BEFORE THE CORPORATION COMMISSION

OF THE STATE OF KANSAS

IN THE MATTER OF THE APPLICATION OF ATMOS ENERGY FOR ADJUSTMENT OF ITS NATURAL GAS RATES IN THE STATE OF KANSAS	]]]]	KCC Docket No. 14-ATMG-320-RTS

DIRECT TESTIMONY OF

BRIAN KALCIC

RE: CLASS COST OF SERVICE, CLASS REVENUE ALLOCATION, AND RESIDENTIAL AND COMMERCIAL RATE DESIGN

ON BEHALF OF

THE CITIZENS' UTILITY RATEPAYER BOARD

May 20, 2014

TABLE OF CONTENTS

Q. Please state your name and business address.

A. Brian Kalcic, 225 S. Meramec Avenue, St. Louis, Missouri 63105.

Q. What is your occupation?

A. I am an economist and consultant in the field of public utility regulation, and principal of Excel Consulting. My qualifications are described in the Appendix to this testimony.

Q. On whose behalf are you testifying in this case?

A. I am testifying on behalf of the Citizens' Utility Ratepayer Board ("CURB").

Q. What is the subject of your testimony?

A. I will examine the class cost-of-service study and revenue allocation proposal sponsored by Atmos Energy Corporation ("Atmos" or "Company"), and sponsor an alternative cost study and revenue allocation, where appropriate.

In addition, I will review the Company's rate design proposals for its Residential Sales ("RSS") and Commercial/Public Authority Sales ("C/PA") service classes.

Q. Have you reflected CURB witness Andrea C. Crane's recommended revenue adjustment for Atmos in your recommended class revenue allocation and rate design proposals?

A. Yes, I have.

Q. Please summarize your primary recommendations.

A. Based upon my analysis of Atmos's filing and interrogatory responses, I recommend that the Kansas Corporation Commission ("KCC" or "Commission"):

- Reject the Company's class cost-of-service study in favor of CURB's recommended cost study;
- Reject the Company's proposed class revenue allocation;
- Reject the Company's proposal to recover 100% of its recommended RSS base revenue increase in the class's facilities charge;
- Adopt CURB's recommended revenue allocation, which includes non-uniform adjustments to class revenue levels; and
- Adopt CURB's recommended RSS and C/PA rate design.

The specific details associated with the above recommendations are discussed below.

I. COST-OF-SERVICE STUDY

Q. Mr. Kalcic, please provide a general description of the cost-of-service analysis submitted by the Company in this proceeding.

A. Company witness Paul H. Raab prepared a class cost-of-service study ("COSS") for the twelve months ended September 30, 2013, reflective of the Company's filed request for a base revenue increase of $8.765 million (exclusive of the rebasing of surcharge revenues).

The primary purpose of a COSS is to assign the Company's requested revenue requirement to rate classes. To that end, the Company's COSS employs the traditional three-step process of functionalization, classification and allocation. *Functionalization*

refers to the process whereby utility plant and related expenses are assigned to functions, such as transmission, distribution, storage or customer service. *Classification* refers to the process where the functionalized costs are grouped by cost category, and identified as capacity-, commodity-, or customer-related costs. Finally, *allocation* refers to the process whereby the utility's classified costs are assigned to rate classes, based upon a factor that reflects a causal relationship between a given class and the utility's cost incurrence.

Upon completion, a COSS produces a measure of total cost of service, by rate class. By comparing allocated cost responsibility to class revenue levels, one can determine whether a given rate class is contributing revenues that are above or below its indicated cost of service.

Q. How is a COSS used?

A. The results of a COSS are typically used as a guide in the determination of overall class revenue requirements (i.e., revenue allocation), and in the subsequent implementation of those class revenue requirements via customer, demand, or energy charges (i.e., rate design).

Q. What customer classes are included in the Company's COSS?

A. The COSS allocates costs to nine sales and transportation service classes. The sales service classes include: a) Residential ("RSS"); b) Commercial and Public Authority ("C/PA"); c) Schools; d) Industrial Firm; e) Small Generator Service ("SGS"); f) Industrial Interruptible; and g) Irrigation. The transportation service classes are: 1) Firm; and 2) Interruptible.

Q. How does Atmos' COSS allocate the cost of distribution mains to rate classes?

A. The Company first classifies distribution mains as either customer- or demand-related, based upon a minimum-system study. As discussed below, distribution mains are classified as 75.8% customer-related and 24.2% demand-related. Based on that classification, Atmos allocates 75.8% of the total cost of distribution mains to rate classes based on the number of customers in each class. Atmos uses class consumption in its peak month (January) to assign the demand-related portion of distribution mains to rate classes.

Q. What does the Company's COSS indicate with respect to the relative contribution of each class toward its allocated cost of service?

A. The Company's COSS shows that the RSS and Schools classes are under-contributing, and that all other service classes are over-contributing.

Q. Mr. Kalcic, did you rerun the Company's COSS using an alternative cost methodology?

A. Yes, I did. I reran the Company's COSS with distribution mains classified as 100% demand-related. In my view, this alternative approach with respect to the allocation of distribution mains is preferable to the Company's methodology, and provides more reasonable results.

Q. Why do you find that classifying 100% of Atmos' distribution mains as demand-related is preferable to the classification ratios derived from the Company's minimum-system study?

A. The Company's minimum-system study compares the installed cost of mains in Atmos' distribution system to the cost of a hypothetical distribution system. In that hypothetical system, all of the Company's mains are assumed to consist of two-inch (or smaller) diameter pipe – the smallest, least-expensive size pipe available to connect all customers to the Company's system. The ratio of the cost of the hypothetical system to the installed cost of the Company's existing system determines the customer component of distribution mains in the Company's COSS.

