



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

<b>IN THE MATTER OF THE APPLICATION</b>	)	Docket No.
<b>OF ATMOS ENERGY CORPORATION</b>	)	
<b>FOR REVIEW AND ADJUSTMENT OF ITS</b>	)	
<b>NATURAL GAS RATES</b>	)	<b>16-ATMG-____-RTS</b>

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**DIRECT TESTIMONY OF**

**LAURA M. BECKER**

**FOR ATMOS ENERGY CORPORATION**

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**I. INTRODUCTION**

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**Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

**A.** My name is Laura M. Becker. My business address is 5420 LBJ Freeway, 1600 Lincoln Centre, Dallas, Texas 75240.

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

**A.** I am the Senior Rate Analyst for Atmos Energy Corporation (“Atmos Energy” or the “Company”).

**Q. WHAT ARE YOUR JOB RESPONSIBILITIES?**

**A.** As Senior Rate Analyst, I am responsible for preparing general rate applications and periodic filings, which typically include the rate base, revenue requirement and capital structure exhibits. I prepare responses to data requests and help facilitate the audit and discovery process. I also research and analyze financial and operating data for both internal and external reporting.

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1 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND**  
2 **PROFESSIONAL EXPERIENCE.**

3 **A.** I graduated from Langston University in 1989 with a Bachelor of Business  
4 Administration Degree, majoring in Accounting. Prior to entering the gas industry, my  
5 professional experience included over ten years of accounting, during which I held  
6 positions of Financial Analyst, Finance Team Member and Senior Accountant. I joined  
7 Atmos Energy's Shared Services Department as a Rate Administration Analyst in  
8 January 2008, and was promoted to my current position in August 2013.

9 **Q. ARE YOU A MEMBER OF ANY PROFESSIONAL ORGANIZATIONS?**

10 **A.** Yes. I am licensed by the State of Colorado as a Certified Public Accountant ("CPA").

11 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE KANSAS**  
12 **CORPORATION COMMISSION ("COMMISSION")?**

13 **A.** No.

14 **Q. HAVE YOU TESTIFIED ON MATTERS BEFORE OTHER STATE**  
15 **REGULATORY COMMISSIONS?**

16 **A.** Yes, I have filed written testimony before the Colorado Public Service Commission in  
17 general rate case Docket No. 15AL-0299G.

18

19 **II. PURPOSE OF TESTIMONY**

20 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

21 **A.** The purpose of my testimony is to support and describe various adjustments to the  
22 revenue requirement related to operations and maintenance expense, ad valorem taxes,

1 interest on customer deposits, normalization of income taxes and pension/post-retirement  
2 benefits expense.

3 **Q. ARE YOU SPONSORING ANY EXHIBITS TO YOUR TESTIMONY?**

4 **A.** No. All workpapers referenced within this testimony are included within the  
5 Revenue Requirement Model submitted as part of this rate case filing.  
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7 **III. OPERATION AND MAINTENANCE EXPENSES (IS-1, IS-2, IS-3, IS-4, IS-5, IS-6,**  
8 **IS-15 AND IS-16), OTHER TAXES (IS-8, IS-9, AND IS-10), NORMALIZATION OF**  
9 **INCOME TAXES (IS-11) AND INTEREST ON CUSTOMER DEPOSITS (IS-12)**

10 **Q. IS THE COMPANY PROPOSING ANY ADJUSTMENTS TO OPERATION AND**  
11 **MAINTENANCE ("O&M") EXPENSE?**

12 **A.** Yes. Eight adjustments were made to O&M expense and are listed as follows:

- 13 1. Labor Expense Adjustment (IS-1)
- 14 2. Benefits Expense Adjustment (IS-2)
- 15 3. AGA Dues Adjustment (IS-3)
- 16 4. Charitable Donations Adjustment (IS-4)
- 17 5. Rate Case Expense Adjustment (IS-5)
- 18 6. Miscellaneous Expense Adjustment (IS-6)
- 19 7. Chamber of Commerce Dues Adjustment (IS-15)
- 20 8. Advertising Expense Adjustment (IS-16)

