BEFORE THE CORPORATION COMMISSION

OF THE STATE OF KANSAS

IN THE MATTER OF THE APPLICATION OF ATMOS ENERGY FOR REVIEW AND ADJUSTMENT OF ITS NATURAL GAS RATES	]]]]	KCC Docket No. 16-ATMG-079-RTS

DIRECT TESTIMONY OF

ANDREA C. CRANE

RE: REVENUE REQUIREMENTS AND POLICY ISSUES

ON BEHALF OF

THE CITIZENS' UTILITY RATEPAYER BOARD

December 21, 2015

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I. STATEMENT OF QUALIFICATIONS

Q. Please state your name and business address.

A. My name is Andrea C. Crane and my business address is PO Box 810, Georgetown, Connecticut 06829. (Mailing address: 16 Old Mill Road, Redding, CT 06877).

Q. By whom are you employed and in what capacity?

A. I am President of The Columbia Group, Inc., a financial consulting firm that specializes in utility regulation. In this capacity, I analyze rate filings, prepare expert testimony, and undertake various studies relating to utility rates and regulatory policy. I have held several positions of increasing responsibility since I joined The Columbia Group, Inc. in January 1989. I became President of the firm in 2008.

Q. Please summarize your professional experience in the utility industry.

A. Prior to my association with The Columbia Group, Inc., I held the position of Economic Policy and Analysis Staff Manager for GTE Service Corporation, from December 1987 to January 1989. From June 1982 to September 1987, I was employed by various Bell Atlantic (now Verizon) subsidiaries. While at Bell Atlantic, I held assignments in the Product Management, Treasury, and Regulatory Departments.

Q. Have you previously testified in regulatory proceedings?

A. Yes, since joining The Columbia Group, Inc., I have testified in over 400 regulatory proceedings in the states of Arizona, Arkansas, Connecticut, Delaware, Hawaii, Kansas, Kentucky, Maryland, New Jersey, New Mexico, New York, Oklahoma, Pennsylvania, Rhode Island, South Carolina, Vermont, Washington, West Virginia and the District of Columbia. These proceedings involved gas, electric, water, wastewater, telephone, solid waste, cable television, and navigation utilities. A list of dockets in which I have filed testimony since January 2008 is included in Appendix A.

Q. What is your educational background?

A. I received a Master of Business Administration degree, with a concentration in Finance, from Temple University in Philadelphia, Pennsylvania. My undergraduate degree is a B.A. in Chemistry from Temple University.

II. PURPOSE OF TESTIMONY

Q. What is the purpose of your testimony?

A. On August 13, 2015, Atmos Energy Corporation ("Atmos" or "Company") filed an Application with the Kansas Corporation Commission ("KCC" or "Commission") seeking a base rate increase of approximately $5.66 million or 9.8% for its natural gas operations in Kansas. Atmos provides service to approximately 131,000 Kansas customers in 107 communities and in 33 surrounding counties. The proposed base rate increase of $5.66 million includes certain costs that are currently being recovered through the annual Gas System Reliability Surcharge ("GSRS") and Ad Valorem Tax Surcharge, which are currently recovering $388,000 and $78,000 respectively in annual surcharges. In addition to its requested base rate increase, the Company is seeking a rate case expense rider, which would increase rates by another $950,000 for a period of one year. The rate case rider, as well as the base rate increase, would result in an overall increase of approximately 11.4%.

The requested increase would result in an average monthly increase for residential customers of approximately $3.78 or 13.2%. The Company's last base rate case was filed in January 2014, based upon a Test Year ending September 30, 2013.[1] Rates in the 320 Docket were effective for service provided on or after September 9, 2014.

In addition to the proposed rate increase, Atmos is seeking two significant changes to the manner in which its regulated rates are established. First, Atmos is seeking authorization to abolish traditional rate regulation and instead to establish a new regulatory mechanism, the Annual Review Mechanism ("ARM"), which would be used to set new rates annually based on a formula mechanism. Second, Atmos is requesting the establishment of a System Integrity Program ("SIP") Tariff to reflect quarterly revenue requirement increases related to certain infrastructure replacement projects.

The Columbia Group, Inc. was engaged by the State of Kansas, Citizens' Utility Ratepayer Board ("CURB") to review the Company's Application and to provide recommendations to the KCC regarding the Company's revenue requirement. I am also providing testimony on policy issues related to the Company's proposed ARM and its proposed SIP Tariff. In addition to my testimony, CURB is sponsoring the testimony of two

1 KCC Docket No. 14-ATMG-320-RTS ("320 Docket").

other witnesses in this case. Edward McGee, of Acadian Consulting Group, is submitting testimony on certain engineering issues and Brian Kalcic is submitting testimony with regard to class cost of service and rate design issues.

Q. What are the most significant issues in this rate proceeding?

A. Clearly, the most significant issues in this case relate to the dramatic departure from traditional ratemaking principles that the Company is requesting by proposing the ARM, which would result in a radical change in the underlying regulatory mechanism, and the SIP Tariff, which would result in quarterly rate increases to Kansas customers. These two proposals will result in millions of dollars of rate increases to Kansas ratepayers and reduced regulatory oversight by the KCC.

The most significant accounting issues driving Atmos's rate increase request are 1) the Company's claim for a return on equity of 10.50%, 2) return requirements associated with plant-in-service additions since the last base rate case, 3) the Company's request to include construction work-in-progress ("CWIP") in rate base, and 4) incremental salary and wage expenses and associated benefits.

III. SUMMARY OF CONCLUSIONS

Q. What are your conclusions concerning the Company's revenue requirement, its new regulatory proposals, and its need for rate relief?

A. Based on my analysis of the Company's filing and other documentation in this case, my conclusions are as follows:

1. The twelve-month period ending March 31, 2015, as adjusted, is an acceptable Test Year to use in this case to evaluate the reasonableness of the Company's claim.
2. Atmos has Test Year, pro forma rate base of $196,855,579 as shown in Schedule ACC-3.
3. The Company has pro forma operating income at present rates of $15,383,539, as shown in Schedule ACC-6.
4. The KCC should adopt a capital structure for Atmos consisting of 53% common equity and 47% long-term debt.
5. Based on the cost of equity determined by the KCC in the 320 Docket and on current debt costs, Atmos has an overall cost of capital of 7.60%, as shown in Schedule ACC-2.
6. Atmos has a Test Year, pro forma, revenue surplus of $716,730 as shown on Schedule ACC-1. This is in contrast to the Company's claimed deficiency of $5,666,621.
7. The pro forma surplus of $716,730 includes recovery of costs associated with the current rate case.
8. The KCC should deny the Company's request to implement a one-year surcharge to recover rate case costs.
9. The KCC should deny the Company's request to implement the ARM and instead

should rely upon traditional rate base/rate of return regulation, which provides proper incentives to the Company.

10. Issues relating to recovery between base rates cases of infrastructure replacement costs should be addressed in the KCC's generic docket, Docket No. 15-GIMG-343-GIG, In the Matter of the General Investigation Regarding the Acceleration of Replacement of Natural Gas Pipelines Constructed of Obsolete Materials Considered to be a Safety Risk ("343 Docket").

11. If, in spite of my recommendation, the KCC decides to adopt an infrastructure replacement cost recovery mechanism for Atmos in this proceeding, then it should adopt an annual rate mechanism with the provisions described in Section VIII B. of my testimony.

IV. COST OF CAPITAL AND CAPITAL STRUCTURE

Q. What is the cost of capital and capital structure that the Company is requesting in this case?

A. The Company's filing was based on an overall cost of capital of 8.48%, which includes the following capital structure and cost rates, as shown in Section 7 of its Application:

	Percentage	Cost	Weighted Cost
Common Equity	56.12%	10.50%	5.89%
Long-Term Debt	43.88%	5.90%	2.59%
Total	100.00%		8.48%

Q. Is CURB recommending any adjustments to this capital structure or cost of capital?

A. Yes. I am recommending adjustments to both the capital structure and to the cost of equity.

Q. What is the overall cost of capital that CURB is recommending for Atmos?

A. As shown on Schedule ACC-2, CURB is recommending that the KCC maintain the capital structure and cost of equity approved for Atmos in the last base rate case. Given the Company's current cost of long-term debt, this would result in an overall cost of capital of 7.06%:

	Percentage	Cost	Weighted Cost
Common Equity	53.00%	9.10%	4.82%
Long-Term Debt	47.00%	5.90%	2.77%
Total	100.00%		7.60%[2]

Q. Why do you believe that the capital structure and cost of equity authorized by the KCC in the Company's last case is still appropriate?

A. With regard to the common equity percentage of 53.0%, this is the equity ratio that was agreed to by the parties in the Company's last base rate case and authorized by the KCC. Moreover, as shown in Exhibit AEB-12, page 1, a 53% equity ratio is consistent with the mean and the median of the companies in Ms. Bulkley's comparable group. As shown in that exhibit, the mean of the quarterly averages of the capital structures for companies included in the group was 53.02% and the median of the quarterly averages was 51.99%. The mean of the quarterly medians for the companies in Ms. Buckley's comparable group was 53.43% and

2 Does not add due to rounding.

the median of the quarterly medians was 51.81%. Thus, the 53.0% authorized in the last case is consistent with the other companies in Ms. Buckley's comparable group.

In addition, my recommendation of 53.0% is much closer to Company's actual Test Year common equity ratio than the 56.12% included in its claim. As shown in Section 7 of the Application, the actual common equity ratio at the end of the Test Year was 53.95%. The increase from 53.95% to 56.12% was the result of removing short-term debt from the Company's capital structure.

Q. Are you recommending that short-term debt be included in the Company's capital structure?

A. No, it is my understanding that short-term debt was not included in the Company's capital structure agreed to among the parties in the last base rate case and I am not recommending that it be included in the Company's capital structure in this case. However, in evaluating the Company's request for capital structure consisting of 56.12% common equity, it is important for the KCC to keep in mind that this equity ratio is itself a hypothetical ratio that ignores short-term debt. By way of example, a 9.1% equity return that is based on an equity ratio of 56.12% is equivalent to an equity return of over 9.6% at an equity ratio of 53.95%.

Finally, the 56.12% equity ratio proposed in this case represents an increase of almost 6% over the equity ratio approved in the last case, even though the Company argues that the cost of equity approved in the last case was too low. In fact, as reported by Atmos on November 4, 2015, the Company's consolidated net income for the fiscal year 2015 (which ended September 30, 2015) increased $25.3 million over fiscal year 2014 and regulated distribution gross profit increased $61.1 million. As a result, the Board of Directors approved a 7.7% increase in the Company's indicated annual dividend for fiscal year 2016.

Q. Do these results suggest that the 9.1% authorized by the KCC was appropriate?

A. Yes. Moreover, on September 4, 2014, the day that the KCC's Order in the last case was issued, Atmos stock was selling at $48.78 (adjusted for dividends and splits) while the price at December 4, 2015 was $62.25. This represents an increase of 27.6% in fifteen months, a healthy return by any measure.

Q. Do you believe that Ms. Bulkley's testimony support a return on common equity of 10.5%?

A. No, I do not. While I was not engaged by CURB to conduct a full discounted cash flow ("DCF") analysis for CURB, it is clear from a review of Ms. Bulkley's testimony that her return on equity recommendation is overstated. Ms. Buckley has to reach far outside the traditional DCF results in order to justify her recommended 10.5%. The DCF methodology is the methodology that the KCC has used traditionally to determine an appropriate return on equity for Kansas utilities. Even by Ms. Buckley's calculations, the DCF results reported in her testimony do not support a cost of equity of 10.5%. As shown on Table 6 of her testimony, which summarizes her analytical results, the mean returns of her various base case DCF scenarios range from 9.24% to 9.55%.

Mean Returns - Base Cases from Table 6, Buckley Testimony

(Includes flotation cost adjustment)

Constant Growth – 30 Day Average	9.49%
Constant Growth – 90 Day Average	9.44%
Constant Growth – 180 Day Average	9.55%
Multi-Stage – 30 Day Average	9.30%
Multi-Stage – 90 Day Average	9.24%
Multi-Stage – 180 Day Average	9.36%

The mean returns for the three constant growth base case DCF scenarios, which range from 9.44% to 9.55%, are based on an average growth rate of 5.95%. This growth rate is based on analysts' earnings forecasts for the next three to five years. These forecasts are well above the current projections for GDP growth and well above historic earnings growth for the companies in the comparable group. In addition, these forecasts do not reflect long-term growth expectations but only reflect analysts' earnings forecasts over a relatively short period.

Ms. Buckley's multi-stage DCF model similarly reflects unrealistic growth expectations. In the multi-stage model, Ms. Buckley used a combination of three growth forecasts: a) the same three-to-five year analysts' earnings forecasts used in her constant growth model, which average 5.95%, b) long-term growth in the Gross Domestic Product ("GDP") of 5.41%, and c) a transition stage between the two based on geometric averages.

However, Ms. Buckley's long-term GDP growth projection of 5.41% is not based on third-party forecasts, but rather was developed by Ms. Buckley based on historic GDP growth from 1929 through 2014 of 3.26%, and certain inflation assumptions. Ms. Bulkley did not utilize current GDP projected growth because she believes that it is "understated". If Ms. Bulkley had used current GDP projections, her long-term growth rate would have been significantly lower than 5.41%. According to Federal Reserve data released September 2015, current projections of long-term GDP growth by Federal Reserve Board members and Federal Reserve Bank presidents range from approximately 1.8% to 2.2%[3] while the projections of the *US Energy Information Administration Annual Energy Outlook 2015* indicate long-term GDP growth of 2.4%.[4] Clearly, Ms. Bulkley's decision to utilize an historic GDP component of 3.26% overstates the long-term GDP growth rate used in her multi-stage DCF analysis. Even including her excessive growth rates, her multi-stage base case DCF scenarios only ranged from 9.24% to 9.36%, which included a 13 basis-point flotation cost adjustment. Therefore, even Ms. Bulkley's multi-stage DCF result, including flotation costs, would be well below the currently authorized 9.1% had she utilized a more realistic projection for long-term GDP growth. Accordingly, I believe that that the Company's currently-authorized return on equity of 9.1% is appropriate and should be reaffirmed by the KCC.

Q. Does your recommendation take into account the recent Federal Reserve rate increase of 25 basis points?

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3 Advance release of Table 1 of the Summary of Economic Projections to be released with FOMC minutes,

A. Yes, it does. A rate increase by the Federal Reserve has been anticipated for some time now and this increase is likely already factored into the GDP long-term growth projections discussed above. Moreover, the Federal Reserve has stated that interest rate increases will be small and that rates will be increased gradually. Accordingly, I believe that the currently-authorized 9.1% return on equity remains reasonable in spite of the recent Federal Reserve rate increase of 25 basis points.

V. RATE BASE ISSUES

Q. What Test Year did the Company utilize to develop its rate base claim in this proceeding?

A. The Company selected a Test Year ending March 31, 2015.

Q. Are you recommending any adjustment to the Company's rate base claim?

A. Yes, I am recommending two adjustments. Specifically, I am recommending adjustments to the Company's claim for construction work in progress ("CWIP") and to its claim for underground gas-in-storage.

September 2015.
4 Table 1 Summary.

A. Construction Work In Progress

Q. What is CWIP?

A. CWIP is plant that is under construction, but which has not yet been completed and placed into service. Once the plant is completed and serving customers, then the plant is booked to utility plant-in-service and the utility begins to take depreciation expense on the plant.

Q. How much CWIP did the Company include in its rate base claim in this case?

A. The Company's rate base claim includes CWIP of $11,642,184, as shown in Section 14A of the filing.

Q. How did Atmos develop its claim for CWIP?

A. Atmos began with reviewing its actual CWIP balance at the end of the Test Year of $3,432,082 to determine which projects were expected to be completed and placed in-service by September 30, 2015. The Company removed long-term projects that were not expected to be in-service as of that date. Atmos then increased its CWIP balance to include additional projected spending for projects that it anticipates to be in-service by September 30, 2015.

Q. Do you believe that CWIP is an appropriate rate base element?

A. No, I do not believe that CWIP is an appropriate rate base element. CWIP does not represent facilities that are used or useful in the provision of utility service. In addition, including this plant in rate base violates the regulatory principle of intergenerational equity by requiring current ratepayers to pay a return on plant that is not providing them with utility service and which may never provide current ratepayers with utility service. However, I understand that the inclusion of CWIP in rate base is governed by statute.[5]

K.S.A. 66-128 provides for the KCC to determine the value of the property included in rate base. The statute generally requires that "property of any public utility which has not been completed and dedicated to commercial service shall not be deemed to be used and required to be used in the public utility's service to the public."

However, the statute also provides that certain property "shall be deemed to be completed and dedicated to commercial service" under certain circumstances. Specifically, K.S.A. 66-128(b)(2) provides that,

> Any public utility <u>property</u> described in subsection (b)(1) shall be deemed to be completed and dedicated to commercial service if: (A) construction of the property will be commenced and completed in one year or less; (B) the property is an electric generation facility that converts wind, solar, biomass, landfill gas or any other renewable source of energy: (C) the property is an electric generation facility or addition to an electric generation facility, which facility or addition to a facility is placed in service on or after January 1, 2001; or (D) the property is an electric transmission line, including all towers, poles and other necessary appurtenances to such lines, which will be connected to an electric generation facility. (emphasis added)

[5] I am not an attorney and my discussion of the CWIP statute is not intended as a legal interpretation of that statute, but rather provides my understanding of the statute from a ratemaking perspective.

Q. Does the CWIP included by Atmos in its rate base claim meet the criteria outlined in the statute?

A. While I am not an attorney, I believe that much of the CWIP claimed by Atmos does not meet the criteria outlined in the statute. The majority of the costs claimed by Atmos had not been incurred by the end of the Test Year, and therefore these costs do not represent "property" of the Company as of that date. Thus, the Company's CWIP claim includes significant costs that did not qualify as CWIP at the end of the Test Year. Inclusion of these post-test year costs that had not been incurred by September 30, 2015, is an attempt to move the Company's Test Year out by an additional six months.

Q. Does the Company's claim include costs for new projects that were not even in CWIP at the end of the Test Year?

A. Yes, it does. In addition to including additional expenditures for projects that were in CWIP at the end of the Test Year, the Company also included $8.2 million of expenditures for new projects that were not in CWIP at March 31, 2015. These are costs that were not incurred by the end of the Test Year and accordingly should not be considered "property" used in the delivery of utility service as of that date. The statute referenced above applies the one-year in-service limit to "property". With regard to expenditures made after the end of the Test Tear, there was no associated "property" in CWIP by March 31, 2015.

Q. What level of CWIP do you recommend that the KCC include in the Company's rate base?

A. I am recommending that the KCC authorize the Company to include CWIP of $3,432,082 in rate base. This is the actual CWIP at March 31, 2015, the end of the Test Year. My recommendation is shown in Schedule ACC-4.

B. <u>Underground Gas-in-Storage</u>

Q. How did the Company determine its claim in this case for underground gas-in-storage?

A. The Company's claim is based on the actual 13-month average dollar balance for the period ending March 31, 2015.

Q. How does the Company's claim compare with historic levels?

A. Underground gas-in-storage balances are impacted by two factors. First, gas volumes fluctuate from year-to-year based on procurement levels and gas sales. Second, the inventory dollar balances can vary significantly from year-to-year based on the price of gas. With regard to volumes, the Company's underground gas-in-storage claim is high relative to historic levels. Following are the 13-month average gas-in-storage volumes for each of the past five years:[6]

6 Response to CURB-63.

13 Months Ending March 31, 2015	3,066,073
13 Months Ending March 31, 2014	2,548,443
13 Months Ending March 31, 2013	2,975,613
13 Months Ending March 31, 2012	2,898,163
13 Months Ending March 31, 2011	2,755,572
Three Year Average	2,863,376
Five Year Average	2,848,773

Actual gas-in-storage volumes during the Test Year were over 20% higher than the previous 13-month average. Moreover, Test Year volumes were more than 7.0% higher than either a three-year or five-year average.

Q. How did actual underground gas-in-storage unit prices vary during the Test Year?

A. Gas prices rose relative to the prior year. The March 2015 average unit inventory price was $4.04, compared with $3.63 for March 2014. The 13-month average unit price during the Test Year was $4.18, up from $3.56 for the prior 13-month period.

Q. Are you recommending any adjustment to the Company's claim?

A. Yes, I am recommending an adjustment to reflect the three-year average of underground gas-in-storage volumes. This appears to be more representative of historic inventory levels than the actual Test Year balances. It is also reasonable when one considers the fact that the Company has included a weather-normalization adjustment to reduce Test Year sales volumes. In my adjustment, I utilized a unit price of $4.18, which is the actual average unit price for underground gas inventory during the Test Year. My adjustment is shown in Schedule ACC-5.

C. Rate Base Summary

Q. Based on your adjustments, what is the total rate base that you are proposing for Atmos?

A. As shown on Schedule ACC-3, I am proposing a rate base of $196,855,579. This represents an increase of approximately 11.6% over the pro forma rate base recommended by CURB in the Company's last base rate case.

