costs,
3 Atmos has no other option but to file rate cases more often. As costs typically
4 associated with rate cases, such as staffing time, attorney fees and outside
5 witnesses, continues to rise, Atmos contends a CRS mechanism is a more prudent
6 approach to address rising utility costs.

7 **Q. PLEASE EXPLAIN FURTHER THE ADVANTAGES OF USING A CRS**
8 **MECHANISM AS OPPOSED TO USING A TRADITIONAL GENERAL**
9 **RATE CASE FILING TO SET REASONABLE RATES.**

10 A. Mr. Gary Smith, Director Rates and Regulatory Affairs for Atmos Energy, will be
11 providing testimony which will explain in depth the advantages, but a simplified
12 explanation would be to think of rate stabilization as an annual review of the
13 Company's cost of operations. Rate cases are costly and time consuming and by
14 their very nature, routinely result in rates that are likely already stale. The CRS
15 that Atmos is proposing would be a regularly scheduled rate review that will
16 adjust the rates each year to actually achieve the result contemplated by the
17 Commission's rate order, rates that will allow the utility the opportunity to
18 recover revenue that reflects an appropriate return earned by the utility. The
19 annual review conducted under the CRS will provide for a review of the
20 Company's financial performance for the most recent calendar year and establish
21 appropriate rates for the twelve month period going forward that reflect the return
22 approved by the Commission in the utility's last general rate case.

23 **Q. WHAT IS THE PURPOSE OF THE CRS?**

1 A. The purpose of the CRS is to provide transparency of the Company's annual
2 financial performance and to allow for the rates paid by customers to provide
3 revenues (and only those revenues) necessary to allow for recovery of the rate of
4 return authorized in the Company's most recent general rate filing. The
5 mechanism would apply the principles and rules that govern ratemaking and the
6 calculation of appropriate rates on an annual basis to assess whether existing rates
7 are producing revenues at the level of return approved by the regulatory authority,
8 and adjusting the rates as needed.

9 **Q. HAVE OTHER REGULATORY BODIES THAT REGULATE ATMOS'**
10 **RATES APPROVED SIMILAR MECHANISMS?**

11 A. Yes. In the early 1990's, the Louisiana Public Service Commission approved a
12 similar type of mechanism when Atmos purchased the TransLa service area and
13 then again approved the same mechanism when Atmos purchased Louisiana Gas
14 Service in 2001. Since that time, mechanisms similar to CRS have been approved
15 for our service territories in Mississippi, Georgia, Louisiana and Texas.

16 **Q. HAS THE MECHANISM BEEN SUCCESSFULLY IMPLEMENTED IN**
17 **THOSE STATES?**

18 A. Yes. The mechanisms are operating very successfully. The Company's rates are
19 adjusted annually and customers are paying only the amount necessary for the
20 Company to earn its authorized rate of return. Further, our customers, our
21 regulators and the Company are spared the necessity of expensive and time
22 consuming rate cases. Mr. Smith describes the mechanisms used in more detail in
23 his testimony.

1 **V. PFLUMM LINE REPLACEMENT PROJECT**

2 **Q. PLEASE EXPLAIN WHY ATMOS IS PROPOSING RECOVERY OF ITS**
3 **INVESTMENT IN THE PFLUMM LINE REPLACEMENT PROJECT**
4 **THAT REPLACES 11 MILES OF EIGHT-INCH PIPE LOCATED FROM**
5 **111TH STREET TO 199TH STREET ALONG PFLUMM ROAD IN**
6 **OVERLAND PARK, KANSAS.**

7 A. In 2011, after experiencing problems due to contaminants and liquids found in our
8 Pflumm line which we believe originated in natural gas supplies received from a
9 local producer, Atmos decided to “pig”, which is industry language for “clean
10 out,” the Pflumm pipeline. After discussions with the KCC Pipeline Safety Staff,
11 it was recommended Atmos run a “smart pig” due to the fact the Pflumm line is
12 almost 80 years old. A smart pig not only cleans the pipe but also gauges wall
13 thickness, corrosion and identifies any anomalies in a pipe. As smart pigs are
14 extremely expensive and since we hadn’t been receiving any leak calls for this 11
15 mile line, we decided to smart pig 29,000 feet of pipeline, which is just shy of six
16 miles, from the suspected point of contaminant input.