However, the Company's minimum-system study ignores the fact that a hypothetical gas distribution system, built solely to the minimum standard necessary to connect all customers to the system, would still be capable of serving a demand function (albeit at some reduced level). To account for this demand-serving capability of the minimum system, a proper minimum system analysis would need to allocate the demand-related component of distribution mains to rate classes on the basis of peak demands *in excess of the portion of peak demand that is served by the minimum system component.* The Company's methodology does not do so. As a result, the Company's COSS methodology is biased against its small-user rate classes.[1]

Q. What do you recommend?

A. I recommend the Commission reject the Company's minimum-system study, and that the Commission adopt CURB's recommended COSS, which classifies distribution mains as 100% demand-related. The results of CURB's COSS are summarized in Schedule BK-1.

[1] The greater the percentage of a class's peak demand that is served by the minimum system, the smaller that class's *excess* peak demand allocation factor, and therefore the lower that class's share of the Company's distribution mains cost that is classified as demand-related.

Q. Have you compared the percentage increases required to move each rate class to the Company's requested system average rate of return of 8.44% under the two COSSs?

A. Yes, in Table 1 below. Note that under the Company's COSS, only the RSS and Schools classes require an increase in order to move to cost of service. However, under CURB's COSS, all classes except SGS, Industrial Interruptible, Irrigation and Transportation Interruptible require an increase in this proceeding. Given the disparate results shown in Table 1, I conclude that it would be inappropriate for the Commission to adopt the Company's COSS methodology in this proceeding.

TABLE 1

Class Increases Required to Yield Equalized ROR of 8.44%

Class	*Company COSS*	*CURB COSS*
	(1)	(2)
RSS	35.2%	22.3%
C/PA	-14.1%	15.6%
Industrial Firm	-36.4%	24.3%
Schools	39.9%	67.6%
SGS	-32.6%	-68.3%
Industrial Interruptible	-91.2%	-91.3%
Irrigation	-74.2%	-78.5%
Transportation Interruptible	-94.2%	-94.8%
Transportation Firm	-50.9%	21.8%
Total Company	**16.8%**	**16.8%**

Source: Exh__(PHR-2), page 1, line 48 and Sch. BK-1, page 1, line 48.

Q. Have you utilized CURB's COSS results shown in Schedule BK-1 as a general guide in allocating Ms. Crane's recommended revenue adjustment to rate classes?

A. Yes, I have.

II. CLASS REVENUE ALLOCATION

Q. Mr. Kalcic, what is the Company's requested increase in total revenue in this proceeding?

A. The Company's requested increase in total revenue is $7.005 million.

Q. What is the Company's requested increase in total *base rate* revenue in this proceeding?

A. Atmos collects $0.589 million and $1.171 million, respectively, through its Gas System Reliability Surcharge ("GSRS") and Ad Valorem Tax Surcharge Rider ("ATSR"). Atmos proposes to "rebase" or recover those GSRS and ATSR revenues in base rates (rather than via surcharges) at the conclusion of this case.[2] As such, the Company's requested increase in base rate revenue is $7.005 million plus $0.589 million (GSRS) plus $1.171 million (ATSR) or $8.765 million.

Q. How does Atmos propose to recover its requested base rate revenue increase of $8.765 million in this case?

A. The Company's proposed class revenue allocation is shown in columns 7-8 of Schedule BK-2. The proposed system average increase in base rate revenue is 16.85% (see column 8 at line 15). As shown in column 7 of Schedule BK-1, Atmos proposes to recover virtually all (i.e., 99.8%) of its requested base rate revenue increase from the RSS class.

[2] See Atmos' Application at page 3.

Q. How does Atmos propose to adjust *total* class revenues, after rebasing the GSRS and ATSR?

A. The Company's proposed total revenue adjustments, by rate class, are shown in columns 9-10 of Schedule BK-1. The proposed system average increase in total class revenues (excluding the cost of gas) is $7.005 million or 13.0% (per line 15). The RSS and Schools classes would receive increases of 19.7% and 23.8%, respectively. All other rate classes would experience a decrease in total revenues (ranging from 0.1% to 7.2%) as a result of Atmos' rebasing of surcharge revenues.

Q. How did Atmos arrive at its proposed base rate revenue allocation shown in columns 7-8 of Schedule BK-1?

A. Atmos proposes to move rate classes closer to their respective class cost-of-service benchmarks, as measured by the Company's COSS, subject to the constraint that no class receive a *base rate* decrease.[3] However, according to the Company's COSS, the RSS and Schools classes are the only classes to exhibit a present rate of return below the system average. In addition, Atmos determined that the proposed rate of return of these classes would remain below the system average even if such classes were to be assigned 100% of the Company's requested base revenue increase. Therefore, in the Company's view, it is appropriate to assign 100% of Atmos' requested base revenue increase to RSS and Schools.

[3] See page 17 of the Direct Testimony of Paul H. Raab.

Q. Does CURB agree with the Company's proposed base rate revenue allocation?

A. No, it does not. As shown in column 9, lines 1 and 4 of Schedule BK-2, the Company is proposing to assign the RSS and Schools classes a total revenue increase of $7.589 million, which is $0.584 million more than Atmos' total requested revenue increase (of $7.005 million) in this case. The Company's proposed increases are clearly excessive, and violate the traditional ratemaking principle of gradualism.

Q. Please explain why the RSS and Schools classes receive a combined increase in excess of Atmos' total requested revenue increase of $7.005 million.