VI. OPERATING INCOME ISSUES

A. Pro Forma Revenue

Q. How did the Company determine its pro forma revenue claim in this case?

A. Atmos began with its actual Test Year revenues. The Company then made an adjustment to normalize revenues for normal weather, based on a thirty-year period as determined by the National Oceanic and Atmospheric Administration ("NOAA"). The Company also made several adjustments to commercial and large volume sales and transportation customer accounts. These adjustments annualized sales for customers lost or added during the Test Year and normalized revenues for customers that switched from one class of service to another. Finally, Atmos made an adjustment to reflect proration of facilities charges for customers leaving or connecting to the system during the Test Year.

The Company's revenue claim also includes the Test Year amount for Other Revenue, adjusted to remove the Test Year Ad Valorem Surcharge revenue.

Q. Are you recommending any adjustment to the Company's pro forma revenue claim?

A. Yes, I am recommending two adjustments to the Company's revenue claim. First, while Atmos made several adjustments to annualize or normalize non-residential sales, its residential revenue claim is based on actual average residential customer counts during the Test Year. Atmos did not make any adjustment to annualize its pro forma revenue to reflect residential customer growth that occurred during the Test Year. I recommend that the KCC adopt a revenue annualization adjustment for residential customers.

Q. Why do you believe that such an adjustment is necessary?

A. Annualization adjustments are frequently made to reflect the fact that customers typically increase from year-to-year. This is especially true of residential customers. In Section 8 of its Application, the Company provided information regarding the number of customers over the past few years, by customer class. As shown in that exhibit, the average number of residential customers increased from 119,643 for the twelve months ending March 31, 2014, to 120,523 in the Test Year, an increase of 880 customers or approximately 0.7% over that period. By the end of the Test Year, March 2015, residential customers had increased to 122,160. The full impact of this growth is not reflected in the Company's pro forma revenue claim, due to the fact that Atmos based its claim on actual average customers during the Test

Year. In fact, not only is this revenue growth not fully reflected, but the Company also included a proration adjustment that effectively had the result of reducing its residential meter count by 2.2%. Atmos claims that this adjustment was necessary because it does not actually receive full facilities charges for all customers that it serves, due to proration of bills and other adjustments.

Q. What is the number of residential customers that the Company used to develop its pro forma at present rates?

A. As shown in the workpapers to Section 17 of the Company's filing, as a result of its proration adjustment, Atmos's pro forma revenue claim is based on just 117,816 residential customers, a reduction of 2.2% from the average actual number of customers during the Test Year. While I am not opposing Atmos's proration adjustment, this adjustment does have a significant impact on the Company's residential facilities revenue. If the KCC is going to recognize this proration adjustment, it should similarly recognize the fact that actual residential customer counts increased during the Test Year, as they have consistently from year-to-year. Therefore, I have made an adjustment to annualize customer growth to reflect a full year of revenues for residential customers added during the Test Year. My adjustment has the effect of basing pro forma revenue on end-of-year residential customer counts, adjusted for proration. It should also be noted that my adjustment is consistent with the use of a rate base valuation that is based on March 13, 2015, the end of the Test Year, rather than on average investment during the Test Year.

Q How did you quantify your adjustment?

A. As shown on Schedule ACC-7, I have increased the Company's pro forma residential revenue - both facilities charges and commodity charges - by 0.136%. This reflects an annualization adjustment based on the difference between the average number of residential customers (120,514) and the end of Test Year residential customers of (122,160). To calculate the operating income impact of my adjustment, on Schedule ACC-7, I also took into account the uncollectible costs associated with the incremental sales revenue.

Q. Is your pro forma revenue based on annual revenue for 122,160 residential customers for a full year?

A. No, since I did not make any adjustment to the Company's proration adjustment, my pro forma revenue claim does not include the full impact of 122,160 customers. Rather, the proration adjustment has the effect of reducing the number of residential customers from the full 122,160 to 119,425, a reduction of 2.2%, while the Company's pro forma revenue claim, as adjusted for proration, is based on only 117,816 residential customers.

Q. Why didn't you make an annualization adjustment to other customer classes?

A. I limited my adjustment to the residential class because the Company made class-specific adjustments to other customer classes to annualize revenues based on changes that occurred during the Test Year.

Q. What is your second revenue adjustment?

A. As described on page 5, lines 11-12 of Mr. Geiger's testimony, the Company made an adjustment to revenues from a large industrial interruptible customer to reflect an increase in the agreed-upon minimum consumption for this customer. However, in response to KCC-88, Atmos indicated that it had identified an error in the revenues from this customer included in its filing. In that response, Atmos indicated that revenues from this customer were understated by $11,614. Therefore, at Schedule ACC-8, I have made an adjustment to reflect this correction in my revenue requirement analysis. I have reduced the impact of this adjustment to account for additional uncollectible expense, based on the uncollectible rate that I discuss later in this testimony.

B. <u>Incentive Compensation Expense</u>

Q. Please describe the Company's incentive compensation programs.

A. Atmos has four incentive compensation plans. The Variable Pay Plan ("VPP") applies to virtually all employees other than those included in the Company's Management Incentive Plan ("MIP"). The VPP guidelines for performance measures included in the plan description are primarily associated with financial performance. These guidelines include:

(a) Total shareholder return
(b) Return on assets, equity, capital, or investment
(c) Pre-tax or after-tax profit levels, including: earnings per share; earnings before interest and taxes; earnings before interest, taxes, depreciation and amortization; net operating profits after tax, and net income
(d) Cash flow and cash flow return on investment

(e) Economic value added and economic profit
(f) Growth in earnings per share
(g) Levels of operating expense or other expense items as reported on the income statement, including operating and maintenance expense and capital expense
(h) Measures of customer satisfaction and customer service as surveyed from time to time, including the relative improvement therein.

The second plan, the MIP, is a similar incentive program for executives and senior management that is available to Atmos corporate officers, division presidents, directors, and other key employees. The guidelines for MIP awards are identical to the guidelines for VPP Awards. Awards under the MIP are made in cash, a portion of which can be converted into stock or restricted share units.

The third incentive compensation plan is the Long-Term Incentive Plan ("LTIP"). This plan is available to officers, executives, and a select group of key management employees. Participants receive long-term equity grants in two forms: (1) time-lapsed restricted stock units ("RSU") and (2) performance-based restricted stock units ("PBRSU"). The performance measurement for the PBRSU is based on a three-year cumulative earnings per share ("EPS") goal.

Finally, Atmos has a Customer Contact Center ("CCC") Incentive Program. This plan is available for the Company's Customer Service personnel that meet certain criteria as specified in the plan. The awards are based on four key performance metrics such as absentee rate, quality assurance, adherence to schedules, and average handle time.

Q. Do the Company's incentive plans focus on parameters that directly benefit ratepayers?

A. No, they do not. With the exception of the CCC Incentive Plan, the Company's incentive compensation programs are heavily weighted toward rewarding corporate earnings or are otherwise not directly related to factors that directly benefit ratepayers. While the Company may allocate awards to individual employees based on performance and other metrics, the magnitude of the awards is largely tied to earnings thresholds. Thus, regardless of actual performance or employee contribution, no awards are made unless certain financial parameters are met. This means that no matter how exceptional an individual employee's performance is, that employee will not receive an incentive compensation award unless a threshold level of shareholder earnings is achieved.

The VPP and MIP descriptions clearly focus on benefits to shareholders. For example, the description of the MIP, provided in response to KCC-63, states that:

> The Plan is intended to provide the Company a means by which it can engender and sustain a sense of personal commitment on the part of its executives and senior managers in the continued growth, development, and financial success of the Company and encourage them to remain with and devote their best efforts to the business of the Company, <u>thereby advancing the interests of the Company and its shareholders</u>.

Similar language is used in the description of the VPP, although that description was recently amended to include a reference to the interests of customers (in addition to shareholders).

Q. Have incentive compensation awards become more generous over the past few years?

A. Yes, they have. In fiscal year 2013, the maximum payout percentage for the VPP was increased from 150% of the target to 200% of the target for employees in pay grades 5-6.[7] In addition, the incentive targets themselves were increased in fiscal year 2013 from 2% of payroll for pay grades 5-6 to 5.0%, while the incentive target for pay grade 7 was increased from 2.0% of payroll to 7.5% of payroll.[8]

In fiscal year 2014, the target VPP award for employees in pay grades 1-4 was increased from 2.0% of payroll to 3.0% of payroll, the target VPP award for employees in pay grades 5-6 was increased from 5.0% of payroll to 7.5% of payroll, and the target VPP award for employees in pay grade 7 was increased from 7.5% of payroll to 12.0% of payroll.

In fiscal year 2015, further increases were again made in the incentive compensation targets. In that year, the target VPP award for eligible employees in pay grades 1-4 was increased from 3.0% of payroll to 5.0%, the target award for pay grades 5-6 was increased from 7.5% of payroll to 10%, and the target for pay grade 7 employees was increased from 12% of payroll to 15%. In addition, VPP plan payout provisions were changed to require active employment as of the end of the performance period instead of the payout date. Therefore, employees are subject to much higher incentive compensation awards and shorter retention requirements than they were just a few years ago.

7 The higher the pay grade, the higher the level of employee.
8 Response to KCC-65.

Q. What is the effect of these changes?

A. The effect of these changes is to give employees substantial wage increases without explicitly identifying them as such. Prior to fiscal year 2013, the VPP target for all employee levels was 2.0%. However, targets currently range from 5.0% for grades 1-4 all the way up to 15% for the highest level of employees eligible for the plan (grade 7). Pay grade 7 employees went from a 2% target award in fiscal year 2013 to a 15% target award currently, an increase of 650%. These incentive compensation increases are in addition to regular base payroll increases that have also taken place since that time.

Q. How much did the Company include in its filing relating to incentive compensation programs?

A. As shown in the responses to CURB-83 and KCC-301 (Supplemental), the Company included VPP and MIP expenses of $712,579, LTIP costs of $332,306, and $10,090 of Customer Contact Center Incentive Pay Plan costs in its claim. These costs reflect only the costs allocated to the Kansas jurisdiction. The total Company costs incurred related to incentive compensation awards were significant higher, since the Kansas allocation reflects only about 4% of the amounts paid to Shared Services and Customer Support Division employees and about 59% of the amounts incurred by the Colorado/Kansas office.

Q. In addition to these expense allocations, do the incentive compensation awards have a further impact on Kansas utility rates?

A. Yes, they do. A substantial portion of the incentive compensation costs are not expensed but rather are booked as capitalized overhead. While these capitalized overheads are not included in the Company's expense claim, a portion of these capitalized overheads are allocated to Kansas rate base assets and therefore included in rate base as part of the Company's plant-in-service claim or in other rate base components. Therefore, ratepayers are likely incurring additional costs through a return on, and a return of, incentive compensation costs that have been capitalized. Therefore, the incentive compensation expenses allocated to Kansas do not capture all of the costs being paid by Kansas ratepayers relating to these programs.

Q. How much of the Company's incentive compensation awards were paid to officers?

A. As shown in the Summary Compensation Table provided in the Company's 2014 Proxy Statement, in fiscal year 2014 non-equity incentive compensation awards totaled $2,777,136 for the five Named Executive Officers ("NEOs"). In addition, the NEOs received $4,455,875 in stock awards. Mr. Cocklin, who is President and Chief Executive Officer, received $1,386,656 in non-equity incentive compensation and $2,435,376 in stock awards. Mr. Cocklin's total compensation in fiscal year 2013 was $9,017,228, including a base salary of $906,311. Base salaries in fiscal year 2014 for other NEOs ranged from $471,211 to $600,842, with total compensation ranging from $1,662,550 up to $9,017,228 for Mr. Cocklin.

Q. Do you believe that the incentive compensation program costs claimed by Atmos should be passed through to ratepayers?

A. No, I do not. With the exception of the CCC, the Company's incentive plans are heavily dependent upon financial parameters. Moreover, a large portion of these costs are awarded to officers and other highly compensated employees. Base salary increases have averaged 3.0% annually over the past few years. While I am not making any adjustments to the underlying base salaries for any employees, including officers and other executives, ratepayers should not be required to pay for large incentive compensation payments in addition to these generous base salaries.

Q. Doesn't the Company use a compensation consulting firm to benchmark its compensation?

A. Yes, it does. Atmos utilizes compensation consulting firms, such as Pay Governance, to evaluate its practices and provide information on compensation at other companies to use as a benchmark for its compensation programs. However, the use of such benchmarks has a detrimental effect on ratepayers as compensation costs spiral, especially at the executive level.

Q. Why do you believe that the use of benchmarking results in spiraling executive compensation costs?

A. Companies state that they must benchmark their compensation in order to be competitive.

However, such benchmarking actually results in ever-increasing executive compensation levels. This is because companies generally target their compensation to the 50^{th} percentile of companies in the proxy group selected for benchmarking. Such practices tend to escalate increases in compensation, especially for highly-paid officers. These studies compare the subject company's compensation to compensation in a broad range of other firms. Since most companies do not want to find themselves in the lower half of the benchmark group, companies that fall below the average typically increase their compensation – and hence the average of the benchmark companies increases. This sets off a chain of events that results in ever-increasing compensation levels as additional companies must increase their compensation levels to avoid falling below the 50^{th} percentile. The KCC should be particularly wary of any compensation plans that utilities attempt to justify by means of comparison to benchmark studies. It is not surprising that executive compensation levels have risen dramatically over the past few years, along with the practice of benchmarking.

Q. What do you recommend?

A. I recommend that the KCC deny the Company's request for recovery of incentive compensation costs, with the exception of CCC Incentive Program costs. Many of these costs relate to incentive awards for a small number of officers who are already well-compensated. Moreover, all of these awards are tied to financial benchmarks that do not necessarily result in ratepayer benefit. These awards were designed as incentives to enhance shareholder value. If the Company wants to reward employees based, in whole or in part, on financial results then shareholders should be willing to absorb these costs. This recommendation will require the Board of Directors to establish incentive compensation plans that shareholders are willing to finance. As long as ratepayers are required to pay the costs of these incentive plans, then there is no incentive for management to control these costs. This is especially true since the officers and executives of the Company are the primary beneficiaries of such plans. Therefore, I recommend that the Company's claim for incentive compensation costs be denied. My adjustment is shown in Schedule ACC-9. It should be noted that my adjustment only includes the expense portion of these costs. Significant amounts of incentive compensation costs are routinely capitalized and allocated to various plant accounts. It is difficult to quantify the amounts allocated to each plant account and determine the ultimate impact of this allocation on the Company's rate base, because these allocations have already been embedded in the utility's various plant accounts. Therefore, my recommended incentive compensation adjustment is conservative because it only adjusts the expense portion of these costs.

Q. Why have you excluded costs related to the CCC Incentive Program from your adjustment?

A. I have excluded these costs from my adjustment because this plan has very specific and formulistic awards, and the underlying criteria benefits ratepayers, at least in part. I do, however, continue to have some concerns about this program. The award criteria include attendance, quality of service, and average handle time, all of which provide some direct benefit to ratepayers. However, these three criteria are already an integral and requisite part of a customer representatives' job, whether or not additional incentives are provided to them. Moreover, the average handle time benchmark could cause some customer representatives to sacrifice quality for speed, which could negatively impact ratepayers. Therefore, since the criteria for the CCC Incentive Program is better defined than the criteria for the other incentive programs, and may provide some direct benefit to ratepayers, I have included the CCC Incentive Program costs in my revenue requirement. However, I would not object if the KCC found that these costs should also be borne by shareholders, due to the fact that the incentives reward behavior that should be an integral and requisite part of the employee position for which the employee is receiving a base salary.

Q. Should the KCC be especially concerned about incentive compensation costs at this time?

A. Yes, it should. Utility commissions need to take some action to stem the ever-increasing levels of officer compensation awards and to stop the cost spiral that results from the benchmarking practice that is now common in the industry. It should be noted that in addition to incentive compensation awards, Atmos employees also receive annual payroll increases and CURB has not recommended any adjustment to such increases. However, the utilities have not shown that the expansion of incentive compensation awards, especially those tied to financial benchmarks, have provided any benefits for ratepayers. Furthermore, utilities will have no incentive to moderate incentive compensation payments unless regulatory commissions are willing to take a stand against excessive compensation tied to financial incentives that that clearly benefit shareholders.

C. Payroll Tax Expense

Q. Are you recommending any adjustment to the Company's payroll tax claim?

A. Yes, since I am recommending a reduction to the Company's payroll costs associated with incentive compensation, it is necessary to make a corresponding adjustment to eliminate certain payroll taxes associated with incentive compensation awards. At Schedule ACC-10, I have made an adjustment to eliminate payroll taxes associated with my recommended adjustments to the Company's incentive compensation programs.

D. Employee Benefits Expense

Q. How did the Company determine its employee benefits expense claim in this case?

A. As shown in Workpaper 9-3 to the Company's filing, Atmos developed its pro forma employee benefits expense adjustment by first determining the percentage of employee benefit expenses to gross labor costs based on its 2015 budget. Employee benefit expenses include medical, dental, pension and workers compensation costs. These costs were determined to be 36.68% of Shared Services labor costs and 38.13% of Colorado/Kansas business unit costs. These percentages were then applied to the Company's pro forma payroll expense adjustments to determine the corresponding adjustments to employee benefit expenses.

Q. Are you recommending any adjustment to the Company's claim for employee benefit expenses?

A. Yes, I am recommending that the KCC reject the Company's proposed adjustment to employee benefit costs. The proposed adjustment is based on the assumption that an increase in labor costs will result in a proportional increase in employee benefit costs. However, the majority of these costs do not increase proportionately with increases in payroll costs. Medical costs are dependent upon many factors, primarily the degree to which covered employees utilize medical services. Moreover, for calendar year 2015, the Company introduced changes to its medical and dental plan that will limit its financial exposure and shift more of any cost increases to its employees. Similarly, pension and other post-retirement employee benefit ("OPEB") costs are impacted by many factors other than labor increases, such as mortality statistics and the discount rates utilized in the actuarial studies. In addition, the Company already has a tracking mechanism for pension and OBEP costs and therefore is made whole for any shortfalls between actual costs incurred each year and the pension and OPEB costs reflected in rates. For all these reasons, I recommend that the KCC reject the Company's proposed benefit expense adjustment. My adjustment to reduce the Company's claim for employee benefit costs is shown in Schedule ACC-11.

E. Non-Qualified Retirement Plan Expense

Q. Do officers and executives also benefit from a Supplemental Executive Retirement Plan

("SERP") and other non-qualified retirement plans?

A. Yes, they do. These non-qualified plans provide supplemental retirement benefits for key executives that are in addition to the normal retirement programs provided by the Company. By offering a non-qualified plan, a company is able to provide additional benefits to highly paid officers and executives that cannot be provided under "qualified" plans, which limit the amount of compensation that can be considered for purposes of determining pension benefits. The current compensation limit is $265,000. In addition, non-qualified plans allow a company to avoid rules and regulations that apply to qualified plans, e.g., rules that prohibit discrimination among employees with regard to retirement benefits. Non-qualified plans generally do not need to meet the requirements of the Employee Retirement Income Security Act ("ERISA"). Non-qualified plans also do not qualify for the more favorable tax treatment that is available to qualified retirement plans under the Internal Revenue Service ("IRS") Tax Code.

Q. What benefits are offered under the Atmos plan?

A. According to the Company's most recent Proxy Statement,

> All named executive officers participate in the SERP, which provides retirement benefits (as well as supplemental disability and death benefits) to most officers and division presidents. For any participant in the SERP prior to November 2008, the SERP provides that an officer or division president who has participated in the SERP for at least two years and has attained age 55 is entitled to an annual supplemental pension in an amount that, when added to his or her annual pension payable under the PAP [Pension Account Plan], equals 60% of his compensation, subject to reductions for less than ten years of employment and for retirement prior to age 62. The Board amended the SERP in November 2008 to provide that any participant who begins

> participation in the SERP after November 2008 must have participated in the SERP for at least three years and attained age 55 to recover the same benefits, subject to reductions for less than ten years of participation in the plan and for retirement prior to age 62.

As defined in the SERP, compensation includes both base salary and annual incentive awards. Therefore, while the annual compensation that can be considered for a qualified plan is $265,000, the amount of current compensation covered by the SERP for fiscal year 2014 ranged from approximately $2,305,931 for Mr. Cocklin to $652,848 for Mr. Haefner. The net present value of the accumulated SERP benefits for the five NEOs is approximately $21.4 million, with an average of only 6.73 years of credited service to the Company. Moreover, the payouts under the SERP benefits can be staggering. For example, Mr. Cocklin's retirement benefit as reported in the 2014 fiscal year Proxy Statement was $14,665,744, while in the event of a change in control of the Company, he would receive a SERP benefit of $18,224,445.