17 **Q. WHAT WERE THE RESULTS OF THE SMART PIG PROCESS?**

18 A. The smart pig results revealed over 22,000 anomalies. Due to this information,
19 we exposed and visually inspected the line in multiple locations focusing
20 primarily on areas where a high concentration of anomalies had been identified.
21 We physically found wall thickness loss of up to 50% and, during the process of
22 removing the soil and rust from the pipe for inspection, we removed enough scale
23 from the pipe to cause leaks.

1 **Q. WAS ATMOS CONCERNED ABOUT CUSTOMER SAFETY DUE TO**
2 **THESE RESULTS?**

3 A. Yes. Atmos considers customer and employee safety to be our number one
4 priority so we were very concerned with these results. To add to our concerns, the
5 Pflumm line is located in a pipeline corridor that contains seven other pipelines,
6 which travels through two parks, two schools, residential neighborhoods, business
7 areas and along the side of a fuel and gasoline truck depot containing several large
8 storage tanks. The other pipelines within this corridor include six other gas or fuel
9 lines and one fiber optic line making the situation a safety priority on multiple
10 levels.

11 **Q. WHAT DID YOUR COMPANY DECIDE TO DO ONCE IT REVIEWED**
12 **THE RESULTS FROM SMART PIGGING THE PIPELINE?**

13 A. Given the age of the Pflumm line and the population density that surrounds the
14 pipeline, Atmos' Kansas/Colorado division engineers developed a plan to pro-
15 actively replace the entire 11 mile eight-inch Pflumm line for safety reasons. We
16 weren't willing to put our customers at risk by waiting for an incident to occur
17 now or in the future before addressing our numerous concerns. The pipeline
18 corridor where the Pflumm line is located runs through the middle of Johnson
19 County in Kansas and is one of our most densely populated service areas. There
20 are 5300 homes or businesses within ½ mile of this line and in some areas the
21 houses are lined up parallel within a few feet of the easement. The replacement
22 plan was submitted to Atmos' corporate office and the plan was approved.

1 **Q. WHY IS ATMOS PROPOSING RECOVERY IN THIS FILING AND NOT**
2 **THROUGH THE GAS SAFETY AND RELIABILITY SURCHARGE**
3 **PROCESS?**

4 A. When Atmos settled its last rate case in 2010, a stated ROE could not be agreed
5 upon during the settlement proceedings. As part of the settlement, Atmos agreed
6 to suspend its Gas Safety and Reliability Surcharge tariff until its next general rate
7 case. This meant that in order to recover the cost of the new pipeline, Atmos had
8 to file this general rate case.

9 **Q. WHAT IS THE COST OF REPLACING THE PFLUMM LINE AND**
10 **WHEN WILL IT BE PLACED IN SERVICE?**

11 A. The total cost to replace the Pflumm line is expected to be \$11 million, and the
12 new line will be completed by spring 2012 and will be placed in service at that
13 time.

14 **Q. DID YOU DISCUSS THIS PROJECT WITH KCC STAFF AND CURB**
15 **AFTER YOUR INITIAL CONVERSATION WITH THE STAFF**
16 **REGARDING THE USE OF THE SMART PIG TO DETERMINE THE**
17 **CONDITION OF THE LINE?**

18 A. Yes. Attached, is a copy of the presentation given to the KCC Staff and CURB
19 in August 2011 labeled Exhibit BWA-2. When this presentation was given Atmos
20 had just finished its RFP process, awarded the project contract to Northern
21 Pipeline and was in the process of ordering materials and contacting customers.

22 **Q. WHEN DID CONSTRUCTION ON THE PROJECT BEGIN?**

1 A. Ground work for actual construction began in mid-August. With the expected
2 project estimated to take 192 days.

3 **Q. WHAT IS THE STATUS OF THE PROJECT?**

4 A. The project is approximately 70% complete. About 46,000 feet of the 58,000 feet
5 is buried and either back in service or being tested to be placed back in service.

