

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

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

DIRECT TESTIMONY OF

JOE T. CHRISTIAN

FOR ATMOS ENERGY CORPORATION

I. INTRODUCTION

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Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. Joe T. Christian, 5420 LBJ Freeway, 1600 Lincoln Centre, Dallas, TX 75240.

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

A. I am employed by Atmos Energy Corporation (“Atmos” or the “Company”) as Director of Rates & Regulatory Affairs.

Q. WHAT ARE YOUR RESPONSIBILITIES AS DIRECTOR OF RATES & REGULATORY AFFAIRS FOR ATMOS?

A. I am responsible for leading and directing the rates and regulatory activity in Atmos’ twelve-state service area. This responsibility includes developing the strategy, preparing the revenue deficiency filings, and managing the overall ratemaking process for the Company. For the past nine years, I have managed Company specific dockets, generic commission proceedings, and other utility Company dockets in Colorado, Kansas, Missouri, and Texas.

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

3 **A.** I graduated from East Texas State University in 1985 with a Bachelor of Business
4 Administration Degree, majoring in Accounting. In 1987, I received a Masters of Business
5 Administration from East Texas State University. I am a Certified Public Accountant in the
6 State of Texas and a member of the American Institute of Certified Public Accountants.

7 My professional experience includes approximately two years of public accounting
8 experience with a large local accounting firm based in Dallas, Texas. In 1989, I accepted a
9 position in the internal audit group with Atmos. I was promoted to positions of increasing
10 responsibility within the Atmos finance team during my first nine years with the Company. I
11 joined Atmos' Colorado & Kansas operations as Vice President & Controller in June of 1998
12 and, effective December 1, 2001, was named Vice President of Rates & Regulatory Affairs. I
13 assumed my current position on August 1, 2007.

14 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE KANSAS CORPORATION**
15 **COMMISSION ("KCC") OR OTHER REGULATORY ENTITIES?**

16 **A.** Yes, I have submitted testimony before the KCC in two general rate case proceedings (Docket
17 No. 03-ATMG-1036-RTS and 08-ATMG-280-RTS) and provided oral comments to the KCC
18 in a rules investigation (Docket No. 02-GIMX-211-GIV, General Investigation of the Cold
19 Weather Rule). I have filed written testimony before the Colorado Public Service Commission
20 in general rate case proceedings (Docket No. 00S-668G and 09AL-507G); gas prudence
21 reviews (Dockets 00P-296G and 03P-229G); a class cost of service/rate design proceeding
22 (Docket 02S-411G); a transportation terms & conditions proceeding (Docket 02S-442G); an

1 upstream gas transportation matter (Docket No. 04A-275G); and a complaint proceeding
2 regarding upstream gas transportation (Docket No. 08F-033G).

3 **II. PURPOSE OF TESTIMONY**

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

5 **A.** My testimony has four primary purposes: (1) to present the Company's revenue requirements
6 model which supports the increase in base rate revenues the Company is requesting in this
7 proceeding; (2) to support and describe the methods used to normalize Atmos' revenues and
8 volumes as they relate to the test period in this case; (3) to support and describe various
9 adjustments to the revenue requirements related to Ad Valorem Taxes, Interest on Customer
10 Deposits, and normalization of income taxes; and (4) to support the proposed rates in this
11 proceeding.

12 **III. REVENUE REQUIREMENTS MODEL**

13 **Q. WHAT IS THE TEST PERIOD USED IN DETERMINING THE REVENUE** 14 **DEFICIENCY?**

15 **A.** The test period in this case is the 12 months ended September 30, 2009.

16 **Q. PLEASE DESCRIBE HOW THE KANSAS MINIMUM REQUIREMENTS ARE MET** 17 **BY THE COMPANY REVENUE REQUIREMENTS MODEL.**

18 **A.** The Company utilized the schedule numbering scheme listed K.A.R. § 82-1-231 (2009). We
19 addressed each of the requirements outlined in our overall filing package. In the following
20 Q&A I will describe how the minimum filing requirements were addressed for sections
21 pertinent to the calculation of the revenue requirement, however I will omit discussing any
22 sections that are provided in the filing package, but aren't utilized in arriving at the Company's
23 filing deficiency.