Q. How much did the Company incur in the Test Year relating to the SERP?

A. As shown in the response to KCC-67, the Shared Services Division incurred SERP costs of $8,756,076 and the Colorado/Kansas Division incurred an additional $168,761 of SERP costs.

Q. Do you believe that these costs should be included in utility rates?

A. No, I do not. The officers of the Company are already well compensated, as discussed previously. CURB has not recommended any reduction to the substantial base salaries being awarded to these executives. Moreover, the officers that receive non-qualified retirement plan benefits also receive the normal retirement plan benefits offered by the Company as well. Ratepayers are already paying rates that include retirement benefits for these executives based on the IRS limits. The maximum annual compensation that can be taken into account for each employee under a qualified plan is currently $265,000 and I have not made any adjustment to the Company's claims for annual qualified pension plan costs. However, I don't believe that ratepayers, some of whom may not have any retirement plans, should be required to pay utility rates that reflect an excessive level of retirement benefit costs from two retirement plans. Just as the IRS has determined that these costs should not be eligible for favorable tax treatment, the KCC should also determine that these costs should not be recoverable from regulated ratepayers. If Atmos wants to provide additional retirement benefits to select officers and executives, then shareholders, not ratepayers, should fund the excess benefits. Therefore, I recommend that the KCC disallow the Company's claim for SERP and other non-qualified retirement plan costs. My adjustment is shown in Schedule ACC-12.

It should be noted that my adjustment is based on the response to KCC-67, which does not identify the amount of SERP costs that is capitalized. If a portion of the amounts shown in this response are capitalized and therefore not included in the Company's claim in this case, then my adjustment should be revised accordingly.

F. Uncollectible Expense

Q. Are you recommending any adjustment to the Company's uncollectible expense claim in this case?

A. Yes, I am. Uncollectible costs vary from year-to-year due to a host of factors, including the overall level of customer bills, general economic conditions, and other factors. For that reason, regulatory commissions frequently include a normalization adjustment that reflects an average uncollectible rate over a multi-year period. The uncollectible rate, which is based on the percentage of net write-offs to total gas revenues, is then applied to the Test Year revenue to determine a pro forma level of expense.

I am recommending an adjustment to reflect a pro forma uncollectible expense based on a three-year average ratio. Over the past three years, net write-offs to total gas revenues averaged 0.66%, slightly lower than the actual Test Year average of 0.70%. Therefore, I applied the three-year average of net write-offs to total retail gas revenues of 0.66% to the Company's actual Test Year total gas revenues in order to develop a level of pro forma uncollectible expense. My adjustment is shown in Schedule ACC-13.

G. Rate Case Expense

Q. How did the Company determine its rate case expense claim in this case?

A. The Company's claim is based on projected costs for the current case of $571,902. As shown in the workpapers to the Company's filing (Workpaper 9-6), the Company's claim consists of the following:

Legal Costs	$134,886
Outside Contractor Services	$47,308
CURB/KCC	$268,173
Consultant - Raab	$40,462
Consultant - Watson	$5,000
Consultant - Bulkley	$55,516
Employee Expenses	$18,940
Supplies/Postage	$1,616
Total Rate Case Costs	$571,902

In addition, the Company included $378,259 in unrecovered costs from prior proceedings, for a total rate case cost claim of $950,160.

Q. How does the Company propose to recover these costs?

A. Atmos is proposing to recover these costs over one year through a rate case rider. The Company is proposing that the total costs would be allocated based on the total annual number of bills, resulting in a monthly surcharge of $0.62 per bill. This surcharge would be collected through the facilities charge for a period of up to one year until such time as the costs are recovered. The Company proposes that costs incurred subsequent to this rate case would be included in operating and maintenance costs and recovered over one year through the ARM.

Q. Are you recommending any adjustments to the Company's rate case expense claim?

A. Yes, although I am not recommending any adjustment to the level of rate case costs to be recovered, I am recommending an adjustment to the Company's proposed methodology for recovery. With regard to previously incurred costs, as well as costs associated with this rate case, I am recommending amortizing these costs over a three-year period. My adjustment to include a three-year amortization of rate case costs in base rates results in an increase to the operating and maintenance costs to be recovered through base rates since the Company did not include these costs in is base rate claim but instead proposed that they be recovered through a rider.

Q. What is the basis for your recommended three-year amortization period?

A. The Commission has approved a three-year amortization period in prior proceedings in Kansas. Moreover, the parties agreed to a three-year amortization period in the Company's last base rate case. In addition, a three-year period is also consistent with the recommendation made by KCC Staff in its Report in the 343 Docket that utilities with an infrastructure replacement surcharge should be required to stay-out for a three-year period between base rate cases in order to recover all of their rate case costs. My adjustment to reflect a three-year amortization period for the Company's rate case costs is shown in Schedule ACC-14.

H. Advertising Expense

Q. Are you recommending any adjustment to the Company's claim for advertising costs?

A. Yes, I am recommending that the KCC disallow a portion of these costs. In KCC-51, Staff asked the Company to identify its Test Year advertising costs by type of advertising, i.e., promotional (corporate image), educational, safety, economic development, and any other applicable categories. I am recommending disallowance of costs that were not specifically categorized as well as several small claims for promotional sales advertising. It should be noted that in its filing Atmos made an adjustment to remove certain advertising expenditures from its revenue requirement claim. Therefore, my review was limited to the costs that were not removed by the Company.

Q. What is the basis for your recommendation?

A. With regard to general "advertising" costs, the Company has not demonstrated that these costs are necessary for the provision of safe and reliable utility service and therefore these costs should not be recovered from ratepayers. Also, as a regulated monopoly, utilities are generally prohibited from recovering promotional sales advertising from their customers. This is especially true in the current environment where many regulatory policies promote energy efficiency rather than encouraging customers to use more energy. Therefore, I am recommending that the KCC disallow uncategorized advertising costs and promotional sales advertising costs.

Q. What is the total amount of the advertising costs that you recommend the KCC disallow?

A. Based on the information provided in the response to KCC-51, and assuming the various allocation factors used by Atmos to allocate various division costs to the Kansas jurisdiction, I am recommending disallowance of $9,642 of costs allocated or directly assigned to the Kansas jurisdiction. My adjustment is shown in Schedule ACC-15.

I. Membership Dues Expense

Q, Did the Company make an adjustment to eliminate certain costs related to Chamber to Commerce dues and Economic Development activity from its revenue requirement claim?

A. Yes, it did. As shown on Workpaper 9-12, IS-15, Atmos included an adjustment to remove 50% of its Test Year membership dues to various Chambers of Commerce. This adjustment is consistent with the KCC's general policy to permit no more than 50% of such dues in regulated utility rates. However, in response to KCC-147, the Company stated that this adjustment should be increased by $44,239. Therefore, at Schedule ACC-16, I have made an adjustment to increase the Company's adjustment, from the $5,773 included in IS-15 per the original filing to $50,012 as stated in the response to KCC-147.

J. Meals and Entertainment Expense

Q. Are you recommending any adjustment to the Company's meals and entertainment expense claim?

A. Yes, I am. The Company has included in its filing $165,317 of meals and entertainment expenses that are not deductible on the Company's income tax return. This includes costs incurred directly by the Kansas Division as well as costs that are allocated to Kansas from other divisions. The IRS typically limits recovery of meals and entertainment expenses to 50% on the basis that a portion of these expenditures are not appropriate deductions for federal tax purposes. If these costs are not deemed to be appropriate business expenses by the IRS, it is reasonable for the KCC to conclude that they are not appropriate business expenses to include in a regulated utility's cost of service. Accordingly, at Schedule ACC-17, I have made an adjustment to eliminate these costs from the Company's revenue requirement. While there may be certain costs for meals that should be borne by ratepayers, there are also likely to be costs included in this category that should be entirely excluded from the Company's revenue requirement. Therefore, my recommendation to utilize the 50% IRS disallowance reflects a reasonable balance between shareholders and ratepayers and should be adopted by the KCC.

K. <u>Miscellaneous Expenses</u>

Q. Did the Company remove certain miscellaneous costs from its filing that it indicated should not be borne by ratepayers?

A. Yes, it did. As described in the testimony of Ms. Becker on page 5, the Company removed miscellaneous expense items that should not be charged to ratepayers, such as costs that included "alcoholic beverages and social events". This adjustment also included certain corrections to allocations for costs that were initially charged to the wrong division. The Company's adjustment was shown in IS-6.

Q. Are you recommending any changes to the Company's adjustment?

A. Yes, in the response to KCC-147, Atmos indicated that, in addition to the correction discussed in the prior section of this testimony, it had also identified an error in adjustment IS-6. Specifically, the Company indicated that its adjustment was understated by $8,564. At Schedule ACC-18, I have made an adjustment to increase the Company's adjustment, from the $494,534 included in IS-6 in the original filing to $503,098, as stated in the response to KCC-147.

L. Interest Synchronization and Taxes

Q. Have you adjusted the pro forma interest expense for income tax purposes?

A. Yes, I made this adjustment at Schedule ACC-19. It is consistent (synchronized) with my recommended rate base, capital structure, and cost of capital recommendations. I am recommending a lower rate base than the rate base that the Company included in its filing. However, I am also recommending a higher percentage of debt in the capital structure. The net result of my recommendations is to increase the Company's pro forma interest expense. This higher interest expense, which is an income tax deduction for state and federal tax purposes, will result in a decrease to the Company's income tax liability under CURB's recommendations. Therefore, my recommendations result in an interest synchronization adjustment that reflects a lower income tax burden for the Company, and an increase to pro forma income at present rates.

Q. What income tax factor have you used to quantify your adjustments?

A. As shown on Schedule ACC-20, I have used a composite income tax factor of 39.55%, which includes a state income tax rate of 7.0% and a federal income tax rate of 35.0%. These are the state and federal income tax rates contained in the Company's filing.

Q. What revenue multiplier have you used in your revenue requirement?

A. My recommendations result in a revenue multiplier of 1.6598, as shown on Schedule ACC-21. This revenue multiplier reflects the state and federal income tax rates stated above. In addition, I have included uncollectible expense at the rate of 0.66% that I recommended earlier in my testimony.

VII. REVENUE REQUIREMENT SUMMARY

Q. What is the result of the recommendations contained in your testimony?

A. My adjustments indicate a revenue requirement surplus at present rates of $716,730 as summarized on Schedule ACC-1. This recommendation reflects revenue requirement adjustments of $6,383,351 to the revenue increase of $5,666,621 requested by Atmos.

Q. Have you quantified the revenue requirement impact of each of your recommended adjustments?

A. Yes, at Schedule ACC-22, I have quantified the impact on the Company's revenue requirement of CURB's rate of return, rate base, revenue and operating expense adjustments.

Q. Have you developed a pro forma income statement?

A. Yes, Schedule ACC-23 contains a pro forma income statement, showing utility operating income under several scenarios, including the Company's claimed operating income at present rates, my recommended operating income at present rates, and operating income under my proposed rate decrease. My recommendations will result in an overall return on rate base of 7.60%.

VIII. NEW REGULATORY MECHANISMS

Q. Is Atmos proposing any new regulatory mechanisms in this case?

A. Yes, Atmos is proposing two new regulatory mechanisms that, if approved, would significantly change the nature of utility regulation in Kansas. First, Atmos is proposing the ARM, which is a formula rate mechanism that would allow the Company to increase gas rates on an annual basis without a full rate review. Second, the Company is proposing to implement a SIP Tariff, which would provide for quarterly rate increases in order to support infrastructure replacement projects. Both of these proposals will increase utility rates to Kansas ratepayers and weaken regulatory oversight.

A. Annual Rate Mechanism

Q. What is the Annual Rate Mechanism ("ARM")?

A. The ARM is a formula rate mechanism that, if adopted, would represent a fundamental change in the regulatory paradigm in Kansas. According to the testimony of Mr. Smith at page 3, the purpose of the ARM is "to address the Commission's general concerns regarding the frequency of the Company's rate case filings under current levels of capital investment and the associated rate case expenses in particular."

Q. Does the Company's ARM proposal achieve these objectives?

A. No. It is ironic that the Company's proposed solution to address the frequency of rate cases and high rate case costs is to ensure that there will be a rate increase each and every year and that these increases will be effectuated without the benefit of a full revenue requirement analysis. While the ARM would reduce the frequency of full rate cases, it would not reduce the frequency of rate increases. Moreover, while the ARM would also reduce rate case costs, the Company would be virtually guaranteed full recovery of any rate case costs that it did incur, without requiring a full review and analysis of those costs. This proposal hardly seems like a good deal for ratepayers, but it is a great deal for the Company's shareholders.

Q. How would the Company's proposed formula rate plan work?

A. According to the testimony of Mr. Smith beginning at page 13, "[t]his [rate] case would establish the methodologies for normalizing and annualizing revenues and costs and would identify the costs to be allowed and/or disallowed for recovery in rates." Mr. Smith goes on to state that this case would also establish the method of calculating an updated capital structure for the future filings and that the cost of equity approved in this case would be used to determine the overall cost of capital in future ARM filings. This case would also establish the "revenue allocation principles to be applied in future ARM rate changes." Mr. Smith states that resolving these issues in this case would streamline future annual filings and result in lower rate case costs.

Atmos proposes to make an annual filing by July 1st of each year, based on actual results for the twelve months ending the prior March 31st. New rates would be effective 122 days later, on November 1st of each year. Atmos does not propose to provide supporting testimony as part of this annual filing. Atmos is not proposing a pilot program nor an ending date for the ARM. Thus, under the Company's proposal, the ARM would represent a permanent change in the method for establishing appropriate utility rates for customers of Atmos in Kansas. Further, under the Company's proposal, if Atmos believes that rates under the ARM are not satisfactory, it could file a base rate case at any time, while the sole protection for ratepayers would be the KCC's authority to initiate a show-cause proceeding if the Commission believes the Company's rates are excessive under the ARM.

Q. Is the ARM being promoted as a mechanism that would allow the Company to increase its safety and reliability investment?

A. No, it is not. According to page 18 of Mr. Smith's testimony, "[t]he ARM is proposed as a stream-lined, lower cost means of reviewing rate increases necessary under the Company's current level of spending and capital investment." The ARM is not intended to facilitate incremental levels of capital spending for safely and reliability. Instead, the Company has proposed the SIP Tariff to address perceived issues with safety and reliability. The ARM is intended to solely address the Commission's concerns regarding the frequency of rate filings and rate case costs. As noted on page 18 of Mr. Smith's testimony, the ARM would not enable Atmos "to accelerate its progress on eliminating obsolete materials in the Kansas system."

Q. Are there any other Kansas utilities that have a formula rate mechanism?

A. Yes, there is one, Southern Pioneer Electric Company. The Southern Pioneer formula rate plan was sold to the KCC and the KCC Staff on the basis that Southern Pioneer was unique, in that it is an investor-owned utility that is, in turn, owned by a cooperative utility. Southern Pioneer argued that due to this unique structure, whereby its customers are also its ultimate owners as well, it was reasonable for the KCC to adopt a formula rate plan that would provide for annual rate adjustments in a stream-lined manner. CURB opposed the formula rate mechanism for Southern Pioneer. In fact, at the evidentiary hearing, I expressed my concern that if such a mechanism was approved for Southern Pioneer, it was just a matter of time before other companies would be seeking similar formula rate mechanisms even though they are not in the "unique" situation of Southern Pioneer. It appears that time is now.

Moreover, while Southern Pioneer's formula is based on a debt service coverage ratio, the formula proposed by Atmos would be based on net investment, which would essentially guarantee annual rate increases.

Q. What do you believe is the primary driver of the Company's ARM proposal?

A. It is pretty clear that the real purpose of the ARM is to accelerate returns to Atmos shareholders. The Company argues that shareholders are being harmed by the regulatory review mechanism in Kansas, and that regulatory lag in Kansas is longer than in its other regulatory jurisdictions. Atmos apparently feels that the current Kansas regulatory mechanism is no longer appropriate and provides too much risk (and too little return) for shareholders.

Q. Please comment on Atmos's suggestion that it will favor investment in those states that provide the Company with the most favorable returns and the most liberal regulatory policies.

A. In my opinion, this is a thinly-veiled threat that ignores several important points. Atmos is a regulated monopoly utility that has an obligation to provide safe and reliable utility service at the lowest reasonable rates. This obligation has existed since regulation of utilities in Kansas began. The Company's testimony suggests that shareholders should expect immediate returns on their investment and that shareholders are being unfairly penalized in Kansas through the regulatory review process. But Atmos enjoys an enviable position in financial markets in that it does not have to worry about competition. Atmos wants to enjoy the financial freedom enjoyed by competitive firms while retaining a monopoly franchise. The Company apparently chooses to forget that the monopoly franchise it holds not only grants the Company the exclusive right to serve customers in its territory, but also imposes the obligation to serve them at the lowest reasonable cost. Atmos's threats to direct its investment resources away from Kansas because it does not believe that shareholders are making enough here is an insult to the ratepayers of this state and inconsistent with the regulatory obligations of the Company.

Q Is regulatory lag a new concept?

A. No, it is not. Regulatory lag is not a new concept. It has existed since as long as the current regulatory mechanism has been in place. Moreover, regulatory lag is not always detrimental to the Company - it can work to the benefit of shareholders. For example, in a period of declining capital costs and/or sales growth, regulatory lag can provide a benefit to shareholders because shareholders enjoy increased returns between base rate case filings. In addition, it is the utility that generally decides when to file for a base rate change so utilities take advantage of regulatory lag and stay out when it works in their favor.

Q. Does the Gas System Reliability Surcharge ("GSRS") help to reduce regulatory lag?

A. Yes, of course it does. It is my understanding that the GSRS was adopted by the Kansas Legislature at the behest of the state's gas utilities, who argued that some alternative regulatory mechanism was required in order to reduce regulatory lag associated with incremental investment in decaying infrastructure. The Legislature responded with a GSRS mechanism. Now, just few years later, the state's gas utilities, including Atmos, are arguing that the GSRS mechanism is inadequate. Moreover, in addition to the GSRS, Atmos has several other mechanisms that reduce regulatory lag or otherwise protect shareholders, such as the weather normalization adjustment charge, the ad valorem tax surcharge, and a tracking mechanism for pension and OPEB costs. In addition, a significant portion of its costs are for gas supply, for which shareholders also bear no risk. However, Atmos argues that these mechanisms are not enough, and instead the Company is seeking an entirely new mechanism that would result in annual rate increases for Kansas ratepayers with minimal scrutiny.

Q. Do you share the Commission's concern regarding the frequency of rate cases and escalating rate case costs?

A. Yes, I do. I am very concerned about the seemingly-unlimited amounts being spent on rate cases by regulated utilities. Moreover, this trend is not unique to Kansas. We regularly see claims for rate case costs that exceed $1 million and hourly rates for rate case lawyers and consultants of $500 per hour or more in some cases.

However, the best way for the Commission to address high rate case costs is not to adopt a new regulatory mechanism that would result in annual rate cases without the benefit of a full rate review, while still passing along all rate case costs in utility rates, which is essentially what is being proposed by the Company in this case through the ARM. Instead, the KCC should take a more critical look at the ratemaking treatment afforded rate case costs, and recognize that shareholders, in addition to ratepayers, benefit from rate cases. Presently, utilities have no incentive to control these costs since they are guaranteed recovery of their costs from ratepayers. Shareholders, who also benefit, are getting something of a free ride. But even with the high level of rate case costs, ratepayers in Kansas have still benefitted from the traditional rate case process.

Q. Why do you believe that ratepayers have benefitted from the traditional rate case process?

A. A review of the response to CURB-57 indicates that ratepayers have saved much more through the traditional rate case process than they would have saved through the Company's proposed ARM. Listed below is the total rate request made by Atmos in each of the past three rate cases, the amount awarded by the KCC, and the amount spent on rate case costs:

	Amount Requested	Amount Awarded	Rate Case Costs
10-ATMG-495-RTS	$6,014,705	$3,855,000	$272,166
12-ATMG-564-RTS	$9,705,116	$2,800,000	$330,357
14-ATMG-320-RTS	$7,005,215	$4,331,500	$773,986
Total	$22,725,036	$10,986,500	$1,377,109

According to this response, over the last three base rate cases, Atmos has been awarded approximately 48.3% of its rate requests, resulting in a savings of $11.7 million for ratepayers. These savings are net of the annual rate case costs included for recovery in the Company's approved revenue requirements. Total rate case costs for the three cases were $1,377,109. Thus, ratepayers saved much more in annual costs than they paid in the associated rate case costs, especially when one considers that reductions to the Company's rate requests are annual savings, and that ratepayers benefit from those savings each year that rates are in effect, while rate case costs are one-time costs. If the Company is so concerned about rate case costs, it could take steps such as issuing Requests for Proposal for rate case services, which few companies do, and holding outside counsel and consultants to strict budget commitments.