6 **Q. WHAT EFFORTS WERE MADE TO INFORM THE CUSTOMERS
7 LOCATED NEAR THE PIPELINE OF THE PROJECT?**

8 A. Jim Bartling, our Manager of Public Affairs, has directed our customer
9 communication effort. We have mailed letters to each resident adjacent to the
10 corridor, met individually with all residents that have encroachments in the
11 pipeline right-of-way, including gardens, buildings, playground equipment, and
12 fences. We have fencing and lawn services in place to remove and replace fencing
13 and sod where necessary. We have met with county and city officials and
14 agencies including parks and recreation, emergency responders and school
15 officials to establish the best times for the construction activities to not disrupt
16 events such as athletics.

17 **Q. HAS ATMOS BEEN ABLE TO MAINTAIN NATURAL GAS SERVICE
18 TO CUSTOMERS SERVED BY THE PIPELINE DURING THE
19 REPLACEMENT OF THE PIPELINE?**

20 A. Yes.

21 **Q. HOW WAS THAT ACCOMPLISHED?**

22 A. After extensive modeling of the entire affected system and making operational
23 adjustments which include, adjusting gas supply interconnects, adjusting

1 pressures to allow gas to flow in directions it might not naturally flow under
2 normal operation, and planned bypasses to allow back feeding in areas impacted
3 by construction we have been able to make sure we don't disrupt customers' gas
4 supply while the line is being replaced.

5

6 **VI. MOVE RECOVERY OF STORAGE RELATED COSTS TO PGA**

7 **Q. PLEASE EXPLAIN WHY ATMOS WOULD LIKE TO MOVE**
8 **RECOVERY OF COSTS ASSOCIATED WITH STORAGE TO THE**
9 **MONTHLY PGA.**

10 A. Before I explain why Atmos is requesting to move recovery of storage costs to the
11 monthly PGA, I would like to acknowledge Atmos has been down this road
12 before. When Atmos acquired this storage field several years ago, costs were
13 recovered through rate base and Atmos asked they be moved into the unregulated
14 side of our business. Subsequently at a later date, at our request, they were moved
15 back into rate base. We find ourselves before you today as it didn't take us long to
16 discover there is volatility around costs associated with storage fields that make
17 budgeted expenses difficult to manage. For Atmos, maintenance and operations of
18 storage assets is not considered a core job function as the large majority of our
19 work is related to load distribution, i.e. reading meters, pipeline construction,
20 maintenance activities, and customer service. As Atmos provides natural gas
21 service in twelve states, in states where we do not own any storage operations,
22 these upstream costs would automatically be included in our PGA. In Kansas we

1 happen to own a storage field and incur costs in our maintenance and operations
2 expenses.

3 **Q. HOW DOES ATMOS MANAGE THE STORAGE FACILITY LOCATED**
4 **IN KANSAS?**

5 A. From an employee standpoint, we have one employee with a very specific and
6 unique skill set that is dedicated to working with our storage field.

7 **Q. WHY IS THIS STORAGE FACILITY UNIQUE TO ATMOS IN KANSAS?**

8 A. The compression necessary at this storage field requires duties identified in the
9 Pipeline Integrity Management Plan and a portion of the assets is classified as
10 transportation which make this unique to Atmos as it is outside of our basic
11 distribution business duties and skill set. Subsequently, any type of gas well
12 maintenance is unique to us as it is all related to storage management. Due to the
13 uniqueness involved in owning a storage field, we can never plan for services that
14 are more general in nature. Instead, costs are created based on immediate needs
15 making budgeting nearly impossible.

16 **Q. HOW WOULD MOVING RECOVERY OF THESE COSTS TO THE PGA**
17 **BE BENEFICIAL?**

18 A. By moving costs to the PGA, budget volatility could be avoided which helps
19 Atmos manage our business in a more consistent manner. As natural gas storage
20 activities deal with the handling of natural gas that flows through our distribution
21 lines, it seems appropriate for these costs to be recovered through the PGA.

22 **Q. HOW WOULD ATMOS CUSTOMERS BE IMPACTED BY MOVING**
23 **COSTS TO THE PGA?**

1 A. Generally speaking there is no impact on the customer. However, with this
2 change, the customer will receive a more timely benefit when costs associated
3 with gas storage go down, which we consider to be a positive impact.