A. These two classes receive a combined increase in excess of $7.005 million because: 1) these classes are the only classes to receive a base rate increase under Atmos' proposal; 2) Atmos proposes to assign a total revenue decrease to all remaining rate classes, resulting in an aggregate revenue shortfall of $0.584 million;[4] and 3) Atmos proposes to recover that $0.584 million revenue shortfall solely from RSS and Schools. As a result, the Company's RSS and Schools classes receives a total increase of $7.005 million plus $0.584 million or $7.589 million.

Q. Have you developed a recommended revenue allocation to implement Ms. Crane's recommended total revenue decrease of $507,853?

A. Yes. My recommended revenue allocation is shown in Schedule BK-3, at column 9.

4 See Schedule BK-2, column 9.

Q. Is column 9 of Schedule BK-3 reflective of CURB's recommended base rate revenue increase (column 7) and the rebasing of $1.706 million of GSRS and ATSR revenues?

A. Yes, it is.

Q. How did you determine the base revenue increases shown in column 7 of Schedule BK-3?

A. Ms. Crane is recommending a total revenue decrease of $507,853, inclusive of the rebasing of $1.760 million of GSRS and ATSR revenues. Therefore, CURB is recommending a base rate revenue *increase* of $1.252 million.[5]

I assigned CURB's recommended base rate revenue increase of $1.252 million to rate classes via two steps. First, I used the results of CURB's COSS shown in Schedule BK-1 to assign the Company's requested base rate increase of $8.765 million to all under-contributing rate classes, subject to the constraint that no rate class should receive a total revenue *increase* at the conclusion of this case. Second, I scaled back the resulting base rate increases from Step 1 uniformly, using the ratio of CURB's recommended increase of $1.252 million to the Company's requested increase of $8.765 million.

Q. What is the range of total revenue adjustments across rate classes under CURB's recommended revenue allocation?

A. As shown in column 9 of Schedule BK-3, CURB's total revenue adjustments range from 0.0% (Schools) to a decrease of 7.2% (Irrigation). In other words, no class would receive a total revenue increase under CURB's proposal.

[5] Subtracting $1.760 million of GSRS and ATSR revenues from $1.252 million results in a total revenue decrease of $0.508 million.

III. RSS AND C/PA RATE DESIGN

Q. Mr. Kalcic, please describe the Company's current RSS and C/PA rate structures.

A. The Company serves residential sales service customers via Rate Schedule 910, which includes a facilities (or customer) charge and a flat-rate volumetric charge. Atmos serves commercial and public authority sales service customers via Rate Schedule 915. Like Rate Schedule 910, Rate Schedule 915 contains a facilities charge and a flat-rate volumetric charge (that is currently set at the same level as the residential volumetric charge).

Q. How does Atmos propose to adjust its current RSS and C/PA rates in this proceeding?

A. The Company proposes to increase the RSS facilities charge from $16.75 to $22.94 per month. Since Atmos is not proposing to increase C/PA base rates, there is no corresponding increase in the C/PA customer charge.

In addition, Atmos proposes to reduce its existing RSS and C/PA volumetric charge by $0.00002 per 100 cubic feet, so as to recover its combined RSS and C/PA revenue target.

Q. How did the Company determine the levels of its proposed RSS facilities charge?

A. At the present time, Atmos recovers approximately 56% of its total base rate revenues through facilities charges. However, approximately 98.5% of the Company's claimed revenue requirement is composed of fixed costs. In the Company's view, it would be

appropriate to make "a small step" toward correcting this mismatch by assigning 100% of the proposed RSS increase in the facilities charge.

Q. Does CURB agree with the Company's proposal to recover 100% of the RSS base rate increase via the facilities charge?

A. No. As discussed below, the Company's current RSS facilities charge is too high.

Q. How does Atmos' current RSS facilities charge compare to the approved facilities charges of other Kansas natural gas distribution companies ("NGDC")?

A. As shown in Table 2 below, the Company's facilities charge is currently the highest of any NGDC in Kansas.

TABLE 2

Computation of Approved Residential Facilities Charges

	Monthly Facilities Charge
Atmos	$16.75
Kansas Gas Service	$15.35
Black Hills	$16.00

Q. Mr. Kalcic, what types of costs does a natural gas utility incur?

A. In general, a utility's costs (revenue requirement) may be classified as demand-, commodity- or customer-related. Demand-related costs are driven by the peak demands placed on the system. Commodity costs are related to the amount of annual consumption

on a utility system. Customer costs are those that vary with the number of customers served, such as the costs associated with meters, meter reading, service lines, and billing.

Q. What types of costs should a utility recover in its facilities charges?

A. Facilities charges should be limited to the recovery of a utility's *customer-related* costs. All other costs should be recovered via a utility's volumetric and/or demand charges.

Q. Mr. Kalcic, have you quantified Atmos's total customer-related costs, by rate class, at the Company's claimed revenue requirement level?

A. Yes, I have. Schedule BK-1, page 2 of 4, summarizes the total amount of customer-related costs allocated to each rate class in CURB's COSS. Per line 43 of Schedule BK-1, page 2 of 4, the total RSS customer cost is only $15.61 per month. In other words, the Company's current RSS facilities charge of $16.75 exceeds the cost-based RSS facilities charge level.

Q. Should the Commission permit Atmos to recover any RSS base rate revenue increase in the RSS facilities charge?

A. No, since the current RSS facilities charge is too high.

Q. Have you prepared a recommended RSS and C/PA rate design to implement CURB's recommended base rate revenue increases shown in Schedule BK-3, column 7, lines 1-2?

A. Yes, in Schedule BK-4. Since the current RSS facilities charge of $16.75 per month exceeds the benchmark RSS facilities charge of $15.61 per month, I have recovered 100% of CURB's recommended RSS increase in the volumetric charge.