Q. Will the ARM provide an appropriate incentive to the Company to control costs?

A. No, it will not. The ARM is essentially reimbursement ratemaking, in that the Company's rates will change each year based on the prior year's results. Given the Company's capital program, the ARM will result in certain rate increases each year. Moreover, the Company will be virtually guaranteed these increases under the proposed mechanism. Therefore, the ARM will reduce the Company's incentive to control costs between base rate cases and is inconsistent with the regulatory objective that regulation is a substitute for competition.

Q. Do you have other concerns about the proposed ARM?

A. Yes, I do. The Company claims that the ARM will limit controversy among the parties because it will be based on KCC-approved ratemaking methodologies and precedents. However, there may be disagreement among the parties regarding what specific ratemaking methodologies and precedents have been approved by the KCC. The fact is that many utility cases are resolved by stipulations and therefore there may not be KCC-approved precedent for all issues.

Second, the ARM effectively precludes the parties from raising additional rate issues. Simply because a specific cost was not challenged in the past is no reason why parties should be precluded from raising it in the future. In many cases, a party's participation in a rate proceeding is limited by its available resources, unlike the utilities that can simply spend as much as they want on a rate case, knowing that recovery from ratepayers is virtually assured. Once the ARM is adopted, it would be very difficult for parties to raise new issues.

Third, simply because a cost has been approved, it does not follow that the level of the cost continues to be reasonable or that the underlying parameters are reasonable. For example, over the past few years, the Company has significantly increased the percentage of base salary that is used to determine incentive compensation costs. Assuming that an incentive compensation plan was previously approved by the KCC, it does not follow that it will continue to be reasonable regardless of the changes made in that program. For all these reasons, there are flaws in the Company's ARM proposal that seriously handicap the ability of other parties to challenge costs in the future.

Q. What do you recommend?

A. I recommend the KCC deny the Company's request to change the basic ratemaking paradigm in Kansas and reject the proposed ARM. It is clear that the Company's primary motivation is not controlling rate case costs but instead is to reduce perceived regulatory lag and accelerate returns to shareholders. Atmos already has several rate mechanisms that reduce regulatory lag and reduce shareholder risk. The KCC should not address its concerns regarding annual rate filings and high rate case costs by adopting a new mechanism that would virtually guarantee annual rate hikes and would remove important ratepayer safeguards. Accordingly, the Company's proposal should be denied.

B. System Integrity Program ("SIP) Tariff

Q. Please provide a brief description of the SIP Tariff proposed by Atmos.

A. Atmos is proposing to implement a SIP Tariff, which would provide for quarterly rate adjustments to recover incremental spending related to natural gas pipe replacement projects. The Company states that the SIP would not include costs incurred under its current pipe replacement program - those costs would be recovered pursuant to the proposed ARM. Thus, the SIP Tariff would recover incremental investment that the Company claims would not be undertaken in the absence of an accelerated recovery mechanism. The Company is proposing a five-year pilot program for the SIP Tariff.

Q. How would rate increases be quantified under the Company's proposal?

A. The incremental revenue requirement would be calculated quarterly, and would include a return, at the weighted average cost of capital authorized in this case, on the net investment related to the projects that have been completed. Net investment would include gross plant, accumulated depreciation, and accumulated deferred income taxes. The revenue requirement would also include retirement and removal costs related to SIP projects, depreciation expense, and associated taxes including property taxes.

Q. What are the proposed mechanics of the SIP?

A. The Company proposes to file a multi-year plan on February 1, 2016. The plan would be reviewed and, pursuant to the Company's proposal, accepted, by May 1, 2016. The actual SIP plan year would begin on July 1, 2016 and run through March 31, 2017. Thereafter, the SIP plan year would run from April 1 to March 31 of each subsequent year.

The Company proposes to make its first quarterly adjustment filing in mid-October 2016, covering the period July 1, 2016, through September 30, 2016. Atmos proposes that new rates resulting from that filing would be effective November 1, 2016. Subsequent quarterly rate adjustments would be effective on February 1, May 1, and August 1, and November 1 of each year. In addition to the quarterly filings, the Company would make annual filings in December of each year. These annual filings would identify the SIP projects for the upcoming plan year and provide details of projects completed through the preceding September.

Q. Has the KCC initiated a generic proceeding to examine issues relating to accelerated pipeline replacement and associated cost recovery?

A. Yes, it has. Moreover, that generic proceeding was initiated in response to the Company's last base rate case. In the 320 Docket, Atmos requested a deferral mechanism that would have allowed it to defer the revenue requirement associated with various investment projects between base rate cases. In that case, Atmos made many of the same arguments that it has made in this case, specifically that such a mechanism was necessary to promote replacement of aging infrastructure and to mitigate the impact of regulatory lag. The KCC denied the Company's request, but stated in its Order that it "would entertain the possibility of roundtable discussions with industry to discuss proposing to the legislature either an adjustment to the GSRS Act or an additional system integrity RA [regulatory asset] as well as any specific projects, goals, and concerns that it would address."[9] KCC Staff subsequently held meetings with the investor-owned utilities and on February 2, 2015, the KCC Staff issued a report recommending that the KCC initiate a proceeding "to receive comments from the affected parties and fully develop the record regarding the efficacy of a pipe replacement program to enhance public safety and the parameters that should be included in a pipe replacement program plan to assure equitable recovery of the investment costs."[10] The KCC initiated KCC Docket No. 15-GIMG-343-GIG ("343 Docket") on March 12, 2015 in response to Staff's recommendation. The gas utilities have filed testimony in that proceeding and testimony by other parties is due to be filed in late January 2016.

Q. Are you recommending that the KCC make any determination in this case regarding the Company's proposed SIP?

9 Order in KCC Docket No. 14-ATMG-320-RTS, paragraph 56.
10 Recommendation to Initiate a General Investigation Regarding the Acceleration of Replacement of Natural Gas Pipelines Constructed of Obsolete Materials Considered to be a Safety Risk, February 2, 2015.

A. No. The KCC has already established a generic proceeding to address the issue of accelerated pipeline replacement and associated cost recovery. Atmos, Kansas Gas Service ("KGS"), and Black Hills Energy have all filed testimony in that case with various proposals. The 343 Docket is the appropriate forum for review of the issue of accelerated pipeline replacement. The KCC should not make any decision on the SIP Tariff in this case but rather should decide the issue based on a fully developed record in the generic proceeding. Therefore, I am recommending that the KCC defer the Company's SIP proposal in this case and instead evaluate it as part of its review in the 343 Docket. Alternatively, if the KCC does not believe that it can defer evaluation of the Company's proposal in this case, then it should reject it outright and simply reexamine the issue in the generic docket.

Q. Has CURB developed recommendations for the KCC's consideration in the 343 Docket?

A. Given that discovery in the 343 Docket is not yet complete, CURB has not finalized its recommendations. However, if the KCC decides to authorize some form of an accelerated pipe replacement program and associated cost recovery mechanism, we are examining some parameters that we believe such a program should have.

Q. Did Staff propose any such parameters in its report?

A. Yes, it did. In that report, Staff proposed several parameters that it recommended be considered for any such program. These included:

- A pilot program for a term of five years.
- Extraordinary ratemaking treatment limited to incremental investment.
- An initial filing containing a roadmap for replacement of all undesirable pipe.
- A prioritization program to remove the highest risk pipe first.
- An increase in the overall level of capital expenditures made by the utility.
- Projected yearly replacement levels and capitalized costs.
- Requirement for annual compliance filings.
- An agreement not to seek a general rate increase more often than every three years, or in the alternative to have shareholders bear a portion of rate case costs;
- A commitment to track savings and use any savings to mitigate the incremental costs.

Q. Do you generally support the parameters outlined by Staff?

A. Yes, I do. However, I am concerned that the parameters outlined by Staff may not provide a reasonable balance between ratepayers and shareholders. Therefore, CURB is examining additional parameters that we may recommend in the 343 proceeding. If Atmos believes that a new regulatory mechanism is required in order to accelerate the rehabilitation and replacement of its infrastructure, then it should also recognize that a new regulatory paradigm may require sacrifice on the part of all parties - both investors and ratepayers. It is my understanding that Atmos paid a premium when it purchased the gas systems in Kansas that are the subject of its SIP proposal. Moreover, Atmos has now owned and operated these systems for a number of years. The Company must bear some responsibility for its decision to pay a high price for assets constructed of obsolete materials and for its failure to proactively replace infrastructure since these systems were acquired. As noted in Mr. McGee's testimony, the Atmos system lags many other gas systems, both in Kansas and elsewhere, with regard to infrastructure replacement and the Company's management and its shareholders must bear some responsibility for the current situation.

Q. What additional parameters are being considered by CURB?

A. CURB is considering whether it is appropriate to utilize a lower return on investment for projects that are eligible for accelerated recovery. Atmos is proposing that the SIP projects earn a return at the overall weighted average cost of capital approved in this case. But not only is the Company requesting a high return on equity in this case of 10.5%, which represents a significant increase over the previously-authorized 9.1%, it is also requesting a capital structure consisting of 56.12% common equity, an increase over the currently-authorized 53.0%. Thus, under the Company's proposal, ratepayers would get a double whammy - a higher return on equity and more equity on which the Company would earn that return. If a long-term infrastructure replacement program is approved, along with accelerated cost recovery, then CURB believes that it may be appropriate to utilize a lower cost of capital for the investment subject to the accelerated recovery. It may be more appropriate from a ratemaking perspective if the return on these investments reflects a lower cost of capital than the return awarded on traditional rate base investment. This could be achieved by adopting a different capital structure for the return on these investments, e.g., imputing additional debt, or by authorizing a lower return on equity for projects subject to accelerated recovery.

Q. Why is it reasonable to consider applying a lower cost of capital to the return on projects that receive accelerated recovery?

A. It is appropriate for several reasons. First, it recognizes that these projects are necessary because of the utility's failure to undertake sufficient replacement projects in the past. The Company's inaction has now resulted in a backlog of replacement projects that Atmos claims will require special ratemaking treatment in order to finance. Second, it prevents utilities from unfairly benefiting from these accelerated replacement programs. The KCC should keep in mind that it is to the benefit of shareholders if the utility increases its rate base. Every dollar invested is another dollar on which shareholders can earn a return. Therefore, the KCC should be careful to ensure the investment being undertaken by the utility is actually necessary and is not being done simply to enhance ratepayer returns. Third, if a new regulatory mechanism is needed to ensure appropriate levels of infrastructure replacements, then the KCC should consider all options with regard to that new mechanism. Atmos argues that traditional ratemaking is no longer appropriate for the level of infrastructure replacement that is required, but it is not willing to reconsider the compact between ratepayers and shareholders. Thus Atmos wants ratepayers to provide for accelerated recovery, but it does not want shareholders to lose any of their profit potential. In fact, Atmos seeks to increase shareholder returns by accelerating recovery, while shifting risk of recovery from shareholders to ratepayers.

Q. In addition to examining new recovery mechanisms relating to infrastructure investments, is CURB also considering other recovery options in the 343 Docket?

A. Yes, it is. As previously discussed, the Kansas Legislature, at the request of the gas utilities, authorized the GSRS mechanism to address concerns about regulatory lag and the recovery of accelerated infrastructure investment programs. One of the concerns expressed by Atmos is that recovery under the GSRS is limited by a cap on the amount that it can charge each year. If the KCC believes that some additional accelerated ratemaking mechanism is necessary in order to promote infrastructure replacement, CURB would support efforts by Atmos and the gas utilities to petition the Legislature to increase the existing cap. This option would provide additional funds for infrastructure replacement but would do so through an existing ratemaking mechanism. Increasing the GSRS cap would preserve the framework initially adopted by the Legislature while recognizing that the magnitude of the replacement projects faced by Kansas utilities may require more funds than those available under the existing cap.

Q. Please summarize your recommendation with regard to the SIP Tariff proposed by Atmos.

A. I recommend that the KCC defer consideration of the Company's proposal at this time, and instead consider the Atmos proposal in the generic 343 Docket. It is premature for the KCC to act on the Company's proposal at this time. If, however, the KCC decides that it must make some determination in this case, then it should reject the Company's proposal in this case.

Ultimately, if the KCC decides that accelerated recovery is required in order to provide for infrastructure replacement, it should consider utilizing a lower cost of equity or a higher percentage of debt when determining the appropriate return for ratemaking purposes. Alternatively, the KCC should consider utilizing the existing GSRS mechanism already approved by the Kansas Legislature to provide additional funds for infrastructure replacement. I look forward to examining these issues more closely in the 343 Docket.

Q. Does this conclude your testimony?

A. Yes, it does.

VERIFICATION

STATE OF CONNECTICUT)

COUNTY OF FAIRFIELD) ss:

Andrea C. Crane, being duly sworn upon her oath, deposes and states that she is a consultant for the Citizens' Utility Ratepayer Board, that she has read and is familiar with the foregoing Testimony, and that the statements made herein are true to the best of her knowledge, information and belief.

Andrea C. Crane

Andrea C. Crane

Subscribed and sworn before me this 16th day of December, 2015.

Notary Public Benjamin D Cotton

BENJAMIN D COTTON
Notary Public-Connecticut
My Commission Expires
June 30, 2017

My Commission Expires: ______________________

APPENDIX A

List of Prior Testimonies

The Columbia Group, Inc., Testimonies of Andrea C. Crane

Company	Utility	State	Docket	Date	Topic	On Behalf Of
Atmos Energy Company	G	Kansas	16-ATMG-079-RTS	12/15	Revenue Requirements	Citizens' Utility Ratepayer Board
El Paso Electric Company	E	New Mexico	15-00109-UT	12/15	Sale of Four Corners	Office of Attorney General
El Paso Electric Company	E	New Mexico	15-00127-UT	9/15	Revenue Requirements	Office of Attorney General
Rockland Electric Company	E	New Jersey	ER14030250	9/15	Storm Hardening Surcharge	Division of Rate Counsel
El Paso Electric Company	E	New Mexico	15-00099-UT	8/15	Certificate of Public Convenience - Ft. Bliss	Office of Attorney General
Southwestern Public Service Company	E	New Mexico	15-00083-UT	7/15	Approval of Purchased Power Agreements	Office of Attorney General
Westar Energy, Inc.	E	Kansas	15-WSEE-115-RTS	7/15	Revenue Requirements	Citizens' Utility Ratepayer Board
Kansas City Power and Light Company	E	Kansas	15-KCPE-116-RTS	5/15	Revenue Requirements	Citizens' Utility Ratepayer Board
Comcast Cable Communications	C	New Jersey	CR14101099-1120	4/15	Cable Rates (Form 1240)	Division of Rate Counsel
Liberty Utilities (Pine Buff Water)	W	Arkansas	14-020-U	1/15	Revenue Requirements	Office of Attorney General
Public Service Electric and Gas Co.	E/G	New Jersey	EO14080897	11/14	Energy Efficiency Program Extension II	Division of Rate Counsel
Black Hills/Kansas Gas Utility Company	G	Kansas	14-BHCG-502-RTS	9/14	Revenue Requirements	Citizens' Utility Ratepayer Board
Public Service Company of New Mexico	E	New Mexico	14-00158-UT	9/14	Renewable Energy Rider	Office of Attorney General
Public Service Company of New Mexico	E	New Mexico	13-00390-UT	8/14	Abandonment of San Juan Units 2 and 3	Office of Attorney General
Atmos Energy Company	G	Kansas	14-ATMG-320-RTS	5/14	Revenue Requirements	Citizens' Utility Ratepayer Board
Rockland Electric Company	E	New Jersey	ER13111135	5/14	Revenue Requirements	Division of Rate Counsel
Kansas City Power and Light Company	E	Kansas	14-KCPE-272-RTS	4/14	Abbreviated Rate Filing	Citizens' Utility Ratepayer Board
Comcast Cable Communications	C	New Jersey	CR13100885-906	3/14	Cable Rates	Division of Rate Counsel
New Mexico Gas Company	G	New Mexico	13-00231-UT	2/14	Merger Policy	Office of Attorney General
Water Service Corporation (Kentucky)	W	Kentucky	2013-00237	2/14	Revenue Requirements	Office of Attorney General
Oneok, Inc. and Kansas Gas Service	G	Kansas	14-KGSG-100-MIS	12/13	Plan of Reorganization	Citizens' Utility Ratepayer Board
Public Service Electric & Gas Company	E/G	New Jersey	EO13020155 GO13020156	10/13	Energy Strong Program	Division of Rate Counsel
Southwestern Public Service Company	E	New Mexico	12-00350-UT	8/13	Cost of Capital, RPS Rider, Gain on Sale, Allocations	New Mexico Office of Attorney General
Westar Energy, Inc.	E	Kansas	13-WSEE-629-RTS	8/13	Abbreviated Rate Filing	Citizens' Utility Ratepayer Board
Delmarva Power and Light Company	E	Delaware	13-115	8/13	Revenue Requirements	Division of the Public Advocate

The Columbia Group, Inc., Testimonies of Andrea C. Crane

Company	Utility	State	Docket	Date	Topic	On Behalf Of
Mid-Kansas Electric Company (Southern Pioneer)	E	Kansas	13-MKEE-447-MIS	8/13	Abbreviated Rate Filing	Citizens' Utility Ratepayer Board
Jersey Central Power & Light Company	E	New Jersey	ER12111052	6/13	Reliability Cost Recovery Consolidated Income Taxes	Division of Rate Counsel
Mid-Kansas Electric Company	E	Kansas	13-MKEE-447-MIS	5/13	Transfer of Certificate Regulatory Policy	Citizens' Utility Ratepayer Board
Mid-Kansas Electric Company (Southern Pioneer)	E	Kansas	13-MKEE-452-MIS	5/13	Formula Rates	Citizens' Utility Ratepayer Board
Chesapeake Utilities Corporation	G	Delaware	12-450F	3/13	Gas Sales Rates	Attorney General
Public Service Electric and Gas Co.	E	New Jersey	EO12080721	1/13	Solar 4 All - Extension Program	Division of Rate Counsel
Public Service Electric and Gas Co.	E	New Jersey	EO12080726	1/13	Solar Loan III Program	Division of Rate Counsel
Lane Scott Electric Cooperative	E	Kansas	12-MKEE-410-RTS	11/12	Acquisition Premium, Policy Issues	Citizens' Utility Ratepayer Board
Kansas Gas Service	G	Kansas	12-KGSG-835-RTS	9/12	Revenue Requirements	Citizens' Utility Ratepayer Board
Kansas City Power and Light Company	E	Kansas	12-KCPE-764-RTS	8/12	Revenue Requirements	Citizens' Utility Ratepayer Board
Woonsocket Water Division	W	Rhode Island	4320	7/12	Revenue Requirements	Division of Public Utilities and Carriers
Atmos Energy Company	G	Kansas	12-ATMG-564-RTS	6/12	Revenue Requirements	Citizens' Utility Ratepayer Board
Delmarva Power and Light Company	E	Delaware	110258	5/12	Cost of Capital	Division of the Public Advocate
Mid-Kansas Electric Company (Western)	E	Kansas	12-MKEE-491-RTS	5/12	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Atlantic City Electric Company	E	New Jersey	ER11080469	4/12	Revenue Requirements	Division of Rate Counsel
Mid-Kansas Electric Company (Southern Pioneer)	E	Kansas	12-MKEE-380-RTS	4/12	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Delmarva Power and Light Company	G	Delaware	11-381F	2/12	Gas Cost Rates	Division of the Public Advocate
Atlantic City Electric Company	E	New Jersey	EO11110650	2/12	Infrastructure Investment Program (IIP-2)	Division of Rate Counsel
Chesapeake Utilities Corporation	G	Delaware	11-384F	2/12	Gas Service Rates	Division of the Public Advocate
New Jersey American Water Co.	W/WW	New Jersey	WR11070460	1/12	Consolidated Income Taxes Cash Working Capital	Division of Rate Counsel
Westar Energy, Inc.	E	Kansas	12-WSEE-112-RTS	1/12	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Puget Sound Energy, Inc.	E/G	Washington	UE-111048 UG-111049	12/11	Conservation Incentive Program and Others	Public Counsel
Puget Sound Energy, Inc.	G	Washington	UG-110723	10/11	Pipeline Replacement Tracker	Public Counsel