4

5

VII. MISCELLANEOUS TARIFF PROVISIONS

6 **Q. ARE THERE OTHER CHANGES TO ATMOS' EXSISTING TARIFFS**
7 **REQUESTED IN THIS PROCEEDING?**

8 A. Yes. I will be discussing several updates and changes to our tariffs which will
9 include a request to implement miscellaneous customer service fees and
10 miscellaneous changes proposed by the Company.

11 **Q. PLEASE EXPLAIN THE MISCELLANEOUS CUSTOMER SERVICE**
12 **FEE YOU ARE PROPOSING FOR CONSIDERATION BY THIS**
13 **COMMISSION.**

14 A. Atmos does not currently have what is commonly referred to by other utilities as a
15 "Trip Charge." With rising gasoline and vehicle insurance costs, we are proposing
16 a \$30.00 Trip Charge. The Trip Charge would cover the cost of a Company
17 employee responding to customer requests for non-emergency work related
18 issues. An example that would create a Trip Charge involves a customer that calls
19 us claiming to have a gas leak when in reality the customer is attempting to avoid
20 the cost of having a plumber light their pilot light prior to fall/winter usage.
21 Another example is when a customer has a problem with gas equipment or
22 internal piping that needs to be handled by their plumber or appliance repair
23 person. Currently, the costs associated with responding to these type of calls are

1 absorbed by our other customers. A Trip Charge will give us the ability to
2 correctly charge the customer benefiting from this service instead of having other
3 customers absorb unnecessary costs. A side benefit to having this charge in place
4 will limit the number of customers that abuse using our emergency services for
5 non-emergency services.

6 Related as well to increases in vehicle insurance, gasoline and general
7 increase in employee costs, the Company is asking for an increase or to add
8 several general service charges as listed on Schedule II: Schedule of Service Fees
9 Sheet 2 of 3 of our Company tariff. Listed below are our current charges versus
10 our proposed charges:

11 1) To Initiate or Reconnect Gas Service:

12 Current Charge – \$0 to Initiate Service / \$15.00 to Reconnect

13 Proposed Charge – \$20.00 During Normal Working Hours

14 \$25.00 Other Than Normal Working Hours

15 The proposed charges are more in-line with current actual costs to provide
16 these services. The customer requiring these services is charged directly
17 instead of having costs absorbed within general Operations and Maintenance
18 costs.

19 2) Disconnection Fee:

20 Current Charge – \$8.00

21 Proposed Charge – \$15.00 During Normal Working Hours

22 \$20.00 Other Than Normal Working Hours

1 This disconnection fee is related to any reason stated in Schedule 1, Section 5,
2 A.W. of the Company Rules and Regulations, except when requested by the
3 Customer. A collection charge or a disconnection fee will be charged, but
4 never both. Again, proposed costs are more related to actual costs involved to
5 disconnect customer service and should be paid by the customer asking for
6 this particular service.

7 3) Initiate or Reconnect Charge – Multiple Unit Building or Multi-Family
8 Dwelling Units (One Meter)

9 Current Charge – \$15.00 or \$3.00 per building or family dwelling unit
10 (whichever is greater)

11 Proposed Charge – \$20.00 During Normal Working Hours

12 \$25.00 Other Than Normal Working Hours

13 or

14 \$4.00 per building or family dwelling During Normal Hours

15 \$5.00 Other Than Normal Hours (whichever is greater)

16 4) Electronic Measurement Trip Charge:

17 Current Charge: \$0.00

18 Proposed Charge: \$30.00

19 Schedule I: Sheet 85 of our current tariff states the company shall charge End
20 User for the service charges and other related charges that may be applicable
21 to making site trips to confirm communication line outages. However, the
22 service charge was never established. We are proposing this type of service

1 falls within the same guidelines established in our proposed \$30.00 Trip
2 Charge stated above.

3 5) Interconnect Agreement Tariff Page:

4 Currently, our tariff does not include an example of Atmos' Interconnect
5 Agreement. We would like to have this included to avoid any confusion about
6 Atmos' requirements when producers and gas marketers request an
7 interconnect and receipt point on our gas system. The integrity of our gas
8 quality, service and safety depend upon a clear understanding as to our
9 requirements. Atmos's current form interconnect agreement is proposed to be
10 incorporated into Atmos's tariffs.