Q. What about the C/PA rate design shown in Schedule BK-4?

A. At previously noted, the RSS and C/PA volumetric charges are identical. Therefore, in order to derive my recommended C/PA rates, I set the C/PA volumetric charge at the RSS level, and established the C/PA facilities charge at the residual level necessary to recover CURB's recommended class revenue requirement.

Q. How does CURB's recommended C/PA facilities charge of $36.80 compare to cost of service?

A. As shown on Schedule BK-1, page 2, line 43, the cost-based C/PA facilities charge is $28.58 per month. Therefore, CURB's recommended facilities charge of $36.80 remains above cost of service.

Q. Do you have a rate design recommendation in the event that the KCC awards Atmos a base rate increase that is greater than CURB's recommended increase of $1.252 million?

A. Yes. Since the current RSS and C/PA facilities charges exceed their respective cost benchmarks, I recommend that the Commission direct Atmos to assign no increase to the RSS or C/PA facilities charge at the conclusion of this proceeding.

Q. Does this conclude your direct testimony?

A. Yes.

VERIFICATION

STATE OF MISSOURI)
) ss:
COUNTY OF ST. LOUIS)

I, Brian Kalcic, of lawful age, being first duly sworn upon his oath states:

That he is a consultant for the Citizens' Utility Ratepayer Board; that he has read the above and foregoing Testimony, and, upon information and belief, states that the matters therein appearing are true and correct.

Brian Kalcic

SUBSCRIBED AND SWORN to before me this 16 day of May, 2014.

Notary Public

My Commission expires:
8/6/2014

" NOTARY SEAL"
Jeffrey P. Mortland, Notary Public
St. Louis County, State of Missouri
My Commission Expires 8/6/2014
Commission Number 10430035

APPENDIX

Qualifications of Brian Kalcic

Mr. Kalcic graduated from Benedictine University with a Bachelor of Arts degree in Economics in December 1974. In May 1977 he received a Master of Arts degree in Economics from Washington University, St. Louis. In addition, he has completed all course requirements at Washington University for a Ph.D. in Economics.

From 1977 to 1982, Mr. Kalcic taught courses in economics at both Washington University and Webster University, including Microeconomic and Macroeconomic Theory, Labor Economics and Public Finance.

During 1980 and 1981, Mr. Kalcic was a consultant to the Equal Employment Opportunity Commission, St. Louis District Office. His responsibilities included data collection and organization, statistical analysis and trial testimony.

From 1982 to 1996, Mr. Kalcic was employed by the firm of Cook, Eisdorfer & Associates, Inc. During that time, he participated in the analysis of electric, gas and water utility rate case filings. His primary responsibilities included cost-of-service and economic analysis, model building, and statistical analysis.

In March 1996, Mr. Kalcic founded Excel Consulting, a consulting practice that offers business and regulatory analysis.

Mr. Kalcic has previously testified before the state regulatory commissions of Delaware, Kansas, Kentucky, Maine, Massachusetts, Minnesota, Missouri, New Jersey, New York, Ohio, Oregon, Pennsylvania, and Texas, and also before the Bonneville Power Administration.

SCHEDULES BK-1 THROUGH BK-4

Atmos Energy Corporation, Colorado-Kansas Division
Kansas Jurisdiction Case No. 14-ATMG-320-RTS
Forecasted Test Period: Twelve Months Ended September 30, 2013