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

22 **A.** This adjustment to labor expense reflects the annualization of average actual merit  
23 increase of 3.0 percent implemented on October 1, 2014, as applied to the total gross

1 labor recorded on the books and records for the test year. The calculation to include the  
2 merit increase, as shown in Workpaper (“WP”) WP 9-2, takes into account that one-half  
3 of the fiscal year is included in the test year; accordingly, 1.5 percent is used in the labor  
4 adjustment calculation, instead of the full 3.0 percent. In addition, a three year average  
5 expense rate is applied to the adjusted gross labor calculation to reflect the portion of the  
6 adjusted gross labor related to O&M expense. The calculation of the labor expense  
7 adjustment is included in the rate case application as Adjustment IS-1.

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

9 **A.** Benefit costs typically fall in line with the amount of labor expense the Company incurs.

10 Therefore, a benefits adjustment was made in order to maintain this in-line relationship  
11 between benefits and the adjusted labor in IS-1. This adjustment is calculated by  
12 multiplying the 2015 budgeted benefits percentage, located on WP 9-3, by the labor  
13 expense adjustment (IS-1). The budgeted rates are based on actuarial reports prepared  
14 by Towers Watson, along with insurance information received by the Company’s Human  
15 Resources Department. The benefits adjustment calculation is set forth in WP 9-3 and is  
16 included in the rate case application as Adjustment IS-2.

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

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

21 **Q. PLEASE EXPLAIN THE CHARITABLE DONATIONS ADJUSTMENT (IS-4).**

22 **A.** The charitable contributions adjustment is shown in detail on WP 9-5 and is included in

1 the rate case application as Adjustment IS-4. The Company is seeking to recover 50% of  
2 the total charitable contributions, excluding any expenditure for civic or political  
3 activities and sporting events, in accordance with K.S.A. 66-101f (a).

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

5 **A.** WP 9-6 reflects an adjustment to remove all rate case expenses incurred during the test  
6 year which currently are being recovered in base rates. Adjustment IS-5 reflects this total  
7 adjustment. In addition, the Company is seeking to recover the expenses it has incurred  
8 or will incur relating to the preparation and filing of this particular rate case. A  
9 calculation of those estimated expenses is shown in WP 9-6-1. Company Witness Ms.  
10 Barbara Myers will provide further information in her testimony regarding the proposed  
11 method of recovery for these expenses.

12 **Q. PLEASE DESCRIBE THE MISCELLANEOUS EXPENSE ADJUSTMENT (IS-6).**

13 **A.** The Company has reviewed the expense reports recorded within the test year for its SSU  
14 and Colorado/Kansas General Offices, along with those reported from its direct Kansas  
15 Property Divisions. Atmos Energy has elected to not include in rates, expense report  
16 items and other miscellaneous employee expense items that may include costs such as  
17 alcoholic beverages and social events. In addition, expenses have been removed from  
18 miscellaneous vendors charging amounts to Kansas which should be charged to the  
19 Colorado division and including amounts charged to Colorado that should have been  
20 charged to Kansas. This adjustment is IS-6 in the rate case application and is shown on  
21 WP 9-7.

22 **Q. PLEASE DESCRIBE THE CHAMBER OF COMMERCE DUES ADJUSTMENT**

1 (IS-15).

2 A. The Chamber of Commerce dues adjustment is shown in detail on WP 9-12 and is  
3 included in the rate case application as Adjustment IS-15. This adjustment excludes fifty  
4 percent of Chamber of Commerce dues paid during the test year, is in accordance with  
5 K.S.A. 66-101f (a) and with Kansas Corporation Commission (“KCC”) Staff  
6 recommendation per Docket No. 14-ATMG-320-RTS (“320 Docket”).<sup>1</sup>

7 Q. PLEASE DESCRIBE THE ADVERTISING EXPENSE ADJUSTMENT (IS-16).

8 A. The Company has elected to eliminate advertising and promotional expenses which are  
9 neither customer assistance nor safety-related. This adjustment, as detailed in WP 9-10,  
10 is in accordance with KCC Staff recommendation in the 320 Docket.<sup>2</sup> Adjustment IS-6  
11 effects the removal of these expenditures.