11 6) Gas Safety and Reliability Surcharge:

12 In 2009, Atmos added a Gas Safety and Reliability Surcharge (GSRS) tariff
13 sheet to our current tariff. At that time, we did not identify the tariff sheet as a
14 separate Schedule and adjust our Index appropriately. With this filing we are
15 purposing to modify our over site by correcting the Index page and identifying
16 GSRS as Schedule VIII in our tariff.

17

18

VIII. INTRODUCTION OF WITNESSES

19 **Q. PLEASE INTRODUCE THE OTHER WITNESSES SPONSORING**
20 **TESTIMONY IN THIS PROCEEDING AND BRIEFLY SUMMARIZE**
21 **THEIR TESTIMONY.**

22 A. In addition to my testimony, Atmos will present the direct testimony and exhibits
23 of seven witnesses.

1 Mr. Joe Christian, Director of Rates and Regulatory Affairs, Atmos
2 Energy Corporation, Dallas Texas, is sponsoring (1) the Company's revenue
3 requirements model which supports the increase in base rate revenues the
4 Company is requesting in this proceeding; (2) support for various adjustments to
5 the revenue requirement related to rate base; (3) support for various adjustments
6 to the revenue requirement related to Ad Valorem Taxes, Interest on Customer
7 Deposits, and normalization of income taxes; (4) depreciation expense for year
8 end plant; (5) support of the Company's capital structure and imbedded cost of
9 long-term debt; (6) support of the pension tracker adjustment agreed to in the last
10 proceeding; and (7) support of the Company's proposal to move investment and
11 costs related to Company owned storage from recovery through base rates to
12 recovery through the Company's purchased gas adjustment rates.

13 Mr. Gary L. Smith, Director of Rates and Regulatory Affairs, Atmos
14 Energy Corporation, Dallas, Texas, is sponsoring the calculations of billing
15 determinants and supports the Company's proposed Customer Rate Stabilization
16 Mechanism.

17 Mr. Robert E. Hassen, Senior Rate Analyst, Atmos Energy Corporation,
18 Dallas, Texas, discusses Operating and Maintenance ("O&M") adjustments as
19 well as adjustments made to Taxes Other than Income Taxes;

20 Mr. James Paul, Senior Rate Analyst, Atmos Energy Corporation, Dallas,
21 Texas, sponsors the Class Cost of Service Model;

22 Dr. William Avera testifies regarding a reasonable cost of equity and the
23 overall cost of capital to be used in setting rates for Atmos;

1 Mr. Dane Watson, President of Alliant Consulting, sponsors depreciation
2 studies related to both shared service assets and Kansas direct assets; and

3 Mr. Jason Schneider, Director of Atmos Energy Corporation, Dallas,
4 Texas supports Atmos' books and records and Atmos' Cost Allocation Manual
5 (CAM);

6 **Q DO YOU HAVE ANY CLOSING REMARKS?**

7 A. Yes. It is my opinion that the rates requested in this filing are just, reasonable,
8 and in the public interest and would encourage the Commission to provide prompt
9 and adequate rate relief.

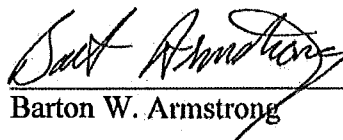
10 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

11 A. Yes.

VERIFICATION

STATE OF KANSAS §
 §
COUNTY OF JOHNSON §

Barton W. Armstrong, being duly sworn upon his oath, deposes and states that he is the Vice President of Operations for Atmos Energy Corporation's Colorado Kansas Division; 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.


Barton W. Armstrong

Subscribed and sworn before me this 16 day of January, 2012.