SUMMARY OF CURB COSS RESULTS

			Total Company $	Residential Sales	Com/PA Sales	Schools Sales	Industrial Sales	SGS	Interruptible Sales	Irrigation Sales	Firm Transport	Interruptible Transport
8	Operating Revenues		52,030,696	38,049,734	8,772,914	63,139	75,902	38,493	75,496	1,152,615	2,637,152	1,167,250
10	Operating Expenses:											
12	Operating & Maintenance		20,992,361	16,159,553	3,562,026	30,888	32,142	3,612	2,305	64,249	1,120,516	17,070
13	Interest on Customer Deposits		2,643	2,441	202	0	0	0	0	0	0	0
14	Depreciation & Amortization		9,622,905	7,826,758	1,389,539	20,751	9,797	3,512	541	68,890	285,892	17,226
15	Taxes Other Than Income		8,123,718	6,160,466	1,438,483	14,679	12,996	1,477	821	32,464	454,429	7,903
17	Total Operating Expenses		38,741,627	30,149,217	6,390,250	66,318	54,935	8,601	3,667	165,603	1,860,837	42,199
19	Income Before Taxes		13,289,069	7,900,517	2,382,664	(3,179)	20,967	27,892	71,830	987,012	776,315	1,125,051
21	Interest Expense		5,595,508	4,154,470	1,050,858	10,026	10,006	756	747	20,865	343,105	4,675
23	Income Taxes:											
25	State Income Taxes	7.00%	538,549	262,223	93,226	(924)	787	1,900	4,976	67,630	30,325	78,426
26	Federal Income Taxes	35.00%	2,504,254	1,219,338	433,503	(4,298)	3,568	8,833	23,137	314,481	141,010	364,682
27	Total Deferred Income Taxes		0	0	0	0	0	0	0	0	0	0
28	Allowance for Step Rate		(1,500)	(730)	(260)	3	(2)	(5)	(14)	(188)	(84)	(218)
30	Total Income Taxes		3,041,303	1,480,831	526,469	(5,220)	4,333	10,727	28,099	381,923	171,250	442,890
32	Net Income		10,247,766	8,419,686	1,856,194	2,041	16,634	17,165	43,730	605,089	605,065	682,161
34	Total Rate Base		184,199,229	136,761,515	34,593,334	330,042	329,401	24,891	24,579	688,846	11,294,723	153,898
36	Rate of Return		5.5634%	4.6941%	5.3658%	0.6183%	5.0499%	68.9599%	177.9161%	88.0969%	5.3571%	443.2552%
37	Relative Rate of Return		1.00	0.84	0.96	0.11	0.91	12.40	31.98	15.84	0.96	79.67
39	Equalized ROR:											
41	Net Income Increase		5,298,649	5,122,986	1,063,483	25,815	11,167	(15,064)	(41,656)	(547,120)	348,209	(669,172)
42	Uncollectibles/PSC Fees	0.0000%	0	0	0	0	0	0	0	0	0	0
43	Income Taxes		3,466,693	3,351,783	695,794	16,890	7,306	(9,856)	(27,254)	(357,958)	227,819	(437,812)
44	Gross Revenue After Increase		60,796,038	48,524,484	10,532,191	105,843	84,376	11,573	6,587	247,538	3,213,181	60,266
45	Revenue Increase		8,765,342	8,474,750	1,759,277	42,705	18,473	(24,920)	(68,909)	(905,078)	576,029	(1,106,984)
46	Rate of Return		8.4400%	8.4400%	8.4400%	8.4400%	8.4400%	8.4400%	8.4400%	8.4400%	8.4400%	8.4400%
47	Relative Rate of Return		1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
48	Percent Increase		16.8465%	22.2728%	20.0535%	67.6360%	24.3382%	-68.2879%	-91.2750%	-78.5238%	21.8428%	-94.8369%
50	CURB Proposed Rate Levels:											
52	Net Income Increase		5,298,649	4,185,326	828,306	8,368	8,880	0	0	0	269,772	0
53	Uncollectibles/PSC Fees		0	0	0	0	0	0	0	0	0	0
54	Income Taxes		3,466,693	2,738,290	540,618	5,474	5,810	0	0	0	176,501	0
55	Gross Revenue After Increase		60,796,038	44,973,351	10,139,837	76,979	90,592	36,493	75,496	1,152,615	3,083,425	1,167,250
56	Revenue Increase		8,765,342	6,923,617	1,366,924	13,840	14,689	0	0	0	446,273	0
57	Rate of Return		8.4400%	7.7544%	7.7544%	3.1533%	7.7455%	68.9599%	177.9161%	88.0969%	7.7455%	443.2552%
58	Relative Rate of Return		1.00	0.92	0.92	0.37	0.92	8.17	21.08	10.44	0.92	52.52
59	Percent Increase		16.8465%	18.1982%	15.5812%	21.9204%	19.3526%	0.0000%	0.0000%	0.0000%	16.9225%	0.0000%

Atmos Energy Corporation, Colorado-Kansas Division
Kansas Jurisdiction Case No. 14-ATMG-320-RTS
Forecasted Test Period: Twelve Months Ended September 30, 2013

SUMMARY OF CUSTOMER COSTS

			Total Company $	Residential Sales	Com/PA Sales	Schools Sales	Industrial Sales	SGS	Interruptible Sales	Irrigation Sales	Firm Transport	Interruptible Transport
1	Rate Base		59,230,831	48,290,331	8,527,469	164,154	56,421	24,863	2,400	590,372	1,421,106	153,714
2												
3	Return @ Realized ROR		3,295,256	2,304,283	452,432	3,884	2,595	6,458	13,756	215,129	71,567	225,153
4	O&M Expenses		8,421,176	7,275,603	944,050	14,230	4,713	3,609	94	52,458	113,940	12,482
5	Interest on Customer Deposits		2,643	2,441	202	0	0	0	0	0	0	0
6	Depreciation Expense		8,027,507	6,698,826	1,057,240	18,634	6,322	3,512	312	67,896	157,539	17,226
7	Taxes, Other		3,476,081	2,879,411	471,953	8,512	2,916	1,476	139	30,959	72,828	7,887
8												
9	Interest Expense		1,799,283	1,466,939	259,043	4,987	1,714	755	73	17,934	43,170	4,669
10												
11	Income Taxes:											
12												
13	State Income Taxes	7.00%	173,175	96,936	22,384	(128)	102	660	1,584	22,828	3,285	25,523
14	Federal Income Taxes	35.00%	805,264	450,751	104,087	(593)	474	3,070	7,365	106,149	15,277	118,684
15	Deferred Income Taxes		0	0	0	0	0	0	0	0	0	0
16	Allowance for Step Rate		(482)	(235)	(83)	1	(1)	(2)	(4)	(61)	(27)	(70)
17												
18	Total Income Taxes		977,957	547,452	126,388	(720)	575	3,728	8,945	128,917	18,535	144,137
19												
20	Total Customer-Related Costs @ Realized ROR		24,200,620	19,708,015	3,052,264	44,541	17,121	18,782	23,245	495,358	434,409	406,885
21	Total Demand-Related Costs @ Realized ROR		27,045,166	17,808,752	5,551,776	18,226	56,663	17,151	46,389	616,140	2,197,978	732,093
22	Total Fixed Costs		51,245,786	37,516,767	8,604,040	62,767	73,784	35,933	69,633	1,111,498	2,632,387	1,138,977
23												
24	Total Customers		1,540,488	1,413,690	117,205	862	213	876	24	3,357	3,765	496
25	Customer Costs ($/customer/month)		$ 33.27	$ 26.54	$ 73.41	$ 72.85	$ 345.92	$ 41.01	$ 2,901.39	$ 331.10	$ 699.17	$ 2,296.33
26												
27												
28	Incremental Return @ Equalized ROR		1,703,826	1,771,421	267,287	9,970	2,167	(4,359)	(13,553)	(165,302)	48,374	(212,180)
29	Uncollectibles/PSC Fees		0	0	0	0	0	0	0	0	0	0
30	Incremental Income Taxes		1,114,745	1,158,970	174,875	6,523	1,418	(2,852)	(8,867)	(108,150)	31,649	(138,821)
31												
32	Total Customer-Related Costs @ Equalized ROR		27,019,190	22,638,406	3,494,426	61,034	20,706	11,571	824	221,906	514,432	55,885
33	Customers		1,540,488	1,413,690	117,205	862	213	876	24	3,357	3,765	496
34	Dollars/Customer/Month		$ 17.54	$ 16.01	$ 29.81	$ 70.84	$ 97.08	$ 13.21	$ 34.35	$ 66.10	$ 136.64	$ 112.67
35												
36												
37	Incremental Return @ Proposed Rates		1,703,826	1,424,310	179,486	4,012	1,321	1,211	1,850	37,006	19,370	35,259
38	Uncollectibles/PSC Fees		0	0	0	0	0	0	0	0	0	0
39	Incremental Income Taxes		1,114,745	931,869	117,431	2,625	864	792	1,210	24,211	12,673	23,068
40												
41	Total Customer-Related Costs @ Proposed Rates		27,019,190	22,064,194	3,349,181	51,178	19,307	20,786	26,305	556,575	466,452	465,212
42	Customers		1,540,488	1,413,690	117,205	862	213	876	24	3,357	3,765	496
43	Dollars/Customer/Month		$ 17.54	$ 15.61	$ 28.58	$ 59.40	$ 90.52	$ 23.72	$ 1,096.03	$ 165.80	$ 123.89	$ 937.93