Company	Utility	State	Docket	Date	Topic	On Behalf Of
Empire District Electric Company	E	Kansas	11-EPDE-856-RTS	10/11	Revenue Requirements	Citizens' Utility Ratepayer Board
Comcast Cable	C	New Jersey	CR11030116-117	9/11	Forms 1240 and 1205	Division of Rate Counsel
Artesian Water Company	W	Delaware	11-207	9/11	Revenue Requirements Cost of Capital	Division of the Public Advocate
Kansas City Power & Light Company	E	Kansas	10-KCPE-415-RTS (Remand)	7/11	Rate Case Costs	Citizens' Utility Ratepayer Board
Midwest Energy, Inc.	G	Kansas	11-MDWE-609-RTS	7/11	Revenue Requirements	Citizens' Utility Ratepayer Board
Kansas City Power & Light Company	E	Kansas	11-KCPE-581-PRE	6/11	Pre-Determination of Ratemaking Principles	Citizens' Utility Ratepayer Board
United Water Delaware, Inc.	W	Delaware	10-421	5/11	Revenue Requirements Cost of Capital	Division of the Public Advocate
Mid-Kansas Electric Company	E	Kansas	11-MKEE-439-RTS	4/11	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
South Jersey Gas Company	G	New Jersey	GR10060378-79	3/11	BGSS / CIP	Division of Rate Counsel
Chesapeake Utilities Corporation	G	Delaware	10-296F	3/11	Gas Service Rates	Division of the Public Advocate
Westar Energy, Inc.	E	Kansas	11-WSEE-377-PRE	2/11	Pre-Determination of Wind Investment	Citizens' Utility Ratepayer Board
Delmarva Power and Light Company	G	Delaware	10-295F	2/11	Gas Cost Rates	Attorney General
Delmarva Power and Light Company	G	Delaware	10-237	10/10	Revenue Requirements Cost of Capital	Division of the Public Advocate
Pawtucket Water Supply Board	W	Rhode Island	4171	7/10	Revenue Requirements	Division of Public Utilities and Carriers
New Jersey Natural Gas Company	G	New Jersey	GR10030225	7/10	RGGI Programs and Cost Recovery	Division of Rate Counsel
Kansas City Power & Light Company	E	Kansas	10-KCPE-415-RTS	6/10	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Atmos Energy Corp.	G	Kansas	10-ATMG-495-RTS	6/10	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Empire District Electric Company	E	Kansas	10-EPDE-314-RTS	3/10	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Delmarva Power and Light Company	E	Delaware	09-414 and 09-276T	2/10	Cost of Capital Rate Design Policy Issues	Division of the Public Advocate
Delmarva Power and Light Company	G	Delaware	09-385F	2/10	Gas Cost Rates	Division of the Public Advocate
Chesapeake Utilities Corporation	G	Delaware	09-398F	1/10	Gas Service Rates	Division of the Public Advocate
Public Service Electric and Gas Company	E	New Jersey	ER09020113	11/09	Societal Benefit Charge Non-Utility Generation Charge	Division of Rate Counsel
Delmarva Power and Light Company	G	Delaware	09-277T	11/09	Rate Design	Division of the Public Advocate

The Columbia Group, Inc., Testimonies of Andrea C. Crane

Company	Utility	State	Docket	Date	Topic	On Behalf Of
Public Service Electric and Gas Company	E/G	New Jersey	GR09050422	11/09	Revenue Requirements	Division of Rate Counsel
Mid-Kansas Electric Company	E	Kansas	09-MKEE-969-RTS	10/09	Revenue Requirements	Citizens' Utility Ratepayer Board
Westar Energy, Inc.	E	Kansas	09-WSEE-925-RTS	9/09	Revenue Requirements	Citizens' Utility Ratepayer Board
Jersey Central Power and Light Co.	E	New Jersey	EO08050326 EO08080542	8/09	Demand Response Programs	Division of Rate Counsel
Public Service Electric and Gas Company	E	New Jersey	EO09030249	7/09	Solar Loan II Program	Division of Rate Counsel
Midwest Energy, Inc.	E	Kansas	09-MDWE-792-RTS	7/09	Revenue Requirements	Citizens' Utility Ratepayer Board
Westar Energy and KG&E	E	Kansas	09-WSEE-641-GIE	6/09	Rate Consolidation	Citizens' Utility Ratepayer Board
United Water Delaware, Inc.	W	Delaware	09-60	6/09	Cost of Capital	Division of the Public Advocate
Rockland Electric Company	E	New Jersey	GO09020097	6/09	SREC-Based Financing Program	Division of Rate Counsel
Tidewater Utilities, Inc.	W	Delaware	09-29	6/09	Revenue Requirements Cost of Capital	Division of the Public Advocate
Chesapeake Utilities Corporation	G	Delaware	08-269F	3/09	Gas Service Rates	Division of the Public Advocate
Delmarva Power and Light Company	G	Delaware	08-266F	2/09	Gas Cost Rates	Division of the Public Advocate
Kansas City Power & Light Company	E	Kansas	09-KCPE-246-RTS	2/09	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Jersey Central Power and Light Co.	E	New Jersey	EO08090840	1/09	Solar Financing Program	Division of Rate Counsel
Atlantic City Electric Company	E	New Jersey	EO06100744 EO08100875	1/09	Solar Financing Program	Division of Rate Counsel
West Virginia-American Water Company	W	West Virginia	08-0900-W-42T	11/08	Revenue Requirements	The Consumer Advocate Division of the PSC
Westar Energy, Inc.	E	Kansas	08-WSEE-1041-RTS	9/08	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Artesian Water Company	W	Delaware	08-96	9/08	Cost of Capital, Revenue, New Headquarters	Division of the Public Advocate
Comcast Cable	C	New Jersey	CR08020113	9/08	Form 1205 Equipment & Installation Rates	Division of Rate Counsel
Pawtucket Water Supply Board	W	Rhode Island	3945	7/08	Revenue Requirements	Division of Public Utilities and Carriers
New Jersey American Water Co.	W/WW	New Jersey	WR08010020	7/08	Consolidated Income Taxes	Division of Rate Counsel
New Jersey Natural Gas Company	G	New Jersey	GR07110889	5/08	Revenue Requirements	Division of Rate Counsel
Kansas Electric Power Cooperative, Inc.	E	Kansas	08-KEPE-597-RTS	5/08	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board

Company	Utility	State	Docket	Date	Topic	On Behalf Of
Public Service Electric and Gas Company	E	New Jersey	EX02060363 EA02060366	5/08	Deferred Balances Audit	Division of Rate Counsel
Cablevision Systems Corporation	C	New Jersey	CR07110894, et al..	5/08	Forms 1240 and 1205	Division of Rate Counsel
Midwest Energy, Inc.	E	Kansas	08-MDWE-594-RTS	5/08	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board
Chesapeake Utilities Corporation	G	Delaware	07-246F	4/08	Gas Service Rates	Division of the Public Advocate
Comcast Cable	C	New Jersey	CR07100717-946	3/08	Form 1240	Division of Rate Counsel
Generic Commission Investigation	G	New Mexico	07-00340-UT	3/08	Weather Normalization	New Mexico Office of Attorney General
Southwestern Public Service Company	E	New Mexico	07-00319-UT	3/08	Revenue Requirements Cost of Capital	New Mexico Office of Attorney General
Delmarva Power and Light Company	G	Delaware	07-239F	2/08	Gas Cost Rates	Division of the Public Advocate
Atmos Energy Corp.	G	Kansas	08-ATMG-280-RTS	1/08	Revenue Requirements Cost of Capital	Citizens' Utility Ratepayer Board

APPENDIX B

Supporting Schedules

ATMOS ENERGY CORPORATION

TEST YEAR ENDED MARCH 31, 2015

REVENUE REQUIREMENT SUMMARY

	Company Claim	Recommended Adjustment	Recommended Position	
	(A)			
1. Pro Forma Rate Base	$205,975,121	($9,119,542)	$196,855,579	(B)
2. Required Cost of Capital	8.48%	-0.88%	7.60%	(C)
3. Required Return	$17,466,690	($2,513,540)	$14,953,150	
4. Operating Income @ Present Rates	14,041,218	1,342,321	15,383,539	(D)
5. Operating Income Deficiency	$3,425,472	($3,855,861)	($430,389)	
6. Revenue Multiplier	1.6543		1.6653	(E)
7. Required Revenue Increase	**$5,666,621**	**($6,383,351)**	**($716,730)**	

Sources:
(A) Derived from Company Filing, Section 3 and Section 11B, IS-11.
(B) Schedule ACC-3.
(C) Schedule ACC-2.
(D) Schedule ACC-6.
(E) Schedule ACC-21.

ATMOS ENERGY CORPORATION

TEST YEAR ENDED MARCH 31, 2015

REQUIRED COST OF CAPITAL

	Capital Structure (A)	Cost Rate		Weighted Cost
1. Common Equity	53.00%	9.10%	(A)	4.82%
2. Long Term Debt	47.00%	5.90%	(B)	2.77%
3. Total Cost of Capital	100.00%			**7.60%**

Sources:

(A) Recommendation of Ms. Crane. Reflects capital structure and cost of equity from KCC Docket No. 14-ATMG-320-RTS.

(B) Company Filing, Section 7.

ATMOS ENERGY CORPORATION

TEST YEAR ENDED MARCH 31, 2015

RATE BASE SUMMARY

	Company Claim	Recommended Adjustment		Recommended Position
	(A)			
1. Utility Plant in Service	$325,571,998	$0		$325,571,998
Less:				
2. Accumulated Depreciation	(104,542,838)	0		(104,542,838)
3. Net Utility Plant	$221,029,160	$0		$221,029,160
Plus:				
4. Construction Work In Progress	$11,642,184	($8,210,102)	(B)	$3,432,082
5. Prepayments	1,056,564	0		1,056,564
6. Underground Gas in Storage	12,817,309	(909,440)	(C)	11,907,869
7. Cash Working Capital	0	0		0
Less:				
8. Customer Advances	($1,034,572)	$0		($1,034,572)
9. Customer Deposits	(1,997,959)	0		(1,997,959)
10. Acc. Deferred Income Taxes	(37,537,565)	0		(37,537,565)
11. Total Rate Base	**$205,975,121**	**($9,119,542)**		**$196,855,579**

Sources:
(A) Company Filing, Section 3.
(B) Schedule ACC-4.
(C) Schedule ACC-5.

ATMOS ENERGY CORPORATION

TEST YEAR ENDED MARCH 31, 2015

CONSTRUCTION WORK IN PROGRESS

1. CWIP at 3/31/15	$3,432,082	(A)
2. Company Claim	11,642,184	(A)
3. Recommended Adjustment	**($8,210,102)**	

Sources:
(A) Company Filing, WP 14-1-1.

ATMOS ENERGY CORPORATION

TEST YEAR ENDED MARCH 31, 2015

UNDERGROUND GAS IN STORAGE

1. Pro Forma Recommendation	$11,907,869	(A)
2. Company Claim	12,817,309	(B)
3. Recommended Adjustment	**($909,440)**	

Sources:

(A) Reflects a three-year average of gas volumes priced at the actual Test Year average unit price of $4.18, per the response to CURB-63.

(B) Company Filing, Section 6, WP 6-2.

ATMOS ENERGY CORPORATION

TEST YEAR ENDED MARCH 31, 2015

OPERATING INCOME SUMMARY

			Schedule No.
1.	Company Claim	$14,041,218	1
	Recommended Adjustments:		
2.	Residential Revenue	$332,259	7
3.	Non Residential Revenue	6,974	8
4.	Incentive Compensation Expense	631,633	9
5.	Payroll Tax Expense	48,320	10
6.	Employee Benefits Expense	26,487	11
7.	Non Qualified Retirement Plan Expense	276,135	12
8.	Uncollectible Expense	24,577	13
9.	Rate Case Expense	(191,457)	14
10.	Advertising Expense	5,829	15
11.	Membership Dues Expense	26,742	16
12.	Meals and Entertainment Expense	99,934	17
13.	Miscellaneous Expense	5,177	18
14.	Interest Synchronization	49,711	19
15.	Operating Income	**$15,383,539**	

Schedule ACC-7

ATMOS ENERGY CORPORATION

TEST YEAR ENDED MARCH 31, 2015

RESIDENTIAL REVENUE

		Residential Revenue	
1. Pro Forma Revenue Adjustment		$553,313	(A)
2. Uncollectible Expense	0.66%	3,670	(B)
3. Net Revenue Adjustment		$549,643	
4. Income Taxes @	39.55%	217,384	
5. Operating Income Impact		**$332,259**	

Sources:
(A) Based on difference between actual average customers and actual end of year customers, per Company Filing, Section 17, workpapers.
(B) Uncollectible rate per Schedule ACC-13.

ATMOS ENERGY CORPORATION

TEST YEAR ENDED MARCH 31, 2015

NON-RESIDENTIAL REVENUE

1. Original Company Claim		$145,442	(A)
2. Revised Company Claim		157,056	(A)
3. Recommended Adjustment		$11,614	
4. Uncollectible Expense		77	(B)
5. Net Revenue Adjustment		$11,537	
6. Income Taxes @	39.55%	4,563	
7. Operating Income Impact		**$6,974**	

Sources:
(A) Response to KCC-88.
(B) Uncollectible Rate per Schedule ACC-13.

ATMOS ENERGY CORPORATION

TEST YEAR ENDED MARCH 31, 2015

INCENTIVE COMPENSATION EXPENSE

1. Test Year VPP/MIP Expenses		$712,579	(A)
2. Test Year Restricted Stock Expense (LTIP)		332,306	(B)
3. Total Recommended Adjustment		$1,044,885	
4. Income Taxes @	39.55%	413,252	
5. Operating Income Impact		**$631,633**	

Sources:
(A) Response to CURB-83.
(B) Response to KCC-301 Supplemental.

ATMOS ENERGY CORPORATION

TEST YEAR ENDED MARCH 31, 2015

PAYROLL TAX EXPENSE

1. Incentive Compensation Adjustment		$1,044,885	(A)
2. Statutory Tax Rate		7.65%	(B)
3. Total Recommended Adjustment		$79,934	
4. Income Taxes @	39.55%	31,614	
5. Operating Income		**$48,320**	

Sources:
(A) Schedule ACC-9.
(B) Based on Statutory Tax Rate.

Schedule ACC-11

ATMOS ENERGY CORPORATION

TEST YEAR ENDED MARCH 31, 2015

EMPLOYEE BENEFITS EXPENSE

1. Total Benefits Expense Adjustment		$43,817	(A)
2. Income Taxes @	39.55%	17,330	
3. Operating Income Impact		**$26,487**	

Sources:
(A) Company Filing, Section 9, WP 9-3, IS-2.

Schedule ACC-12

ATMOS ENERGY CORPORATION

TEST YEAR ENDED MARCH 31, 2015

NON QUALIFIED RETIREMENT PLAN EXPENSE

1. Division 02 Expense		$8,754,795		(A)
2. Allocation to Kansas		4.08%		(B)
3. Amount Allocated to Kansas			$357,196	
4. Division 30 Expense		$168,761		(A)
5. Allocation to Kansas		59.02%		(B)
6. Amount Allocated to Kansas			99,603	
7. Pro Forma Expense Adjustment			$456,798	
8. Income Taxes @	39.55%		180,664	
9. Operating Income Impact			**$276,135**	

Sources:
(A) Response to KCC-67.
(B) Based on allocations per Company Filing, WP 9-2, IS-1.

Schedule ACC-13

ATMOS ENERGY CORPORATION

TEST YEAR ENDED MARCH 31, 2015

UNCOLLECTIBLE EXPENSE

1. Test Year Revenue		$125,390,118	(A)
2. Three Year Average		0.66%	(B)
3. Pro Forma Interest Expense		$831,753	
4. Company Claim		872,410	(A)
5. Recommended Adjustment		$40,657	
6. Income Taxes @	39.55%	16,080	
7. Operating Income Impact		**$24,577**	

Sources:
(A) Response to KCC-74.
(B) Three year average of net writeoffs to revenue per the response to KCC-74.

ATMOS ENERGY CORPORATION

TEST YEAR ENDING SEPTEMBER 30, 2013

RATE CASE EXPENSE

1. Unamortized Rate Case Costs		$378,259	(A)
2. Costs for the Current Case		571,902	(A)
3. Total Costs to be Recovered		$950,161	
4. Proposed Amortization Period		3	(B)
5. Recommended Adjustment		$316,720	
6. Income Taxes @	39.55%	125,263	
7. Operating Income Impact		**$191,457**	

Sources:
(A) Company Filing, Section 9, WP 9-6-1.
(B) Recommendation of Ms. Crane.

ATMOS ENERGY CORPORATION

TEST YEAR ENDED MARCH 31, 2015

ADVERTISING EXPENSE

1. Division 2 Advertising Adjustment		$61,798		(A)
2. Allocation to Kansas (%)		4.08%		(B)
3. Allocation to Kansas ($)			$2,521	
4. Division 30 Advertising Adjustment		$3,631		(A)
5. Allocation to Kansas (%)		59.02%		(B)
6. Allocation to Kansas ($)			$2,143	
7. Direct Advertising Adjustment			$4,978	(A)
8. Total Recommended Adjustment			$9,642	
9. Income Taxes @	39.55%		3,814	
10. Operating Income Impact			**$5,829**	

Sources:
(A) Response to KCC-51.
(B) Allocations per the Company's Filing, Section 9, WP9-5, IS-16.

ATMOS ENERGY CORPORATION

TEST YEAR ENDED MARCH 31, 2015

MEMBERSHIP DUES EXPENSE

1. Original Company Adjustment		$5,773	(A)
2. Revised Company Adjustment		50,012	(B)
3. Recommended Adjustment		$44,239	
4. Income Taxes @	39.55%	17,497	
5. Operating Income Impact		**$26,742**	

Sources:
(A) Company Filing, Section 9, WP 9-12, IS-15.
(B) Response to KCC-147.

Schedule ACC-17

ATMOS ENERGY CORPORATION

TEST YEAR ENDED MARCH 31, 2015

MEALS AND ENTERTAINMENT EXPENSE

1. Division 2 Meals/Entertainment Expenses		$675,137		(A)
2. Allocation to Kansas (%)		4.08%		(B)
3. Allocation to Kansas ($)			$27,546	
4. Division 12 Meals/Entertainment Expenses		$344,495		(A)
5. Allocation to Kansas (%)		4.26%		(B)
6. Allocation to Kansas ($)			$14,675	
7. Division 30 Promotional Advertising		$85,426		(A)
8. Allocation to Kansas (%)		59.02%		(B)
9. Allocation to Kansas ($)			$50,418	
10. Direct Meals/Entertainment Expenses			$87,353	(A)
11. Total Recommended Adjustment			$165,317	
12. Income Taxes @	39.55%		65,383	
13. Operating Income Impact			**$99,934**	

Sources:
(A) Response to CURB-61.
(B) Allocations per the Company's Filing, Section 9, WP 9-2, IS-1.

Schedule ACC-18

ATMOS ENERGY CORPORATION

TEST YEAR ENDING SEPTEMBER 30, 2013

MISCELLANEOUS EXPENSE ADJUSTMENT

1.	Original Company Adjustment		$494,534
2.	Revised Company Adjustment		503,098
3.	Recommended Adjustment		$8,564
4.	Income Taxes @	39.55%	3,387
5.	Operating Income Impact		**$5,177**

Sources:
(A) Company Filing, Section 9, WP 9-7, IS-6.
(B) Response to KCC-147.

ATMOS ENERGY CORPORATION

TEST YEAR ENDED MARCH 31, 2015

INTEREST SYNCHRONIZATION

1. Pro Forma Rate Base		$196,855,579	(A)
2. Weighted Cost of Debt		2.77%	(B)
3. Pro Forma Interest Expense		$5,458,805	
4. Company Claim		5,333,113	(C)
5. Adjustment to Interest Expense		$125,692	
6. Income Taxes @	39.55%	**$49,711**	

Sources:
(A) Schedule ACC-1.
(B) Weighted cost of long-term debt per Schedule ACC-2.
(C) Company Filing, Section 11 WP11 B-1.

ATMOS ENERGY CORPORATION

TEST YEAR ENDED MARCH 31, 2015

INCOME TAX FACTOR

1. Revenue	100.00%	
2. State Income Tax Rate	7.00%	(A)
3. Federal Taxable Income	93.00%	
4. Income Taxes @ 35%	32.55%	(A)
5. Operating Income	60.45%	
6. Total Tax Rate	**39.55%**	(B)

Sources:
(A) Rates per Company Filing, Section 11B, IS-12.
(B) Line 2 + Line 4.

ATMOS ENERGY CORPORATION

TEST YEAR ENDED MARCH 31, 2015

REVENUE MULTIPLIER

1. Revenue	100.00%	
2. Uncollectible Rate	0.66%	(A)
3. Taxable Income	99.34%	
4. State Income Tax @ 7.0%	6.95%	(B)
5. Federal Taxable Income	92.38%	
6. Income Taxes @ 35%	32.33%	(B)
7. Operating Income	60.05%	
8. Revenue Multiplier	**1.665306**	(C)

Sources:
(A) Rate per Schedule ACC-14.
(B) Rates per Company Filing, Section 11B, IS-11.
(C) Line 1 / Line 7.