12 Q. PLEASE DESCRIBE THE ALLOCATION FACTORS UTILIZED FOR  
13 EXPENSE ADJUSTMENTS TO KANSAS.

14 A. 2015 allocation factors were utilized in this filing to allocate expense items. The  
15 allocation factors can be found on Schedule 12 of the filing, and the methods utilized in  
16 the development of these factors are discussed as part of the Cost Allocation Manual  
17 (“CAM”) in Ms. Barbara Myers’ testimony. The filing is consistent with Shared  
18 Services General Office using a composite factor and the Customer Service Center using  
19 a customer factor.

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<sup>1</sup> Docket No. 14-ATMG-320-RTS, KCC Direct Testimony of Katie L. Figgs, May 20, 2014, Page 7, lines 15-20.

<sup>2</sup> Docket No. 14-ATMG-320-RTS, KCC Direct Testimony of Katie L. Figgs, May 20, 2014, page 8, lines 1-9.

1 **Q. IS THE COMPANY PROPOSING ANY ADJUSTMENTS TO TAXES OTHER**  
2 **THAN INCOME TAXES?**

3 **A.** Yes. There are three adjustments being proposed to taxes other than income taxes. One  
4 adjustment (IS-8) is made to Ad Valorem taxes, one adjustment (IS-9) is related to  
5 payroll taxes, and one (IS-10) is related to the KCC assessment.

6 **Q. PLEASE DESCRIBE THE AD VALOREM TAX ADJUSTMENT (IS-8).**

7 **A.** WP 11-2 compares the test period Ad Valorem tax expense to the most recent Ad  
8 Valorem tax assessments. The 2014 Ad Valorem assessments were utilized in Docket  
9 number 15-ATMG-250-TAR in the calculation of the Company's 2015 Ad Valorem  
10 surcharge calculation. As discussed in the testimony of Company witness Mr. Jared  
11 Geiger, Other Revenue is adjusted in the rate design step to reflect the fact that the level  
12 of Ad Valorem Expense will be recovered in base rates and future Ad Valorem  
13 surcharges will have a new base established for reconciliation purposes.

14 **Q. WHY IS IT NECESSARY TO ADJUST TO THE LEVEL OF AD VALOREM**  
15 **TAX ASSESSED IN 2014?**

16 **A.** In the Company's previous four rate cases, filed in September 2007, January 2010,  
17 January 2012 and January 2014 the latest Ad Valorem information was utilized in  
18 arriving at the final base rates.

19 **Q. IS THE COMPANY'S ADJUSTMENT CONSISTENT WITH STAFF'S**  
20 **ADJUSTMENT IN THE 2007 DOCKET AND COMPANY'S ADJUSTMENT IN**  
21 **THE 2010, 2012 and 2014 DOCKETS?**

22 **A.** Yes.



1 **Q. PLEASE DESCRIBE THE PAYROLL TAX ADJUSTMENT (IS-9).**

2 **A.** A payroll tax adjustment is made in conjunction with the previously discussed labor  
3 adjustment. This adjustment is comprised of applying the budgeted payroll tax rate of  
4 7.65% to the direct Kansas pro-forma labor expense less the per book direct Kansas  
5 payroll tax. This is reflected in Adjustment IS-9 in the rate case application and is  
6 shown on WP 11-5.

7 **Q. PLEASE DESCRIBE THE KCCA ADJUSTMENT (IS-10).**

8 **A.** The KCCA adjustment is a known and measurable adjustment to normalize to the actual  
9 amounts paid by the Company to the KCC as of the Commission's new fiscal year ended  
10 June 30, 2015. This is reflected in Adjustment IS-11 in the rate case application and is  
11 shown on WP 11-6.