Atmos Energy Corporation, Colorado-Kansas Division
Kansas Jurisdiction Case No. 14-ATMG-320-RTS
Forecasted Test Period: Twelve Months Ended September 30, 2013

SUMMARY OF DEMAND COSTS

			Total Company $	Residential Sales	Com/PA Sales	Schools Sales	Industrial Sales	SGS	Interruptible Sales	Irrigation Sales	Firm Transport	Interruptible Transport
1	Rate Base		121,056,934	85,559,472	25,200,928	161,098	262,042	0	0	0	9,873,394	0
2												
3	Return @ Realized ROR		6,734,898	3,978,659	1,357,095	(1,764)	13,467	10,371	27,841	372,555	533,980	442,693
4	O&M Expenses		12,168,464	8,593,720	2,531,218	16,181	26,320	0	0	0	1,001,025	0
5	Interest on Customer Deposits		0	0	0	0	0	0	0	0	0	0
6	Depreciation Expense		1,555,074	1,097,910	323,381	2,067	3,363	0	0	0	128,353	0
7	Taxes, Other		4,587,966	3,236,655	953,334	6,094	9,913	0	348	41	381,581	0
8												
9	Interest Expense		3,677,405	2,599,081	765,541	4,894	7,960	0	0	0	299,929	0
10												
11	Income Taxes:											
12												
13	State Income Taxes	7.00%	353,938	159,697	68,481	(771)	637	1,201	3,223	43,127	27,096	51,246
14	Federal Income Taxes	35.00%	1,645,812	742,591	318,437	(3,584)	2,964	5,582	14,986	200,540	125,998	238,296
15	Deferred Income Taxes		0	0	0	0	0	0	0	0	0	0
16	Allowance for Step Rate		(986)	(480)	(171)	2	(1)	(3)	(9)	(124)	(56)	(144)
17												
18	Total Income Taxes		1,998,764	901,808	386,748	(4,353)	3,600	6,780	18,200	243,543	153,039	289,399
19												
20	Total Demand-Related Costs @ Realized ROR		27,045,166	17,808,752	5,551,776	18,226	56,663	17,151	46,389	616,140	2,197,978	732,093
21												
22												
23	Incremental Return @ Equalized ROR		3,482,307	3,242,560	769,864	15,360	8,650	(10,371)	(27,841)	(372,555)	299,334	(442,693)
24	Uncollectibles/PSC Fees		0	0	0	0	0	0	0	0	0	0
24	Incremental Income Taxes		2,278,333	2,121,476	503,691	10,050	5,659	(6,785)	(18,215)	(243,748)	195,842	(289,637)
25												
26	Total Demand-Related Costs @ Equalized ROR		32,805,806	23,172,789	6,825,330	43,636	70,971	(5)	333	(164)	2,693,155	(237)
27												
28												
29	Incremental Return @ Proposed Rates		3,482,307	2,676,254	626,619	5,640	7,270	(1,283)	(2,711)	(42,494)	252,015	(39,002)
30	Uncollectibles/PSC Fees		0	0	0	0	0	0	0	0	0	0
30	Incremental Income Taxes		2,278,333	1,750,965	409,971	3,690	4,756	(839)	(1,774)	(27,802)	164,883	(25,517)
31												
32	Total Demand-Related Costs @ Proposed Rates		32,805,806	22,235,971	6,588,366	27,556	68,688	15,028	41,903	545,843	2,614,877	667,574

Atmos Energy Corporation, Colorado-Kansas Division
Kansas Jurisdiction Case No. 14-ATMG-320-RTS
Forecasted Test Period: Twelve Months Ended September 30, 2013