1 Q. PLEASE DESCRIBE EACH OF THE SCHEDULES SUPPORTING THE
2 CALCULATION OF COST OF SERVICE AND REVENUE DEFICIENCY.

3 A. Section 3 Summary of Rate Base, Operating Income and Rate of Return.

4 This section accumulates the results of the various schedules described in the remainder of this
5 answer to calculate a Kansas jurisdictional Revenue Requirement of \$ 50.9 million and a
6 Kansas jurisdictional annual Revenue Deficiency of \$6.0 million. Jurisdictional results reflect
7 Kansas direct operations, plus allocations from the Company's administrative offices serving
8 Kansas (Shared Services, Call Centers, and Colorado-Kansas General Office). ...

9 Section 4 Functional Plant in Service. This section provides functional plant balances for
10 direct and allocated gross plant in service of \$242.4 million. The gross plant in service will be
11 supported by Company witness Thomas H. Petersen.

12 Section 5 Accumulated Depreciation. This section provides accumulated depreciation
13 balances for direct and allocated accumulated reserve of \$87.9 million. The accumulated
14 depreciation will be supported by Company witness Thomas H. Petersen.

15 Section 6 Summary of Working Capital. This section provides thirteen month average
16 calculations of prepayments and storage gas of \$21.5 million. The prepayments and storage
17 gas will be supported by Company witness Thomas H. Petersen.

18 Section 7 Capital and Cost of Money. This section provides the Company's requested capital
19 structure of 50.50% debt and 49.50% equity, cost of long-term debt of 6.87%, return on equity
20 of 11.4% and computes an overall requested return on rate base of 9.11%. The requested
21 capital structure and cost of debt are supported by Company witness Robert J. Smith. The
22 requested return on equity is supported by Company witness Dr. William E. Avera.

1 **Section 9 Test Year and Pro-forma Income Statements.** Within Section 9, Test Year and Pro-
2 forma Income Statements, the section provides the Company's requested Operation &
3 Maintenance expense of \$17.7 million. The requested Operation and Maintenance expense is
4 supported by Company witness John C. Johnson.

5 **Section 10 Depreciation and Amortization Expense.** This section provides depreciation and
6 amortization expense of \$8.8 million which is associated with the Company's requested gross
7 plant. The depreciation and amortization expense will be supported by Company witness
8 Thomas H. Petersen.

9 **Section 11 and 11B Taxes Other Than Income Taxes & Computation of Income Taxes.** This
10 section provides the Company's requested Taxes Other Than Income Taxes of \$5.9 million
11 and the computation of Income Taxes. These sections are supported by myself and by
12 Company witness John C. Johnson.

13 **Section 14A Summary of Other Rate Base Components.** This section provides the Company's
14 requested other rate base components of construction work in progress, customer advances for
15 construction, customer deposits, and accumulated deferred income taxes. These items, totaling
16 to a reduction in rate base of \$34 million, are supported by Company witness Thomas H.
17 Petersen.

18 **Section 14C Computation of Interest on Customer Deposits.** This section computes the
19 adjustment related to interest expense for customer deposits. This section supported by myself
20 and discussed in further along in my testimony.

21 **Section 17 Summary of Revenue at Present and Proposed Rates.** This section computes the
22 normalized revenue at present and proposed rates for each of the Company's tariffs. This

1 section, containing adjustments IS-14 and IS-15, is supported by myself and discussed in the
2 next section of my testimony.

3 **IV. BILLING DETERMINANTS**

4 **Q. WHAT ARE BILLING DETERMINANTS?**

5 A. Billing determinants are units of service to which the Company's distribution rates are applied.
6 Specifically, these units include sales volumes and customer counts. For purposes of this
7 study, only minor adjustments are made to larger volume sales customers and transportation
8 service customers (IS-15). Miscellaneous other revenues are included at test year amounts
9 when determining the amount of revenue at present rates. However, in the development of
10 new rates, Miscellaneous other revenues are related to the Kansas Ad Valorem surcharge
11 revenue are eliminated since this surcharge is subject to annual reconciliation.