12 **Q. PLEASE DESCRIBE THE INCOME TAX ADJUSTMENT (IS-11).**

13 **A.** Section 11B of the Company's filing computes and synchronizes income tax expense, at  
14 statutory rates, based on the accumulation of the other revenue requirement items.

15 **Q. PLEASE DESCRIBE THE INTEREST ON CUSTOMER DEPOSITS  
16 ADJUSTMENT (IS-12).**

17 **A.** Section 14C of the Company's filing utilizes the average customer deposit amount  
18 included in this filing (shown in Section 14A) and normalizes the customer deposit  
19 interest rate to the .13% rate approved by the Commission in Docket number 98-GIMX-  
20 348-GIV on December 18, 2014.

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1 **IV. PENSION TRACKER**

2 **Q. PLEASE EXPLAIN THE ADJUSTMENT FOR THE AMORTIZATION OF**  
3 **ATMOS ENERGY'S DEFERRED OTHER POST EMPLOYMENT BENEFITS**  
4 **(OPEB) EXPENSE (IS-14).**

5 **A.** As a result of the Settlement and Commission Order issued in Atmos Energy's last  
6 Kansas rate case (320 Docket), Atmos Energy was required to defer, as a regulatory asset  
7 or liability as the case may be, the difference between the level of pension, post  
8 retirement, and post employment costs incurred under GAAP and the amount of such  
9 expenses recovered through base rates with no carrying costs permitted. Under the  
10 Settlement in the 320 Docket, a three year amortization was established for amortization  
11 of costs.

12 **Q. HOW WAS THE ADJUSTMENT CALCULATED?**

13 **A.** WP 9-9-1 (for direct) and WP 9-9-2 (for shared services) each compare the amount of  
14 expense included in base rates currently for OPEB expense to the actual cost incurred  
15 since implementation of rates in October 2014. In these workpapers, I have included  
16 periods through September 2015, as the Company's budgetary data is currently not  
17 available beyond this date.

18 **Q. HOW WAS THE AMORTIZATION PERIOD, SHOWN ON WP 9-9-1 AND WP 9-**  
19 **9-2, OF THREE YEARS DETERMINED?**

20 **A.** The three-year amortization period falls within the time frame allowed by the  
21 Commission and is consistent with the 320 Docket. Since the utility is not allowed to  
22 earn a return on the deferred amount, a period shorter than five years should be used.

1 **Q. IN ADDITION TO APPROVING THE INCLUSION OF THIS AMORTIZATION**  
2 **IN THE REVENUE REQUIREMENTS MODEL, IS ATMOS ENERGY SEEKING**  
3 **ANY FURTHER DIRECTIVE FROM THE COMMISSION WITH REGARDS TO**  
4 **FUTURE DEFERRALS?**

5 **A.** Yes. The level of OPEB expense ultimately included in the approved base rates in this  
6 Docket should be identified, similar to Ad Valorem expense being identified in prior  
7 Atmos Energy Dockets, so that the parties are clear as to what expense level is to be used  
8 in calculating future deferral amounts.

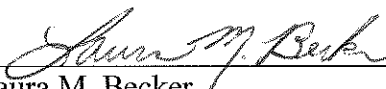
9 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

10 **A.** Yes.


VERIFICATION

STATE OF TEXAS            )  
  )  
COUNTY OF DALLAS        )

Laura M. Becker, being duly sworn upon her oath, deposes and states that she is the Senior Rate Analyst of the Shared Services Division for Atmos Energy Corporation; that she has read and is familiar with the foregoing Direct Testimony filed herewith; and that the statements made therein are true to the best of her knowledge, information and belief.

  
\_\_\_\_\_  
Laura M. Becker

Subscribed and sworn before me this 21st day of July, 2015.

  
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Notary Public

My appointment expires: 10-29-16