SUMMARY OF COMMODITY COSTS

			Total Company $	Residential Sales	Com/PA Sales	Schools Sales	Industrial Sales	SGS	Interruptible Sales	Irrigation Sales	Firm Transport	Interruptible Transport
1	Rate Base		3,911,464	2,911,712	864,937	4,790	10,938	28	22,179	96,474	223	184
2												
3	Return @ Realized ROR		217,611	136,744	46,868	(60)	573	337	2,133	17,405	(483)	14,314
4	O&M Expenses		402,721	290,230	86,758	477	1,109	3	2,211	11,792	5,551	4,589
5	Interest on Customer Deposits		0	0	0	0	0	0	0	0	0	0
6	Depreciation Expense		40,325	30,022	8,918	49	113	0	229	994	0	0
7	Taxes, Other		59,671	44,400	13,196	73	167	0	335	1,484	19	16
8												
9	Interest Expense		118,820	88,450	26,275	146	332	1	674	2,931	7	6
10												
11	Income Taxes:											
12												
13	State Income Taxes	7.00%	11,436	5,590	2,361	(26)	28	39	169	1,676	(57)	1,656
14	Federal Income Taxes	35.00%	53,178	25,996	10,978	(121)	129	181	786	7,792	(264)	7,702
15	Deferred Income Taxes		0	0	0	0	0	0	0	0	0	0
16	Allowance for Step Rate		(32)	(16)	(6)	0	(0)	(0)	(0)	(4)	(2)	(5)
17												
18	Total Income Taxes		64,582	31,571	13,333	(148)	157	220	955	9,463	(323)	9,354
19												
20	Total Commodity-Related Costs		784,910	532,967	168,874	372	2,119	560	5,863	41,117	4,765	28,273
21	Total Throughput		172,336,199	99,245,230	30,863,823	163,132	420,939	1,844	893,380	10,411,813	16,607,649	13,728,388
22	Commodity Costs ($/Mcf)		$ 0.00455	$ 0.00537	$ 0.00547	$ 0.00228	$ 0.00503	$ 0.30	$ 0.01	$ 0.00	$ 0.00	$ 0.00
23												
24												
25	Incremental Return @ Equalized ROR		112,517	109,005	26,333	484	351	(334)	(262)	(9,262)	501	(14,299)
26	Uncollectibles/PSC Fees		0	0	0	0	0	0	0	0	0	0
26	Incremental Income Taxes		73,615	71,317	17,228	317	229	(219)	(171)	(6,060)	328	(9,355)
27												
28	Total Commodity-Related Costs @ Equalized ROR		971,041	713,289	212,435	1,173	2,699	7	5,430	25,795	5,594	4,619
29	Total Throughput		172,336,199	99,245,230	30,863,823	163,132	420,939	1,844	893,380	10,411,813	16,607,649	13,728,388
30	Commodity Costs ($/Mcf)		$ 0.01	$ 0.01	$ 0.01	$ 0.01	$ 0.01	$ 0.00	$ 0.01	$ 0.00	$ 0.00	$ 0.00
31												
32												
33	Incremental Return @ Proposed Rates		112,517	83,696	19,931	50	289	72	861	5,488	(1,613)	3,743
34	Uncollectibles/PSC Fees		0	0	0	0	0	0	0	0	0	0
34	Incremental Income Taxes		73,615	54,759	13,040	33	189	47	564	3,591	(1,056)	2,449
35												
36	Total Commodity-Related Costs @ Proposed Rates		971,041	671,421	201,844	455	2,597	679	7,288	50,197	2,096	34,465
37	Total Throughput		172,336,199	99,245,230	30,863,823	163,132	420,939	1,844	893,380	10,411,813	16,607,649	13,728,388
38	Commodity Costs ($/Mcf)		$ 0.01	$ 0.01	$ 0.01	$ 0.00	$ 0.01	$ 0.37	$ 0.01	$ 0.00	$ 0.00	$ 0.00

ATMOS ENERGY CORPORATION

Summary of the Company's Proposed Allocation of its
Requested Increase in Total Base Rate Revenue and Total Revenues
(Excluding Gas Costs)

Line	Class	Present Base Rate Revenue	Present GSRS & Ad Valorem	Total Present Revenue	Proposed Base Rate Revenue	Proposed GSRS & Ad Valorem	Total Proposed Revenue	Base Rate Revenue Increase	Base Rate Revenue Percent	Total Revenue Increase	Total Revenue Percent
		(1)	(2)	(3) = (1) + (2)	(4)	(5)	(6) = (4) + (5)	(7) = (4) - (1)	(8) = (7) / (1)	(9) = (6) - (3)	(10) = (9) / (3)
	Sales										
1	Res (910)	$37,275,912	$1,174,913	$38,450,825	$46,024,672	$0	$46,024,672	$8,748,760	23.47%	$7,573,847	19.70%
2	C/PA (915)	$8,652,825	$333,405	$8,986,230	$8,652,207	$0	$8,652,207	($618)	-0.01%	($334,023)	-3.72%
3	Ind (930)	$74,786	$3,539	$78,325	$74,786	$0	$74,786	$0	0.00%	($3,539)	-4.52%
4	Schools (920)	$62,428	$1,978	$64,406	$79,738	$0	$79,738	$17,310	27.73%	$15,332	23.81%
5	SGS (940)	$36,174	$1,714	$37,888	$36,174	$0	$36,174	$0	0.00%	($1,714)	-4.52%
6	Interr. (955)	$73,319	$47	$73,366	$73,319	$0	$73,319	$0	0.00%	($47)	-0.06%
7	Irrigation (965)	$1,125,989	$87,657	$1,213,646	$1,125,989	$0	$1,125,989	$0	0.00%	($87,657)	-7.22%
8	Subtotal	$47,301,433	$1,603,253	$48,904,686	$56,066,885	$0	$56,066,885	$8,765,452	18.53%	$7,162,199	14.65%
	Transportation										
9	Interr. (IT900)	$1,133,717	$24,478	$1,158,195	$1,133,717	$0	$1,133,717	$0	0.00%	($24,478)	-2.11%
10	Firm (FT900)	$2,595,217	$132,397	$2,727,614	$2,595,217	$0	$2,595,217	$0	0.00%	($132,397)	-4.85%
11	Subtotal	$3,728,934	$156,875	$3,885,809	$3,728,934	$0	$3,728,934	$0	0.00%	($156,875)	-4.04%
	Other										
12	Contract	$419,166	$0	$419,166	$419,166	$0	$419,166	$0	0.00%	$0	0.00%
13	Misc. Service	$581,163	$0	$581,163	$581,163	$0	$581,163	$0	0.00%	$0	0.00%
14	Subtotal	$1,000,329	$0	$1,000,329	$1,000,329	$0	$1,000,329	$0	0.00%	$0	0.00%
15	Total Revenue	$52,030,696	$1,760,128	$53,790,824	$60,796,148	$0	$60,796,148	$8,765,452	16.85%	$7,005,324	13.02%