Schedule ACC-22

ATMOS ENERGY CORPORATION

TEST YEAR ENDED MARCH 31, 2015

REVENUE REQUIREMENT IMPACT OF ADJUSTMENTS

1. Rate of Return	($3,012,109)
Rate Base Adjustments:	
2. Construction Work in Progress	(1,031,662)
3. Gas in Storage	(114,278)
Operating Income Adjustments	
4. Residential Revenue	(549,643)
5. Non Residential Revenue	(11,537)
6. Incentive Compensation Expense	(1,044,885)
7. Payroll Tax Expense	(79,934)
8. Employee Benefits Expense	(43,817)
9. Non Qualified Retirement Plan Expe	(456,798)
10. Uncollectible Expense	(40,657)
11. Rate Case Expense	316,720
12. Advertising Expense	(9,642)
13. Membership Dues Expense	(44,239)
14. Meals and Entertainment Expense	(165,317)
15. Miscellaneous Expense	(8,564)
16. Interest Synchronization	(82,235)
17. Revenue Multiplier	(4,754)
18. Total Recommended Adjustments	($6,383,351)
19. Company Claim	5,666,621
20. Recommended Revenue Requireme	**($716,730)**

Schedule ACC-23

ATMOS ENERGY CORPORATION

TEST YEAR ENDED MARCH 31, 2015

PRO FORMA INCOME STATEMENT

		Per Company	Recommended Adjustments	Pro Forma Present Rates	Recommended Rate Adjustment	Pro Forma Proposed Rates
1. Operating Revenues		$53,790,823	$562,051	$54,352,874	($716,730)	$53,636,144
2. Operating Expenses		20,992,361	(1,567,698)	19,424,663	(4,754)	19,419,909
3. Depreciation and Amortization		9,622,905	0	9,622,905	0	9,622,905
4. Taxes Other Than Income		8,123,718	(8,564)	8,115,154	0	8,115,154
5. Taxable Income Before Interest Expenses		$15,051,839	$2,138,312	$17,190,151	($711,976)	$16,478,176
6. Interest Expense		5,335,756	125,692	5,461,448		5,461,448
7. Taxable Income		$9,716,083	$2,012,620	$11,728,703	($711,976)	$11,016,727
8. Income Taxes @	39.55%	1,010,621	795,991	1,806,612	(281,586)	1,525,026
9. Operating Income		$14,041,218	$1,342,321	$15,383,539	($430,389)	$14,953,150
10. Rate Base		$205,975,121		$196,855,579		$196,855,579
11. Rate of Return		**6.82%**		**7.81%**		**7.60%**

APPENDIX C

Referenced Data Requests

CURB-57

CURB-61

CURB-63

CURB-83

KCC-51

KCC-63*

KCC-65

KCC-67

KCC-74

KCC-88**

KCC-147

KCC-301S

* Voluminous Attachments Not Provided

** Confidential Attachments Not Provided

REQUEST:

For each of the past three rate case filings, provide:

a) the amount of the increase requested,

b) the percentage increase requested,

c) the amount of increase granted,

d) whether the case was litigated or settled, and

e) the total rate case costs incurred.

RESPONSE:

Please see Attachment 1.

ATTACHMENT:

ATTACHMENT 1 - Atmos Energy Corporation, CURB_1-057_Att1 - Previous Rate Case Information.xlsx, 1 Page.

Respondent: Barbara Myers

Atmos Energy Corporation, Kansas Division
Prior Rate Case Information

Line No.	Description	10-ATMG-495-RTS (1)		12-ATMG-564-RTS (1)		14-ATMG-320-RTS	
	(a)	(b)		(c)		(d)	
1	(a) Amount of Increase Requested (2)	$	6,014,705	$	9,705,116	$	7,005,215
2	(b) Percent of Increase Requested (3)		64.1%		28.9%		61.8%
3	(c) Amount of Increase Granted (2)	$	3,855,000	$	2,800,000	$	4,331,500
4	(d) Litigated, Settled or Other	Settled		Settled		Partial Settlement; Order on Contested Issues	
5	(e) Rate Case Cost Incurred (4) (5)	$	272,166	$	330,357	$	773,986
6							
7							
8	Notes:						
9	1. The information noted in Columns (b) and (c) were provided in Docket No. 14-ATMG-320-RTS, CURB DR 1-061.						
10	2. The information noted in Lines 1 and 3, Columns (b), (c) and (d) are noted in the Final Orders in each docket.						
11	3. The percentage shown on Line 2, Columns (b), (c) and (d) is calculated (Line 3 / Line 1).						
12	4. The amounts shown in Columns (b) and (c) are amounts incurred and not specifically noted in the Final Order.						
13	The amount shown in Column (d) is the amount from the Staff Rate Case Expense Filing in the referenced docket.						
14	5. Column (d), Line 5 - $773,986 - approximately $332K are related to expenses incurred by CURB and Staff in the						
15	2010, 2012 and 2014 cases; approximately $441K are expenses incurred by Atmos Energy.						

REQUEST:

Provide the amount of meals expenses included in the test year but disallowed for tax purposes.

RESPONSE:

Please see Attachment 1.

ATTACHMENT:

ATTACHMENT 1 - Atmos Energy Corporation, CURB_1-061_Att1 - Meals and Entertainment by Rate Division.xlsx, 2 Pages.

Respondent: Barbara Myers

Atmos Energy Corporation
Capitalized Meals & Entertainment by Divisions 002, 012, 030 and Kansas

Description	Amount	Atmos Balance	DIV-02	DIV-12	DIV-030	KANSAS
Capitalized Meals & Entertainment Included in Fixed Assets	$ 263,937	$ 263,937	$ 14,084	$ 4,667	$ -	$ 10,435
50% Disallowed	50%	50%	50%	50%	50%	50%
Capitalized Meals & Entertainment Permanent Difference	**$ 131,969**	**$ 131,969**	**$ 7,042**	**$ 2,334**	**$ -**	**$ 5,218**
	Additional Income					

Atmos Energy Corporation
Meals & Entertainment by Divisions 002, 012, 030 and Kansas

Description	Amount	Atmos Balance	DIV-02	DIV-12	DIV-030	KANSAS
Income Statement Accounts with Sub Account 05411	$ 4,160,678	$ 4,160,678	$ 675,137	$ 344,495	$ 85,426	$ 87,353
50% Disallowed	50%	50%	50%	50%	50%	50%
Meals & Entertainment Permanent Adjustment	**$ 2,080,339**	**$ 2,080,339**	**$ 337,569**	**$ 172,248**	**$ 42,713**	**$ 43,677**
	Additional Income					

REQUEST:

Please provide the a) dollar amount and b) volumes of gas in storage for each of the past sixty months.

RESPONSE:

Please see Attachment 1.

ATTACHMENT:

ATTACHMENT 1 - Atmos Energy Corporation, CURB_1-063_Att1 - Storage Dollars and Volumes.xlsx, 2 Pages.

Respondent: Barbara Myers

Atmos Energy Corporation, KS
Storage - Dollars
From Oct-09 thru Mar-15

Division	Name	Account	Account Description	Sub Account	Sub Account Description	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10
079	Liberty/Buffalo Storage Division - 079DIV	1641	Gas stored underground	15998	UG Stored Gas Kansas	7,877,215	8,214,540	8,055,155	5,850,487	3,325,524	1,285,380	447,802	1,282,949	2,859,072	4,546,374	6,468,236	8,077,058
080	GGC-Kansas ADM Division - 080DIV	1641	Gas stored underground	15911	Reliant	60,734	68,632	61,583	36,792	12,359	(3,029)	(19,687)	(23,015)	(13,843)	18,279	39,709	65,610
081	KS Division - 081DIV	1641	Gas stored underground	15906	P/L Storage-Wng Tss	7,005,609	7,343,249	8,286,301	5,330,225	2,731,088	1,627,126	627,848	2,417,943	3,014,460	4,052,550	6,102,492	7,602,313
081	KS Division - 081DIV	1641	Gas stored underground	15909	P/L Stord Gas - K N Enrgy	185,610	211,686	198,625	149,370	90,707	56,159	27,289	14,024	26,704	77,240	123,869	175,130
081	KS Division - 081DIV	1641	Gas stored underground	15911	Reliant	29,003	29,003	29,003	29,003	29,003	29,003	29,003	29,003	29,003	29,003	29,003	29,003
081	KS Division - 081DIV	1641	Gas stored underground	15956	P/L Storage Gas-Williams	85,420	82,755	86,903	59,068	26,922	4,043	9,428	28,559	50,304	71,453	80,356	97,855
081	KS Division - 081DIV	1641	Gas stored underground	16026	Southern Star Centr	14,141	12,968	10,219	-	-	-	-	-	-	-	-	-
						15,257,733	15,962,833	16,727,790	11,454,945	6,215,603	2,998,682	1,121,683	3,749,463	5,965,701	8,794,900	12,843,665	16,046,969

Division	Name	Account	Account Description	Sub Account	Sub Account Description	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11
079	Liberty/Buffalo Storage Division - 079DIV	1641	Gas stored underground	15998	UG Stored Gas Kansas	8,976,608	9,299,718	7,949,640	5,925,154	3,740,312	1,755,270	575,335	1,867,335	3,791,435	5,823,691	7,850,880	9,605,492
080	GGC-Kansas ADM Division - 080DIV	1641	Gas stored underground	15911	Reliant	81,561	85,915	69,031	45,274	16,933	(6,668)	(20,688)	(28,407)	21,179	37,546	61,118	78,118
081	KS Division - 081DIV	1641	Gas stored underground	15906	P/L Storage-Wng Tss	8,249,707	9,019,296	7,969,131	5,948,150	3,271,457	2,233,201	128,083	1,167,336	2,407,366	4,225,028	6,311,859	8,069,501
081	KS Division - 081DIV	1641	Gas stored underground	15909	P/L Stord Gas - K N Enrgy	203,907	231,544	212,982	160,908	105,862	67,481	23,046	10,879	53,391	95,568	138,609	181,488
081	KS Division - 081DIV	1641	Gas stored underground	15911	Reliant	29,003	29,003	29,003	29,003	29,003	29,003	29,003	29,003	-	-	-	-
081	KS Division - 081DIV	1641	Gas stored underground	15956	P/L Storage Gas-Williams	105,410	116,553	100,891	80,486	48,313	18,161	6,560	38,792	66,086	92,922	115,698	128,875
						17,646,197	18,782,029	16,330,677	12,188,975	7,211,881	4,096,448	741,339	3,084,940	6,339,457	10,274,755	14,478,163	18,063,474

Division	Name	Account	Account Description	Sub Account	Sub Account Description	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12
079	Liberty/Buffalo Storage Division - 079DIV	1641	Gas stored underground	15998	UG Stored Gas Kansas	10,766,831	11,138,786	10,300,878	8,806,851	6,908,955	5,013,066	4,003,618	2,117,944	2,791,548	3,684,817	4,648,846	5,744,961
080	GGC-Kansas ADM Division - 080DIV	1641	Gas stored underground	15911	Reliant	92,007	107,586	89,773	71,671	47,844	31,501	23,589	16,790	18,716	27,848	41,606	53,794
081	KS Division - 081DIV	1641	Gas stored underground	15906	P/L Storage-Wng Tss	8,932,330	9,818,413	8,532,549	7,862,463	6,566,642	4,175,991	2,652,583	2,959,738	3,456,417	4,386,345	5,512,869	6,476,249
081	KS Division - 081DIV	1641	Gas stored underground	15909	P/L Stored Gas - K N Energy	220,809	258,387	235,823	175,300	111,884	66,703	45,948	29,283	38,256	58,729	92,667	121,652
081	KS Division - 081DIV	1641	Gas stored underground	15956	P/L Storage Gas-Williams	136,027	138,765	121,248	102,136	68,858	35,232	10,330	27,596	40,157	56,592	73,361	84,285
						20,148,005	21,461,936	19,280,272	17,018,420	13,704,184	9,322,493	6,736,069	5,151,351	6,345,093	8,214,331	10,369,349	12,480,942

Division	Name	Account	Account Description	Sub Account	Sub Account Description	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13
079	Liberty/Buffalo Storage Division - 079DIV	1641	Gas stored underground	15998	UG Stored Gas Kansas	6,647,229	7,444,167	6,991,970	6,228,280	5,003,964	-	-	-	-	-	-	-
080	GGC-Kansas ADM Division - 080DIV	1641	Gas stored underground	15911	Reliant	63,532	87,617	79,855	60,980	54,181	-	-	-	-	-	-	-
081	KS Division - 081DIV	1641	Gas stored underground	15906	P/L Storage-Wng Tss	6,959,784	7,079,163	6,017,865	4,761,224	3,138,014	873,001	363,772	326,412	1,463,346	3,412,796	5,154,422	6,834,510
081	KS Division - 081DIV	1641	Gas stored underground	15909	P/L Stored Gas - K N Energy	146,159	169,884	154,806	118,670	80,444	45,402	22,209	7,235	51,480	95,378	147,210	186,466
081	KS Division - 081DIV	1641	Gas stored underground	15911	Reliant	-	-	-	-	-	31,232	9,714	4,655	25,188	45,432	61,858	77,758
081	KS Division - 081DIV	1641	Gas stored underground	15956	P/L Storage Gas-Williams	91,237	92,144	83,761	73,396	45,761	25,248	3,654	4,321	24,722	52,769	78,433	100,835
081	KS Division - 081DIV	1641	Gas stored underground	15998	UG Stored Gas Kansas	-	-	-	-	-	3,315,594	1,446,450	421,179	2,022,141	3,721,962	5,214,948	6,637,679
						13,907,941	14,872,975	13,328,257	11,242,551	8,322,364	4,290,478	1,845,799	763,801	3,586,878	7,328,337	10,656,871	13,837,249

Division	Name	Account	Account Description	Sub Account	Sub Account Description	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14
081	KS Division	1641	Gas stored underground	15906	P/L Storage-Wng Tss	8,056,265	9,431,675	7,311,828	4,538,841	2,428,495	676,716	1,520,730	3,924,275	6,273,378	8,661,301	9,991,656	10,696,587
081	KS Division	1641	Gas stored underground	15909	P/L Stored Gas - K N Energy	234,829	280,897	239,884	189,431	124,900	35,518	15,042	70,514	127,914	186,155	231,146	280,135
081	KS Division	1641	Gas stored underground	15911	Reliant	94,116	113,874	96,226	77,184	46,911	14,955	5,126	27,206	46,988	68,431	85,635	103,339
081	KS Division	1641	Gas stored underground	15956	P/L Storage Gas-Williams 545	115,160	128,423	103,871	66,999	38,559	6,542	30,470	61,732	90,687	119,446	136,745	145,110
081	KS Division	1641	Gas stored underground	15998	UG Stored Gas Kansas	8,064,437	9,499,322	8,779,274	7,810,687	6,678,447	3,792,227	2,071,329	3,632,055	5,098,540	6,497,262	7,804,556	9,117,700
						16,564,807	19,454,191	16,531,083	12,683,141	9,317,312	4,525,958	3,642,697	7,715,783	11,637,506	15,532,594	18,249,738	20,342,870

Division	Name	Account	Account Description	Sub Account	Sub Account Description	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15
081	KS Division	1641	Gas stored underground	15906	P/L Storage-Wng Tss	11,208,384	10,322,607	8,150,879	5,958,305	2,419,729	729,861
081	KS Division	1641	Gas stored underground	15909	P/L Stored Gas - K N Energy	325,232	289,095	217,443	159,186	95,906	66,511
081	KS Division	1641	Gas stored underground	15911	Reliant	126,640	113,725	90,691	67,439	36,665	21,217
081	KS Division	1641	Gas stored underground	15956	P/L Storage Gas-Williams 545	150,532	120,335	83,107	63,309	28,375	14,332
081	KS Division	1641	Gas stored underground	15998	UG Stored Gas Kansas	10,496,214	9,655,469	8,242,447	6,637,187	5,088,962	3,998,091
						22,307,001	20,501,231	16,784,568	12,885,425	7,669,637	4,830,013

Atmos Energy Corporation, KS
Storage - MCF
From Oct-09 thru Mar-15

Division	Name	Account	Account Description	Sub Account	Sub Account Description	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10
079	Liberty/Buffalo Storage Division - 079DIV	1641	Gas stored underground	15998	UG Stored Gas Kansas	2,353,588	2,453,536	2,405,830	1,747,421	993,273	383,911	133,746	383,685	833,659	1,308,630	1,783,586	2,183,537
080	GGC-Kansas ADM Division - 080DIV	1641	Gas stored underground	15911	Reliant	20,750	22,476	20,527	13,672	6,918	2,661	(1,945)	(2,865)	(686)	6,808	11,270	17,027
081	KS Division - 081DIV	1641	Gas stored underground	15906	P/L Storage-Wng Tss	2,293,190	2,392,871	2,635,538	1,694,487	868,210	517,267	199,592	733,375	903,086	1,194,308	1,699,394	2,071,120
081	KS Division - 081DIV	1641	Gas stored underground	15909	P/L Stord Gas - K N Enrgy	56,489	63,066	59,175	44,501	27,024	16,731	8,130	4,178	7,476	20,406	31,321	44,555
081	KS Division - 081DIV	1641	Gas stored underground	15911	Reliant	4,521	4,521	4,521	4,521	4,521	4,521	4,521	4,521	4,521	4,521	4,521	4,521
081	KS Division - 081DIV	1641	Gas stored underground	15956	P/L Storage Gas-Williams	30,808	29,847	30,911	21,010	9,576	1,438	2,639	8,323	14,488	20,401	22,588	26,912
081	KS Division - 081DIV	1641	Gas stored underground	16026	Southern Star Centr	3,317	3,042	2,397	-	-	-	-	-	-	-	-	-
						4,762,683	4,969,359	5,158,999	3,525,612	1,909,520	926,529	346,683	1,131,217	1,762,544	2,555,074	3,552,680	4,347,672

Division	Name	Account	Account Description	Sub Account	Sub Account Description	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11
079	Liberty/Buffalo Storage Division - 079DIV	1641	Gas stored underground	15998	UG Stored Gas Kansas	2,483,509	2,583,487	2,208,434	1,646,030	1,039,079	487,617	159,830	459,779	909,742	1,384,730	1,859,693	2,259,652
080	GGC-Kansas ADM Division - 080DIV	1641	Gas stored underground	15911	Reliant	21,511	22,650	18,658	13,041	6,340	760	(2,555)	(4,380)	586	4,511	10,122	14,122
081	KS Division - 081DIV	1641	Gas stored underground	15906	P/L Storage-Wng Tss	2,286,131	2,523,365	2,229,555	1,664,135	915,263	624,785	35,842	275,836	564,386	987,231	1,473,869	1,872,706
081	KS Division - 081DIV	1641	Gas stored underground	15909	P/L Stord Gas - K N Enrgy	54,750	62,957	57,910	43,751	28,784	18,348	6,266	2,958	13,073	23,041	33,251	43,259
081	KS Division - 081DIV	1641	Gas stored underground	15911	Reliant	4,521	4,521	4,521	4,521	4,521	4,521	4,521	4,521	4,521	4,521	4,521	4,521
081	KS Division - 081DIV	1641	Gas stored underground	15956	P/L Storage Gas-Williams	29,411	32,833	28,421	22,673	13,610	5,116	1,848	9,436	15,913	22,281	27,696	30,747
						4,879,833	5,229,813	4,547,499	3,394,151	2,007,597	1,141,147	205,752	748,150	1,508,221	2,426,315	3,409,152	4,225,007

Division	Name	Account	Account Description	Sub Account	Sub Account Description	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12
079	Liberty/Buffalo Storage Division - 079DIV	1641	Gas stored underground	15998	UG Stored Gas Kansas	2,559,624	2,659,573	2,459,509	2,102,786	1,649,633	1,196,959	955,937	505,702	865,687	1,225,673	1,585,642	1,831,577
080	GGC-Kansas ADM Division - 080DIV	1641	Gas stored underground	15911	Reliant	17,816	22,187	17,765	13,271	7,356	3,299	1,335	(353)	645	4,450	9,572	13,621
081	KS Division - 081DIV	1641	Gas stored underground	15906	P/L Storage-Wng Tss	2,094,815	2,331,313	2,025,991	1,866,853	1,559,174	991,539	629,822	703,084	966,832	1,339,903	1,758,811	2,073,778
081	KS Division - 081DIV	1641	Gas stored underground	15909	P/L Stored Gas - K N Energy	53,301	63,292	57,765	42,940	27,406	16,339	11,255	7,173	12,020	20,643	33,520	43,459
081	KS Division - 081DIV	1641	Gas stored underground	15911	Reliant	4,521	4,521	4,521	4,521	4,521	4,521	4,521	4,521	4,521	4,521	4,521	4,521
081	KS Division - 081DIV	1641	Gas stored underground	15956	P/L Storage Gas-Williams	32,627	33,368	29,156	24,560	16,558	8,472	2,484	6,573	13,399	20,128	26,503	30,129
						4,762,704	5,114,254	4,594,707	4,054,931	3,264,648	2,221,129	1,605,354	1,226,700	1,863,104	2,615,318	3,418,569	3,997,085