Nancy Landers
Notary Public

My appointment expires: 08-06-14

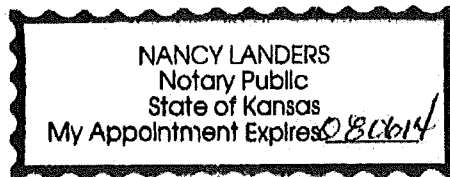
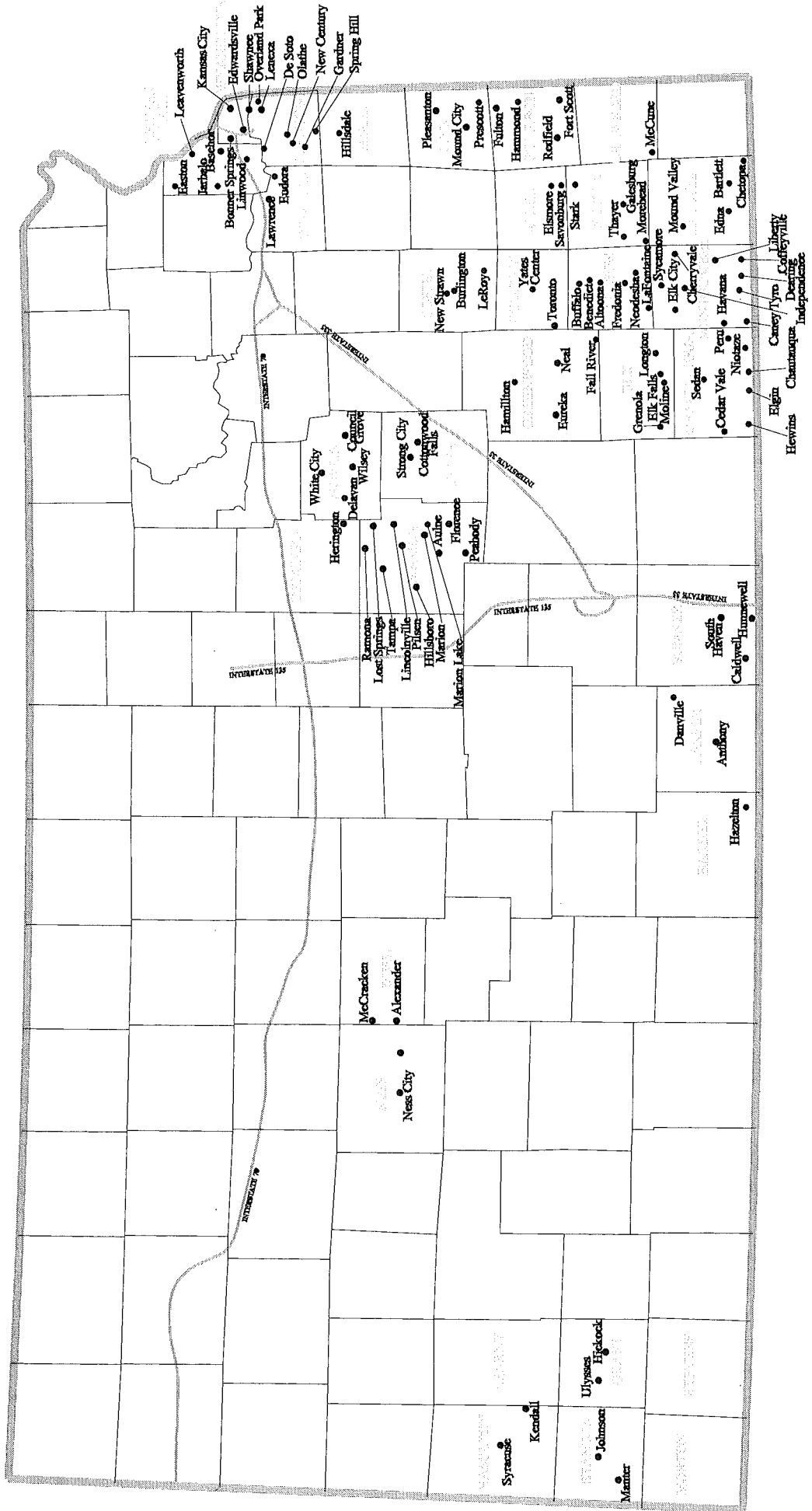