Source: CURB DR 1 & Atmos' Section 17 Proof of Revenue.

ATMOS ENERGY CORPORATION

Summary of CURB's Recommended Allocation of the Company's
Requested Increase in Total Base Rate Revenue and Total Revenues
(Excluding Gas Costs)

Line	Class	Present Base Rate Revenue	Present GSRS & Ad Valorem	Total Present Revenue	Recommended Base Rate Revenue	Proposed GSRS & Ad Valorem	Total Recommended Revenue	Base Rate Revenue Increase	Base Rate Revenue Percent	Total Revenue Increase	Total Revenue Percent
		(1)	(2)	(3) = (1) + (2)	(4)	(5)	(6) = (4) + (5)	(7) = (4) - (1)	(8) = (7) / (1)	(9) = (6) - (3)	(10) = (9) / (3)
	Sales										
1	Res (910)	$37,275,912	$1,174,913	$38,450,825	$38,265,066	$0	$38,265,066	$989,154	2.65%	($185,759)	-0.48%
2	C/PA (915)	$8,652,825	$333,405	$8,986,230	$8,848,113	$0	$8,848,113	$195,288	2.26%	($138,117)	-1.54%
3	Ind (930)	$74,786	$3,539	$78,325	$76,885	$0	$76,885	$2,099	2.81%	($1,440)	-1.84%
4	Schools (920)	$62,428	$1,978	$64,406	$64,405	$0	$64,405	$1,977	3.17%	($1)	0.00%
5	SGS (940)	$36,174	$1,714	$37,888	$36,174	$0	$36,174	$0	0.00%	($1,714)	-4.52%
6	Interr. (955)	$73,319	$47	$73,366	$73,319	$0	$73,319	$0	0.00%	($47)	-0.06%
7	Irrigation (965)	$1,125,989	$87,657	$1,213,646	$1,125,989	$0	$1,125,989	$0	0.00%	($87,657)	-7.22%
8	Subtotal	$47,301,433	$1,603,253	$48,904,686	$48,489,951	$0	$48,489,951	$1,188,518	2.51%	($414,735)	-0.85%
	Transportation										
9	Interr. (IT900)	$1,133,717	$24,478	$1,158,195	$1,133,717	$0	$1,133,717	$0	0.00%	($24,478)	-2.11%
10	Firm (FT900)	$2,595,217	$132,397	$2,727,614	$2,658,975	$0	$2,658,975	$63,758	2.46%	($68,639)	-2.52%
11	Subtotal	$3,728,934	$156,875	$3,885,809	$3,792,692	$0	$3,792,692	$63,758	1.71%	($93,117)	-2.40%
	Other										
12	Contract	$419,166	$0	$419,166	$419,166	$0	$419,166	$0	0.00%	$0	0.00%
13	Misc. Service	$581,163	$0	$581,163	$581,163	$0	$581,163	$0	0.00%	$0	0.00%
14	Subtotal	$1,000,329	$0	$1,000,329	$1,000,329	$0	$1,000,329	$0	0.00%	$0	0.00%
15	Total Revenue	$52,030,696	$1,760,128	$53,790,824	$53,282,972	$0	$53,282,972	$1,252,276	2.41%	($507,852)	-0.94%

Source: CURB DR 1 & Direct Testimony of Brian Kalcic

ATMOS ENERGY CORPORATION
CURB Recommended Residential and Commercial/Public Authority
Rate Design and Proof of Revenue

	Billing Units (1)	Present Base Rates Rate (2)	Present Base Rates Revenue (3)	Recommended Base Rates Rate (4)	Recommended Base Rates Revenue (5)	Increase Amount (6)	Increase Percent (7)
Residential - RS 910		**RS 910**		**RS 910**			
Facilities Charge	1,422,225	$ 16.75	$ 23,822,275	$ 16.75	$ 23,822,275	$ -	0.00%
Commodity Charge	99,844,398	$ 0.13700	$ 13,678,683	$ 0.14691	$ 14,668,141	$ 989,458	7.23%
Total Base Revenues			**$ 37,500,957**		**$ 38,490,415**	**$ 989,458**	**2.64%**
Comm/PA - RS 915		**RS 915**		**RS 915**			
Facilities Charge	117,205	$ 37.75	$ 4,424,482	$ 36.80	$ 4,313,137	$ (111,345)	-2.52%
Commodity Charge	30,863,823	$ 0.13700	$ 4,228,344	$ 0.14691	$ 4,534,204	$ 305,860	7.23%
Total Base Revenues			**$ 8,652,825**		**$ 8,847,341**	**$ 194,516**	**2.25%**

CERTIFICATE OF SERVICE

14-ATMG-320-RTS

I, the undersigned, hereby certify that a true and correct copy of the above and foregoing document was served by electronic service on this 20th day of May, 2014, to the following parties:

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