Division	Name	Account	Account Description	Sub Account	Sub Account Description	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13
079	Liberty/Buffalo Storage Division - 079DIV	1641	Gas stored underground	15998	UG Stored Gas Kansas	2,191,574	2,470,247	2,320,190	2,066,767	1,660,490	-	-	-	-	-	-	-
080	GGC-Kansas ADM Division - 080DIV	1641	Gas stored underground	15911	Reliant	17,470	25,389	22,739	16,296	13,975	-	-	-	-	-	-	-
081	KS Division - 081DIV	1641	Gas stored underground	15906	P/L Storage-Wng Tss	2,265,309	2,306,302	1,960,546	1,551,150	1,022,818	284,548	118,567	106,390	386,160	863,642	1,344,757	1,831,564
081	KS Division - 081DIV	1641	Gas stored underground	15909	P/L Stored Gas - K N Energy	53,126	61,148	55,721	42,714	28,955	16,342	7,994	2,604	13,638	24,517	38,961	50,337
081	KS Division - 081DIV	1641	Gas stored underground	15911	Reliant	4,521	4,521	4,521	4,521	4,521	10,662	3,316	1,589	6,644	11,636	16,257	20,887
081	KS Division - 081DIV	1641	Gas stored underground	15956	P/L Storage Gas-Williams	32,939	33,259	30,233	26,492	16,445	9,041	1,319	1,481	6,601	13,607	20,839	27,445
081	KS Division - 081DIV	1641	Gas stored underground	15998	UG Stored Gas Kansas	-	-	-	-	-	1,100,221	479,985	139,759	541,233	961,226	1,381,143	1,801,125
						4,564,939	4,900,866	4,393,950	3,707,940	2,747,204	1,420,814	611,181	251,823	954,276	1,874,628	2,801,957	3,731,358

Division	Name	Account	Account Description	Sub Account	Sub Account Description	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14
081	KS Division	1641	Gas stored underground	15906	P/L Storage-Wng Tss	2,187,052	2,462,032	1,908,670	1,184,813	633,931	176,642	366,000	876,933	1,396,256	1,909,037	2,254,435	2,429,386
081	KS Division	1641	Gas stored underground	15909	P/L Stored Gas - K N Energy	64,458	76,202	65,076	51,389	33,883	9,636	4,081	16,214	29,111	41,636	53,284	65,498
081	KS Division	1641	Gas stored underground	15911	Reliant	25,638	31,390	26,525	21,276	12,931	4,122	1,413	6,196	10,650	15,627	20,307	24,943
081	KS Division	1641	Gas stored underground	15956	P/L Storage Gas-Williams 545	31,705	33,858	27,385	17,664	10,166	1,718	7,158	13,795	20,184	26,327	30,854	32,957
081	KS Division	1641	Gas stored underground	15998	UG Stored Gas Kansas	2,221,087	2,641,034	2,440,844	2,171,554	1,856,765	1,054,275	575,849	915,798	1,255,798	1,581,612	1,936,134	2,276,011
						4,529,940	5,244,516	4,468,500	3,446,696	2,547,676	1,246,393	954,499	1,828,936	2,711,999	3,574,239	4,295,014	4,828,795

Division	Name	Account	Account Description	Sub Account	Sub Account Description	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15
081	KS Division	1641	Gas stored underground	15906	P/L Storage-Wng Tss	2,555,491	2,352,999	1,857,962	1,358,173	551,568	166,369
081	KS Division	1641	Gas stored underground	15909	P/L Stored Gas - K N Energy	76,978	68,441	51,478	37,686	22,705	15,746
081	KS Division	1641	Gas stored underground	15911	Reliant	31,300	28,108	22,415	16,668	9,062	5,244
081	KS Division	1641	Gas stored underground	15956	P/L Storage Gas-Williams 545	34,321	27,430	18,944	14,431	6,468	3,267
081	KS Division	1641	Gas stored underground	15998	UG Stored Gas Kansas	2,635,915	2,426,607	2,071,487	1,668,054	1,278,955	1,004,798
						5,334,005	4,903,585	4,022,286	3,095,012	1,868,758	1,195,424

REQUEST:

Regarding the response to KCC-301 (Supplement), please provide the same information for the Variable Pay Plan and for the Customer Contact Center Incentive Pay Program, showing the total Test Year costs, the amounts charged to expense, and the amounts allocated to the Kansas jurisdiction.

RESPONSE:

Please see Attachment 1.

ATTACHMENT:

ATTACHMENT 1 - Atmos Energy Corporation, CURB_1-083_Att1 - VPP_MIP_Customer Contact Center Incentive.xlsx, 1 Page.

Respondent: Barbara Myers

Atmos Energy Corporation
VPP/MIP and Customer Contact Center Incentive
Test Period 12 month Ending March 2015

Company	Division	Division Description	Account	Account Description	Sub Account	Sub Account Description	12 Months Ending March 2015	
010	002	Shared Services General Office	9260	A&G-Employee pensions and benefits	07452	Variable Pay & Mgmt Incentive Plans	$ 13,097,359	Gross Cost
							(4,150,657)	Capitalized OH
							$ 8,946,702	Net Expense
							$ 365,025	Net Expense Allocated to KS (based on FY15 Alloc Factor)

Company	Division	Division Description	Account	Account Description	Sub Account	Sub Account Description	12 Months Ending March 2015	
010	012	Customer Support	9260	A&G-Employee pensions and benefits	07452	Variable Pay & Mgmt Incentive Plans	$ 6,791	Gross Cost
							(580)	Capitalized OH
							$ 6,211	Net Expense
							$ 265	Net Expense Allocated to KS (based on FY15 Alloc Factor)

Company	Division	Division Description	Account	Account Description	Sub Account	Sub Account Description	12 Months Ending March 2015	
060	030	COKS/Denver Company Office	9260	A&G-Employee pensions and benefits	07452	Variable Pay & Mgmt Incentive Plans	$ 1,329,943	
060	030	COKS/Denver Company Office	9260	A&G-Employee pensions and benefits	07454	VPP & MIP - Capital Credit	(741,517)	
							$ 588,427	Net Expense
							$ 347,289	Net Expense Allocated to KS (based on FY15 Alloc Factor)
						Total Test Year VPP/MIP Expense for Kansas	$ 712,579	

Customer Contact Center Incentive

Company	Division	Division Description	Account	Account Description	Sub Account	Sub Account Description	12 Months Ending March 2015	
010	012	Customer Support	9030	Customer accounts-Customer records and collec	01000	Non-project Labor	$ 299,755	
010	012	Customer Support	9200	A&G-Administrative & general salaries	01000	Non-project Labor	36	
							$ 299,792	Gross Cost
							(62,930)	Capitalized OH
							$ 236,862	Net Expense
						Total Test Year Customer Contact Center Incentive Expense for Kansas	$ 10,090	Net Expense Allocated to KS (based on FY15 Alloc Factor)

REQUEST:

[Income Statement] - Please Provide Staff with the Following Information:

A listing of all advertising incurred by the Applicant during the test year to include; the date paid, amount, payee, brief description of the advertising, account and sub-account where the charges were recorded.

RESPONSE:

Please see Attachment 1.

ATTACHMENT:

ATTACHMENT 1 - Atmos Energy Corporation, Staff_1-051_Att1 - Advertising.xlsx, 1 Page.

Respondent: Laura Becker

Atmos Energy Corporation, Shared Services and KS
Advertising Incurred
Sub Account 04001-04046 Detail
For the 12 Months Ended March 2015

Division	Division Description	Account	Account Description	Sub Account	Sub Account Description	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Grand Total
002	Dallas Atmos Rate Division	4265	Other deductions	04021	Promo Other, Misc	215	-	-	-	-	-	-	-	-	-	-	-	215
002	Dallas Atmos Rate Division	9120	Sales-Demonstrating and selling expenses	04044	Advertising	-	-	-	-	-	-	-	1,732	-	-	693	-	2,825
002	Dallas Atmos Rate Division	9120	Sales-Demonstrating and selling expenses	04046	Customer Relations & Assist	-	-	-	-	-	1,642	-	46	-	-	-	-	1,687
002	Dallas Atmos Rate Division	9210	A&G-Office supplies & expense	04021	Promo Other, Misc	-	1,380	55	253	1,578	4,487	1,233	40	4,383	139	5,599	1,378	20,525
002	Dallas Atmos Rate Division	9210	A&G-Office supplies & expense	04040	Community Rel&Trade Shows	1,530	-	2,060	3,476	195	-	1,000	2,070	496	152	(87)	790	11,684
002	Dallas Atmos Rate Division	9210	A&G-Office supplies & expense	04044	Advertising	9,149	6,741	159	5,000	4,970	24,399	204	2,760	2,791	-	-	3,000	59,173
002	Dallas Atmos Rate Division	9210	A&G-Office supplies & expense	04046	Customer Relations & Assist	7,619	31,324	52,504	33,287	32,004	46,624	32,974	5,628	16,435	2,845	1,043	20,736	283,222
						18,513	39,444	54,778	42,016	38,747	77,351	35,412	12,276	24,106	3,136	7,449	25,904	379,131
012	Call Center Division	4265	Other deductions	04040	Community Rel&Trade Shows	-	-	-	-	-	68	925	(925)	-	-	-	700	768
012	Call Center Division	9010	Customer accounts-Operation supervision	04040	Community Rel&Trade Shows	232	48	-	-	-	-	-	-	-	-	-	-	280
012	Call Center Division	9210	A&G-Office supplies & expense	04040	Community Rel&Trade Shows	-	76	350	-	-	625	350	-	-	-	-	-	1,401
						232	124	350	-	-	693	1,275	(925)	-	-	-	700	2,449
030	GGC/Denver Company Division	4265	Other deductions	04046	Customer Relations & Assist	-	-	-	-	-	265	-	-	-	-	-	-	265
030	GGC/Denver Company Division	8700	Distribution-Operation supervision and engineering	04002	Required By Law, Safety	3,611	30,237	-	11,976	37,695	196	18	27,844	37	24,211	40,660	17,818	194,505
030	GGC/Denver Company Division	8700	Distribution-Operation supervision and engineering	04018	Safety	-	-	-	-	-	-	-	-	-	-	75	-	75
030	GGC/Denver Company Division	8700	Distribution-Operation supervision and engineering	04040	Community Rel&Trade Shows	4	78	525	152	6	153	79	6	403	78	80	80	1,644
030	GGC/Denver Company Division	9010	Customer accounts-Operation supervision	04001	Safety, Newspaper	-	-	-	-	-	435	-	-	-	-	-	-	435
030	GGC/Denver Company Division	9120	Sales-Demonstrating and selling expenses	04046	Customer Relations & Assist	-	-	-	-	-	2,878	-	-	-	(500)	-	-	2,378
030	GGC/Denver Company Division	9130	Sales-Advertising expenses	04021	Promo Other, Misc	-	-	-	-	-	1,558	-	-	-	-	-	-	1,558
030	GGC/Denver Company Division	9130	Sales-Advertising expenses	04044	Advertising	1,739	870	-	1,022	-	-	-	-	-	-	-	-	3,631
030	GGC/Denver Company Division	9130	Sales-Advertising expenses	04046	Customer Relations & Assist	213	134	521	-	-	2,916	440	6	-	-	-	-	4,231
						5,568	31,318	1,046	13,150	37,901	8,403	538	27,856	440	23,790	40,814	17,897	208,721
081	KS Division	4265	Other deductions	04046	Customer Relations & Assist	-	-	-	-	-	967	-	-	-	-	-	-	967
081	KS Division	8700	Distribution-Operation supervision and engineering	04001	Safety, Newspaper	-	-	-	-	-	2,264	-	-	-	-	-	-	2,264
081	KS Division	8700	Distribution-Operation supervision and engineering	04017	Promo Sales, Consumer Rel	-	-	-	-	-	-	-	-	-	-	68	-	68
081	KS Division	8700	Distribution-Operation supervision and engineering	04040	Community Rel&Trade Shows	-	-	-	15	-	-	-	-	-	13,975	-	-	13,990
081	KS Division	8700	Distribution-Operation supervision and engineering	04046	Customer Relations & Assist	-	739	-	-	-	65	-	-	-	-	300	-	1,104
081	KS Division	8740	Mains and Services Expenses	04002	Required By Law, Safety	-	-	-	-	-	-	-	-	-	-	245	543	788
081	KS Division	8800	Distribution-Other expenses	04046	Customer Relations & Assist	-	-	-	30	-	-	-	-	-	-	-	-	30
081	KS Division	8850	Distribution-Maintenance supervision and engineering	04017	Promo Sales, Consumer Rel	-	-	-	-	-	-	-	-	-	-	56	-	56
081	KS Division	8850	Distribution-Maintenance supervision and engineering	04040	Community Rel&Trade Shows	-	-	-	16	-	-	-	-	-	-	-	-	16
081	KS Division	9010	Customer accounts-Operation supervision	04001	Safety, Newspaper	-	-	-	40	-	-	-	-	-	-	-	-	40
081	KS Division	9010	Customer accounts-Operation supervision	04040	Community Rel&Trade Shows	-	-	-	5	-	-	-	-	-	-	-	-	5
081	KS Division	9050	Customer accounts-Miscellaneous customer accounts	04046	Customer Relations & Assist	27	-	-	-	-	2,442	205	-	-	-	-	-	2,674
081	KS Division	9070	Customer service-Supervision	04046	Customer Relations & Assist	-	25	-	(14)	100	11	11	-	-	11	-	25	169
081	KS Division	9080	Customer service-Operating assistance expense	04021	Promo Other, Misc	59	-	1,869	17	4,738	-	-	-	-	-	-	493	7,175
081	KS Division	9080	Customer service-Operating assistance expense	04040	Community Rel&Trade Shows	1,500	3,818	1,995	1,100	-	-	-	-	2,000	2,314	930	340	13,996
081	KS Division	9080	Customer service-Operating assistance expense	04044	Advertising	-	-	-	-	-	945	735	-	1,080	-	-	1,095	3,855
081	KS Division	9080	Customer service-Operating assistance expense	04046	Customer Relations & Assist	98	98	98	693	88	8,226	98	98	98	326	98	98	10,122
081	KS Division	9090	Customer service-Operating informational and instructional advertising expense	04040	Community Rel&Trade Shows	45	30	-	50	-	50	-	-	110	-	-	-	285
081	KS Division	9090	Customer service-Operating informational and instructional advertising expense	04046	Customer Relations & Assist	266	1,540	397	876	991	633	34	65	243	917	117	809	5,889
081	KS Division	9100	Customer service-Miscellaneous customer service	04044	Advertising	-	-	-	-	-	-	-	-	-	-	-	99	99
081	KS Division	9100	Customer service-Miscellaneous customer service	04046	Customer Relations & Assist	-	55	422	100	321	1,127	574	3,144	1,978	86	-	100	7,906
081	KS Division	9120	Sales-Demonstrating and selling expenses	04044	Advertising	120	48	47	125	64	35	96	125	17	98	-	-	775
081	KS Division	9270	A&G-Franchise requirements	04001	Safety, Newspaper	333	-	-	-	-	-	-	-	-	1,498	-	-	1,831
081	KS Division	9302	Miscellaneous general expenses	04044	Advertising	125	-	-	-	-	-	-	-	-	-	-	-	125
081	KS Division	9302	Miscellaneous general expenses	04046	Customer Relations & Assist	1,095	-	-	-	-	-	60	-	-	64	-	190	1,409
						3,667	6,352	4,827	3,052	6,312	16,766	1,813	3,432	5,525	19,288	1,814	3,791	76,638

REQUEST:

[Income Statement] - Please Provide Staff with the Following Information:

1. A complete list of titles that are eligible to receive bonuses or incentive pay under the management or executive incentive plan.

2. Information on how an individual becomes eligible for the plan.

3. Comprehensive written description of the plan including when established.

RESPONSE:

1) Please see Attachment 1 for eligible employees under the Management Incentive Plan (MIP) and the Long-Term Incentive Plan (LTIP) as of March 31, 2015.

2) Generally, employees become eligible for the MIP based upon the criticality of the role to the organization and prevalence of practice in the market, when available. Jobs assigned to pay grades 7 and above are eligible for the plan if approved by Atmos Energy's Management Committee.

3) Please see Attachment 2 through Attachment 5 for MIP documentation. Please see Attachment 6 for LTIP documentation.

ATTACHMENTS:

ATTACHMENT 1 - Atmos Energy Corporation, Staff_1-063_Att1 - List of MIP & LTIP Job Titles as of 03-31-15.pdf, 1 Page.

ATTACHMENT 2 - Atmos Energy Corporation, Staff_1-063_Att2 - MIP as Amended_Restated 02-10-11.pdf, 10 Pages.

ATTACHMENT 3 - Atmos Energy Corporation, Staff_1-063_Att3 - Amendment No. 1 to MIP (Amended_Restated 02-10-11).pdf, 2 Pages.

ATTACHMENT 4 - Atmos Energy Corporation, Staff_1-063_Att4 - Amendment No. 2 to MIP (Amended_Restated 02-10-11).pdf, 1 Page.

ATTACHMENT 5 - Atmos Energy Corporation, Staff_1-063_Att5 - FY 2014 MIP Guidelines.pdf, 1 Page.

ATTACHMENT 6 - Atmos Energy Corporation, Staff_1-063_Att6 - LTIP Amended 09-01-14.pdf, 25 Pages.

Respondent: Barbara Myers

Atmos Energy Corporation
MIP and LTIP Job Titles
as of March 31, 2015

Assistant Corporate Secretary
Assoc General Counsel & Asst Corp Secretary
Asst Treasurer
Attorney
Business Analysis Mgr
Deputy General Counsel
Dir Acctg Services
Dir Actualization & Storage Analysis (AEH)
Dir Asset Management
Dir AtmoSpirit
Dir Busi Planning & Analysis
Dir Business Processes and Change Management
Dir Capital Markets
Dir Contracts & Compliance
Dir Customer Contact Center
Dir Customer Revenue Mgmt
Dir Customer Service (AEH)
Dir Customer Service Systems
Dir Dispatch
Dir E&O Corporate Systems
Dir Employee Development
Dir Employment & Emp Rel
Dir Energy Assistance
Dir Engineering
Dir Enterprise Architecture
Dir External Communications
Dir Facilities Management
Dir Financial Reporting
Dir Gas Acctg & Rate Admin
Dir Gas Meas Svcs
Dir Gas Supply & Services
Dir Government & Public Aff
Dir Governmental Relations
Dir HR CSO and SS
Dir Income Tax
Dir Info Sys & Technology
Dir Information Security
Dir Internal Communications
Dir IT Engineering & Operations
Dir Media Relations
Dir Operations
Dir Operations Support
Dir Origination (AEH)
Dir Pipeline & Trading (AEH)
Dir Procurement
Dir Public Affairs
Dir Rates & Reg Affairs
Dir Regional Marketing I (AEH)
Dir Regional Marketing II (AEH)
Dir Regulated Operations
Dir Regulatory&Compliance
Dir Risk Management
Dir SafetySecurity&Compliance
Dir Sales
Dir State & Local Tax
Dir Storage & Gas Control Op
Dir TBS System Support
Dir Technical Training
Dir Transp & Sched (AEH)
Executive VP
Gas Supply Financial Trader
Mgr Applications Dev/Support
Mgr Business Processes
Mgr Dist Gross Margin Acctg
Mgr Electric Generation Mktg
Mgr Financial Reporting Sys
Mgr Gas Scheduling
Mgr Gas Supply & Services
Mgr Gas Supply Admin
Mgr Pipeline and Industrial Contract Admin
Mgr Pipeline Marketing
Mgr Rates&Regulatory Affairs
Mgr Regional Gas Supply
Mgr Solutions Delivery
Mgr TBS Application Support
Mgr TBS Technical Support
Mgr US GAAP Fin Rept
Mgr, Change Management
Pipeline Business Dev Manager
President
President & CEO
President AEH
Sr Attorney
Sr Dir Actualization & Settlement Analysis (AEH)
Sr Dir National Accounts (AEH)
Sr Dir Regional Mktg (AEH)
Sr Dir Trading (AEH)
Sr Trader (AEH)
Sr VP & CFO
Sr VP General Counsel & Corporate Secretary
Sr VP Marketing
Sr VP Risk & Admin (AEH)
Sr VP Utility Operations
SVP Pipeline Marketing & Administration
SVP Trading (AEH)
Trader (AEH)
VP & Chief Info Officer
VP & Controller
VP & Treasurer
VP Customer Service
VP Finance
VP Gas Control
VP Gas Supply & Services
VP Governmental & Pub Affairs
VP Human Resources
VP Human Resources - SSU
VP Investor Relations
VP LDC & Industrial Market Development
VP Marketing
VP Operations
VP Pipeline Marketing
VP Pipeline Safety
VP Rates & Reg Affairs
VP Reg & Public Affairs
VP Storage & Renewable Energy (AEH)
VP Strategic Planning
VP Tax
VP Technical Services

REQUEST:

[Income Statement] - Please Provide Staff with the Following Information:

Please identify any changes in incentive compensation programs that have taken place over the past five years or that are projected for the future.