Exhibit BWA-1

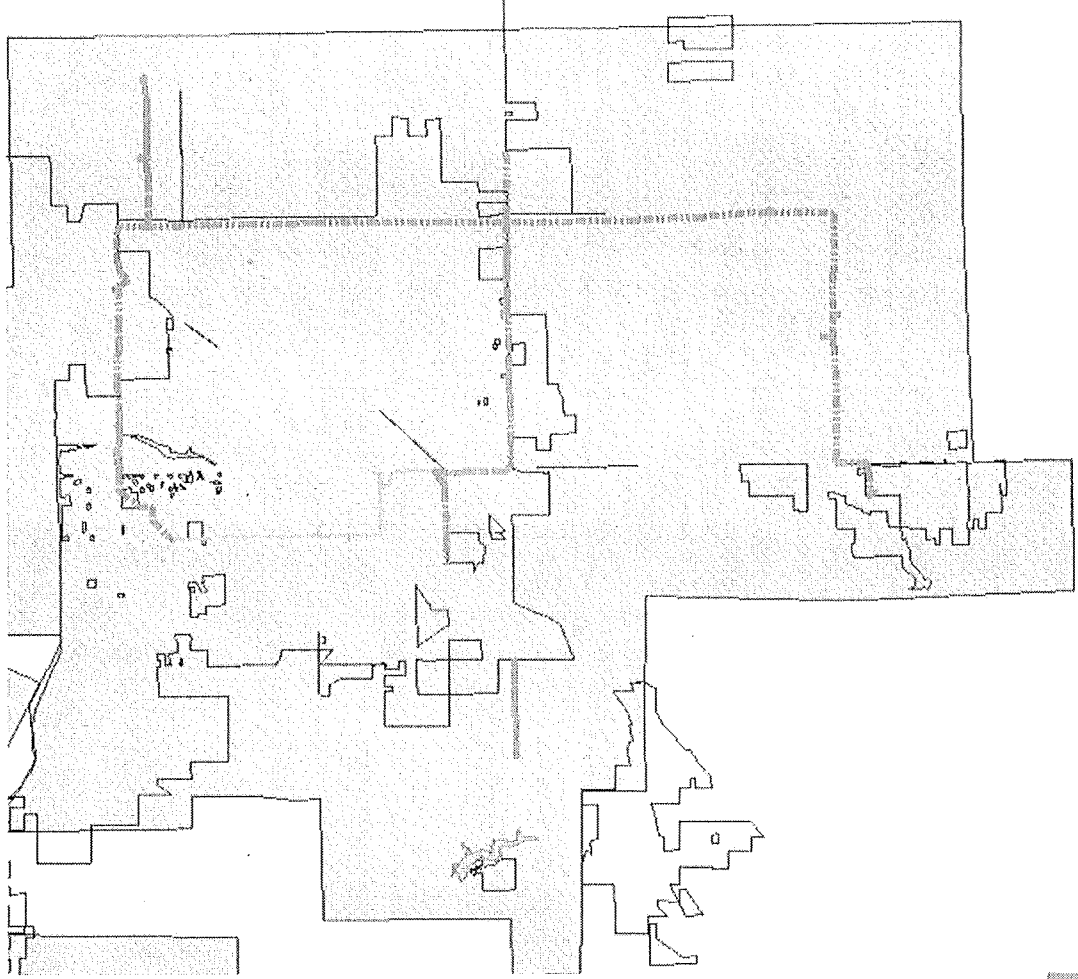


Colorado-Kansas Division

Pflumm Line Replacement Project
Presentation to Kansas Corporation
Commission – August 11, 2011



Johnson County Service Territory





History of Line

- Unprotected 8" line installed in 1931
- Originally used as a "liquids" line
- One of 8 Lines in the corridor (4th line from east)
- Acquired by Union Gas System in early 80's
- Cathodically protected in early '90's
- Zero leaks
- Local producer introduced liquids into line
- In-line smart pigging conducted on southern half of line looking for internal corrosion
- In-line smart pigging indicated external corrosion anomalies
- Fits aging infrastructure concerns of industry (San Bruno)
- Excavated worst anomalies to verify strength calculations



Scope of Work to be Performed

- Replace 11 miles of 8" steel pipeline (College to 199th Street)
- Elimination or relocation of some valves and reg stations
- Line to be re-installed at same location as existing line within existing ROW (high awareness of corridor and safety concerns)
- Northern Pipeline (NPL) was awarded the bid
- Job to be done in 1 mile sections with minimal customer impact
- An MAOP of 285 psig will be established
- Estimated completion in early spring of 2012



Customer Topics

- Supplemental Message (RP1162)
- Meetings with customers
 - Fences
 - Sprinkler systems
 - “Electronic fences”
 - Gardens
 - Playground equipment



Questions?