RESPONSE:

- Beginning in FY 2010, imposition of limits on the amount of awards earned as annual incentive compensation by the Company's named executive officers with respect to the payouts under the Incentive Plan. If the total increase in the price of a share of Company common stock and the cumulative amount of dividends paid ("Total Shareholder Return") during the fiscal year is negative, the payout of the award for each named executive officer will be reduced to the amount awarded at the target level of the applicable incentive opportunity for each named executive officer, should the Company's performance exceed the performance target and fall between the target and maximum levels of performance.

- Beginning in FY 2010, any distributions of awards of performance-based restricted stock units that have been granted to the Company's named executive officers under the Long-Term Incentive Plan ("LTIP") shall be reduced to the amount awarded at the target level of performance, unless the Total Shareholder Return during the three-year performance period is positive.

- Beginning in FY 2010, enforcement of restriction period through the end of the relevant three-year restriction period on all equity grants under our LTIP for all recipients who have retired prior to the expiration of such restricted period.

- Beginning in FY 2011, changed the definition of compensation in the Management Incentive Plan ("MIP") and Variable Pay Plan ("VPP") from annual salary as of 9/30/xx to Eligible Earnings for the fiscal year. Eligible Earnings is the same definition that is contained in the defined benefit plan (PAP) defined contribution plan (RSP) except that the compensation limits imposed on qualified plans by current regulations do not apply to this incentive plan definition.

- Beginning in FY 2011, adoption of a clawback policy, known as the Executive Compensation Recoupment Policy, which provides for the recoupment by the Company under certain circumstances of incentive compensation, including annual incentive awards, stock-based awards, performance-based compensation and any other forms of cash or equity compensation other than salary.

- Beginning in FY 2012, when participants in the Incentive Plan elect to convert all or a portion of their incentive payments to time-lapse restricted stock units or shares of bonus stock prior to the beginning of each fiscal year, the premium in value they will receive for the conversion to RSU's will be reduced from 150% to 120% of the value at the date of grant, while the premium received for shares of bonus stock will be reduced from 110% to 105%.

- Beginning in FY 2012, the performance targets and actual performance attainment for both the Incentive Plan and performance-based restricted stock units granted under the LTIP will exclude any mark-to-market gains or losses recognized by the Company's non-regulated operations.

- For FY 2013, the maximum payout percentage for the VPP was increased to 200% of target from 150% and incentive targets for employees in Grades 5-6 and Grade 7 (VPP) were increased to 5% and 7.5%, respectively, from 2%.

- For FY 2014, the target award for VPP eligible employees in Grades 1-4 was increased from 2% to 3% of eligible earnings. The target award for Grades 5-6 was increased from 5% to 7.5% and the target for Grade 7 employees in the VPP was increased from 7.5% to 12%.

- For FY 2015, the target award for VPP eligible employees in Grades 1-4 was increased from 3% to 5% of eligible earnings. The target award for Grades 5-6 was increased from 7.5% to 10% and the target for Grade 7 employees in the VPP was increased from 12% to 15%. In addition, VPP plan payout provisions now require active employment as of the end of the performance period (September 30) instead of the payout date.

Respondent: Barbara Myers

REQUEST:

[Income Statement] - Please Provide Staff with the Following Information:

Detailed descriptions of all agreements the Applicant has with former or retired officers or directors for which the Applicant is requesting recovery. For each agreement;

1. Explain the purpose;

2. Identify the costs, if any, incurred during the test year necessary to fulfill any provision of agreement and the account number to be charged and;

3. Explain the benefit to ratepayers.

RESPONSE:

1) Atmos Energy provides benefits to former or retired officers of acquired companies based on the benefits in place at the time of acquisition. These benefits are paid by Atmos Energy's payroll department with several participants having their benefit secured through Corporate Owned Life Insurance with Atmos Energy as the beneficiary upon the participant's death.

2) Please see Attachment 1.

3) These benefits are provided to maintain good will and comply with the agreements in place at the time of acquisition.

ATTACHMENT:

ATTACHMENT 1 - Atmos Energy Corporation, Staff_1-067_Att1 - Former and Retired Officers or Directors.xlsx, 1 Page.

Respondents: Gary Gregory and Barbara Myers

Atmos Energy Corporation, Shared Services and KS
Former and Retired Officers or Directors Costs
For 12 Months Ended Mar 15

Division	Division Description	Company	Company Description	Cost Center	Cost Center Description	Account	Account Description	Sub Account	Sub Account Description	Total
002	Shared Services General Office	010	Atmos Regulated Shared Services	1402	SS Dallas Executive Compensation	9260	A&G-Employee pensions and benefits	07489	NQ Retirement Cost	1,282
002	Shared Services General Office	010	Atmos Regulated Shared Services	1908	SS Dallas SEBP	9260	A&G-Employee pensions and benefits	07489	NQ Retirement Cost	8,754,795
										8,756,076
030	COKS/Denver Company Office	060	Atmos Energy-Colorado-Kansas	3003	CO/KS Div Denver Human Resources	9260	A&G-Employee pensions and benefits	07489	NQ Retirement Cost	168,761

Monthly entry to record costs for the SEBP:

010.1908.9260.07489.002000.0000 Retirement Costs Expense
010.0000.2530.27712.002000.0000 Deferred Retirement Costs

Note: NQ Retirement Costs for Company 010 Shared Services are recorded in 002DIV.
Note: NQ Retirement Costs for Company 060 CO/KS are recorded in 030DIV.

REQUEST:

[Income Statement] - Please Provide Staff with the Following Information:

1. The total actual bad debt expense amounts and sales revenues for the test year, the four years immediately preceding the test year, and any amounts accrued after the end of the test year to the present.

2. The monthly actual bad debt writeoffs net of recoveries for the test year, the four years immediately preceding the test year, and any amounts recorded after the end of the test year to the present.

3. Please also provide the levels of reserve for bad debt for the same time periods.

RESPONSE:

Please see Attachment 1.

ATTACHMENT:

ATTACHMENT 1 - Atmos Energy Corporation, Staff_1-074_Att1 - Bad Debt as of Mar'15.xlsx, 1 Page.

Respondents: Barbara Myers and Laura Becker

Atmos Energy Corporation
Kansas
Bad Debt - 12 months ended March

Period	Bad Debt Write Offs	Bad Debt Recoveries	Net BD Write Offs	Bad Debt Expense	Total Gas Revenue
Apr-10	$ 17,941	$ (28,820)	$ (10,880)		
May-10	36,693	(14,166)	22,526		
Jun-10	57,329	(19,851)	37,478		
Jul-10	71,924	(16,421)	55,503		
Aug-10	108,040	(17,459)	90,581		
Sep-10	63,631	(21,268)	42,363		
Oct-10	124,259	(33,817)	90,442		
Nov-10	36,901	(102,241)	(65,340)		
Dec-10	28,886	(61,824)	(32,938)		
Jan-11	92,971	(20,550)	72,421		
Feb-11	13,986	(19,516)	(5,530)		
Mar-11	15,652	(17,802)	(2,150)		
12 mos ended Mar 2011	$ 668,213	$ (373,736)	$ 294,477	$ 7,505	$ 111,435,320
Apr-11	$ 22,741	$ (10,258)	$ 12,483		
May-11	28,668	(9,208)	19,460		
Jun-11	61,199	(10,915)	50,284		
Jul-11	138,681	(18,091)	120,590		
Aug-11	92,175	(19,451)	72,723		
Sep-11	196,616	(45,761)	150,855		
Oct-11	46,778	(17,459)	29,318		
Nov-11	29,116	(49,043)	(19,927)		
Dec-11	342,518	(25,718)	316,800		
Jan-12	31,088	(294,067)	(262,979)		
Feb-12	19,471	(24,200)	(4,729)		
Mar-12	24,653	(15,689)	8,964		
12 mos ended Mar 2012	$ 1,033,704	$ (539,861)	$ 493,843	$ 661,244	$ 100,543,004
Apr-12	$ 24,644	$ (10,609)	$ 14,035		
May-12	213,764	(11,088)	202,676		
Jun-12	70,881	(28,906)	41,975		
Jul-12	69,073	(6,689)	62,384		
Aug-12	108,519	(18,044)	90,475		
Sep-12	40,948	(17,714)	23,234		
Oct-12	23,668	(30,291)	(6,623)		
Nov-12	17,560	(44,382)	(26,821)		
Dec-12	7,438	(26,070)	(18,632)		
Jan-13	6,454	(12,997)	(6,543)		
Feb-13	6,747	(20,985)	(14,238)		
Mar-13	7,267	(12,728)	(5,460)		
12 mos ended Mar 2013	$ 596,964	$ (240,501)	$ 356,462	$ 528,559	$ 105,423,735
Apr-13	$ 5,614	$ (7,241)	$ (1,626)		
May-13	3,553	(9,567)	(6,014)		
Jun-13	849	6,076	6,926		
Jul-13	2,309	670	2,979		
Aug-13	87,082	(3,881)	83,202		
Sep-13	65,673	(4,235)	61,438		
Oct-13	4,494	(6,766)	(2,271)		
Nov-13	266,176	(7,702)	258,475		
Dec-13	50,671	(7,602)	43,069		
Jan-14	49,491	(8,907)	40,584		
Feb-14	20,420	(11,051)	9,369		
Mar-14	60,646	(12,281)	48,365		
12 mos ended Mar 2014	$ 616,978	$ (72,484)	$ 544,494	$ 1,142,775	$ 144,130,568
Apr-14	$ 70,383	$ (7,285)	$ 63,098		
May-14	65,499	(6,329)	59,170		
Jun-14	73,996	(7,805)	66,191		
Jul-14	53,719	(11,385)	42,334		
Aug-14	61,484	(6,665)	54,819		
Sep-14	92,623	(8,966)	83,656		
Oct-14	118,281	(12,801)	105,480		
Nov-14	56,621	(13,556)	43,065		
Dec-14	73,102	(6,983)	66,119		
Jan-15	84,283	(8,870)	75,412		
Feb-15	55,039	(16,895)	38,144		
Mar-15	443,869	(6,350)	437,519		
12 mos ended Mar 2015	$ 1,248,899	$ (113,890)	$ 1,135,009	$ 872,410	$ 125,390,118

REQUEST:

1. In reference to Jared Geiger's testimony on page 5, please explain and provide supporting detail for the following:

   A. Why each of the three customers, identified in lines 8-11, migrated to a different rate schedule.

   B. Why the customer, identified in lines 11 and 12, increased its minimum consumption amount.

2. In reference to Jared Geiger's testimony on page 5, please describe in detail how the billing system works, with regard to the overstatement of bill counts.

RESPONSE:

1)

A) Please see Highly Confidential Attachment 1. The customer numbers are the Company assigned numbers used in listing the usage and adjustments to the Section 17 relied file "KS Transportation Vols and Cts.xlsx." The information provided is Highly Confidential and comes directly from the Company's Sales Representative charged with communication, verbal and written, with the customers in question.

B) Please see Highly Confidential Attachment 1. The customer numbers are the Company assigned numbers used in listing the usage and adjustments to the Section 17 relied file "KS Transportation Vols and Cts.xlsx." The information provided is Highly Confidential and comes directly from the Company's Sales Representative charged with communication, verbal and written, with the customers in question.

In answering this question, the Company has identified an error in how this adjustment was made on Wp 17-4 of the Company's model. On Wp 17-4, an adjustment of 1,857,112 Ccf was made to increase this customer's gas usage of 142,888 Ccf to 2,000,000 Ccf. In reality, the consumption at that particular meter was correct and should not have been adjusted. The original adjustment increased revenues by $145,442 and the correction, which will be included in the Company's rebuttal testimony, will result in an adjustment of $157,056 for net change of $11,614. Please see Highly Confidential Attachment 2 for the contract with this customer.

2) Customer bills do not always consist of a standard monthly billing period, yet the Company's billing system reports bill counts as integers. Proration is designed to adjust for the billing system's over statement of bill counts during the test period. Sheet 28 of the Company's tariff states in part

> "2. Proration of customer charges:
> a. Customer charges shall be prorated only in the following situations:
> i. Connection or disconnection of service which causes the billing cycle to be outside the range of 26 through 36 days.
> ii. When re-routing of meter routes, for only those customers directly affected, causes the billing cycle to be outside the range of 26 through 36 days; and
> iii. During the billing month in which a change in rates or tariffs becomes effective."

When a customer initiates service or terminates service with Atmos Energy, the customer will, under the terms of the Company's tariff, receive a bill that has a prorated customer charge depending on the number of days in the customer's first or last billing period that the customer is on the system.

If you take the number of bills Atmos Energy sends out multiplied by the tariff customer charge, you will be overstating the actual revenue the Company gets from customers because you will not take into account the fact that some portion of those bills are for a prorated month. For example, if a customer moves out on the first of the month and their normal billing cycle would have their meter read on the 15th, they would receive a bill count of one in the Company's billing system and would be paying approximately ½ the tariff customer charge, or $9.10. If a new customer moves into the same premise on the 2nd of the month and they're billed on the same cycle, they too would receive a bill count of one in billing system and pay approximately ½ the tariff customer charge, or $9.10. The result is a bill count of two with an equivalent of one customer charge, or $18.19. To avoid this problem, the actual number of sales customer bills needs to be adjusted to reflect that same proration. The Company's reporting system does not have the capability of reporting customer bill counts in percentages, or fractions of a bill count, and so a proration to the reported bill counts is necessary to accurately reflect the revenue collected from customer charges throughout the test year and the period at which proposed rates become effective.

ATTACHMENTS:

ATTACHMENT 1 - Atmos Energy Corporation, Staff_1-088_Att1 - Customer Migration and Consumption (HIGHLY CONFIDENTIAL).pdf, 1 Page.

ATTACHMENT 2 - Atmos Energy Corporation, Staff_1-088_Att2 - Transportation Contract (HIGHLY CONFIDENTIAL).pdf, 3 Pages.

Respondent: Jared Geiger

REQUEST:

Please explain why Chamber of Commerce and Economic Development charges are removed in Schedule 9-12 of Atmos' Application do not show as part of Atmos' response to Staff Data Request 62 which asks for all association dues or contributions. Please also explain why Chamber of Commerce and Economic Development charges included in DR 62 were not removed in Atmos Chamber of Commerce Dues Adjustment.

RESPONSE:

Please see Attachment 1 to the Company's amended response to Staff DR No. 1-062. The revisions to Attachment 1 to the amended response to Staff DR No. 1-062 require that additional revisions of $44,239 and $8,564 be made to WP 9-12 and WP 9-7, respectively. Please see Attachment 1 to this response for the amended WP 9-12 and Attachment 2 for the amended WP 9-7.

ATTACHMENTS:

ATTACHMENT 1 - Atmos Energy Corporation, Staff_1-147_Att1 - WP 9-12 Amended.xlsx, 1 Page.

ATTACHMENT 2 - Atmos Energy Corporation, Staff_1-147_Att2 - WP 9-7 Amended.xlsx, 1 Page.

Respondents: Barbara Myers and Laura Becker

DOCKET NO. 16-ATMG-079-RTS
ATTACHMENT 1
TO STAFF DR NO. 1-147

Atmos Energy Corporation
Kansas Distribution System Filing Requirements
Chamber of Commerce Dues Adjustment
Test Year Ending March 31, 2015

Line No.	Division	Description	Amount	Kansas Allocation Percentage	Kansas Amount	Percentage Allowed	Total Adjustment
	(a)	(b)	(c)	(d)	(e) = (c)*(d)	(f)	(g) = (e)*(f)
1	002	Shared Services - General Office	#######	4.08%	$ 15,370	50%	$ (7,685)
2	012	Shared Services - Customer Support	14,452	4.26%	616	50%	(308)
3	030	Colorado/Kansas Division Admin	72,712	59.02%	42,915	50%	(21,457)
4	081	Kansas Division	41,123	100.00%	41,123	50%	(20,562)
5	Total Chamber of Commerce Dues Adjustment (Sum of Lines 1 - 4		#######		$ 100,023	**IS-15**	$ (50,012)
6							
7	Source: Staff_1-062_Att1_Amended - Membership and Association Dues.xlsx						

DOCKET NO. 16-ATMG-079-RTS
ATTACHMENT 2
TO STAFF DR NO. 1-147

Section 9
WP 9-7
IS-6

Atmos Energy Corporation
Kansas Distribution System Filing Requirements
Miscellaneous Expense Adjustment
Test Year Ending March 31, 2015

Line No.	Description	Expense Reports	Miscellaneous Expenses (2)	Total Before Allocation	Allocation Factor	Total
	(a)	(b)	(c)	(d) = b + c	(e)	(f) = d * e
1	All Kansas	$ (21,036)	$ (457,999)	$ (479,035)	100%	########
2	Division 012 Customer Suppor	(198,545)	(9,233)	(207,778)	4.26%	(8,851)
3	Division 002 General Office	(308,230)	(64,598)	(372,828)	4.08%	(15,211)
4						
5	Total Employee Expense Adjustment (1) (Sum of Lines 1 - 3)	$ (527,811)	$ (531,831)	#########	**IS-6**	########
6						

7 Notes:
8 1. This adjustment removes expense report and other miscellaneous employee expenses that might
9 be deemed controversial.
10 2. The adjustments in Column c are from employee expenses recorded in the 5400 accounts and from
11 miscellaneous vendors charging amounts to Kansas which should be charged to Colorado.
12 Sources:
13 KS Direct Expense Reviews_TYE 3-31-2015.xlsx
14 Expense Report Reviews Div 012_TYE 3-31-2015.xlsx
15 Expense Report Reviews Div 002_TYE 3-31-2015.xlsx
16 Expense Reviews-Div 002_5400 Accounts_TYE 03-31-2015.xlsx
17 Expense Reviews-Div 012_5400 Accounts_TYE 03-31-2015.xlsx
18 Section 12 Allocations.xlsx

SUPPLEMENTAL RESPONSE (11/20/2015)

REQUEST:

Please provide the cost of each of the following included in the Test Year broken out by division.

a. Long Term Incentive Plan

b. RSU Long Term Incentive Plan - Time Lapse

c. RSI - Management Incentive Plan

SUPPLEMENTAL RESPONSE:

As a follow-up to the request dated November 17, 2015 from Kansas Staff, please see supplemental Attachment 1, which has been updated to provide the amounts for capital and expense for items a through c. The amounts provided in the original attachment were gross amounts.

ATTACHMENT:

ATTACHMENT 1 - Atmos Energy Corporation, Staff_1-301_Att1_Suppl - Restricted Stock.xlsx, 1 Page.

Respondent: Barbara Myers

Atmos Energy Corporation
Restricted Stock (LTIP)
Test Period 12 month Ending March 2015

Company	Division	Division Description	Account	Account Description	Sub Account	Sub Account Description	12 Months Ending March 2015	
010	002	Shared Services General Office	9260	A&G-Employee pensions and benefits	07458	Restricted Stock - Long Term Incentive Plan - Performance Based	$ 6,312,782	
010	002	Shared Services General Office	9260	A&G-Employee pensions and benefits	07460	RSU-Long Term Incentive Plan - Time Lapse	3,480,348	
010	002	Shared Services General Office	9260	A&G-Employee pensions and benefits	07463	RSU-Managment Incentive Plan	461,839	
							$ 10,254,969	Gross Cost
							(5,285,439)	Capitalized OH
							$ 4,969,530	Net Expense
							$ 202,757	Net Expense Allocated to KS (based on FY15 Alloc Factor)

Company	Division	Division Description	Account	Account Description	Sub Account	Sub Account Description	12 Months Ending March 2015	
010	012	Customer Support	9260	A&G-Employee pensions and benefits	07458	Restricted Stock - Long Term Incentive Plan - Performance Based	$ 323,214	
010	012	Customer Support	9260	A&G-Employee pensions and benefits	07460	RSU-Long Term Incentive Plan - Time Lapse	199,401	
010	012	Customer Support	9260	A&G-Employee pensions and benefits	07463	RSU-Managment Incentive Plan	62,572	
							$ 585,187	Gross Cost
							(60,212)	Capitalized OH
							$ 524,976	Net Expense
							$ 22,364	Net Expense Allocated to KS (based on FY15 Alloc Factor)

Company	Division	Division Description	Account	Account Description	Sub Account	Sub Account Description	12 Months Ending March 2015	
060	030	COKS/Denver Company Office	9260	A&G-Employee pensions and benefits	07458	Restricted Stock - Long Term Incentive Plan - Performance Based	$ 250,215	
060	030	COKS/Denver Company Office	9260	A&G-Employee pensions and benefits	07460	RSU-Long Term Incentive Plan - Time Lapse	135,470	
060	030	COKS/Denver Company Office	9260	A&G-Employee pensions and benefits	07463	RSU-Managment Incentive Plan	17,472	
060	030	COKS/Denver Company Office	9260	A&G-Employee pensions and benefits	07450	Capitalized Restricted Stock	(221,548)	
							$ 181,610	Net Expense
							$ 107,186	Net Expense Allocated to KS (based on FY15 Alloc Factor)

Total Test Year Restricted Stock Expense for Kansas $ 332,307

CERTIFICATE OF SERVICE

16-ATMG-079-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 21st day of December, 2015, to the following:

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