12 **Q. PLEASE DESCRIBE THE BILLING DETERMINANTS FOR THE TEST YEAR**
13 **SHOWN AS AJUSTMENT IS-14 IN WORKPAPER 17-2.**

14 A. The initial data utilized in developing the billing determinants used in this case was the 12-
15 month period ended September 30, 2009. From these actual billing determinants, a weather
16 normalization calculation was made based upon the National Oceanic and Atmospheric
17 Association ("NOAA") reported information for the 12 month period ended September 30,
18 2009.

19 **Q. WHY IS IT NECESSARY TO NORMALIZE BILLING DETERMINANTS?**

20 A. Billing determinants for sales customers must be normalized in order to establish a level of
21 revenue at present rates assuming 'normal' weather.

22 **Q. HOW WERE THE ACTUAL BILLING DETERMINANTS WEATHER**
23 **NORMALIZED?**

1 A. In the Billing Determinants Study, Adjustment IS-14, is computed in the Workpaper 17-2
2 series columns A-N. The Company utilizes the exact Weather Normalization Adjustment
3 (“WNA”) information submitted to Commission Staff for the months of October 2008 – May
4 2009 in columns A-N of Workpaper 17-2 series. The same methodology was extended to June
5 2009 – September 2009 to arrive at the full test period adjusted volume. Workpaper 17-2,
6 Column N takes the dollar amount computed and reported to Commission Staff and converts
7 the dollar amount back into a volumetric amount. These volumetric amounts are then
8 accumulated and summarized on Workpaper 17-2 and reflected in Section 17 of the
9 Company’s Revenue Requirements model.

10 **Q. HOW DID THE COMPANY DETERMINE WHAT NOAA WEATHER STATIONS**
11 **TO USE?**

12 A. The weather points utilized in the billing determinants study are the same stations utilized
13 by Commission Staff in Docket No. 08-ATMG-280-RTS.

14 **Q. DID THE COMPANY HAVE TO SUBSTITUTE ANY WEATHER DATA DUE TO**
15 **UNAVAILABILITY FROM NOAA?**

16 A. Yes. The weather data, as downloaded from NOAA on December 16, 2009, was incomplete,
17 therefore some degree day information had to be substituted based on the closest available
18 weather station.

19 **Q. DID THE COMPANY MAKE ANY OTHER ADJUSTMENTS TO REVENUES?**

20 A. Yes. Adjustment IS-15 is an adjustment to correct booked volumes for a customer that had
21 measurement issues during the test period and to exclude volumes for one sales customer that
22 is no longer a customer. Workpaper 17-4 shows the detail of these adjustments. These
23 adjustments are based on a review of larger customer volume data and discussion/confirmation

1 with local marketing representatives.

2 **Q. SHOULD THE COMPANY MAKE AN ADJUSTMENT RELATED TO AD**
3 **VALOREM TAX SURCHARGE REVENUE?**

4 **A.** For purposes of determining revenue at present rates, and subsequently the overall revenue
5 increase sought by the Company, no adjustment needs to be made to per books Ad Valorem
6 Surcharge revenue. However, in the development of rates, the per books amount of Ad
7 Valorem Surcharge revenue must be eliminated since the revenue is subject to annual
8 reconciliation and comparison with previous years collections.

9 **V. AD VALOREM TAX (IS-8 AND IS-9), NORMALIZATION OF INCOME TAXES**
10 **(IS-12) AND INTEREST ON CUSTOMER DEPOSITS (IS-13)**

11 **Q. IS THE COMPANY PROPOSING ANY ADJUSTMENTS TO TAXES OTHER**
12 **THAN INCOME TAXES?**

13 **A.** Yes. There are four adjustments being proposed to taxes other than income taxes. Two
14 adjustments (IS-10 and IS-11) related to payroll tax and KCC assessment are discussed by
15 Company witness Johnson. The other two adjustments (IS-8 and IS-9) are made to Ad
16 Valorem taxes.

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

18 **A.** Workpaper 11-7 compares the test period Ad Valorem tax expense to the most recent Ad
19 Valorem tax assessments. The 2009 Ad Valorem assessments were utilized in docket number
20 10-ATMG-405-TAR in the calculation of the Company's 2010 Ad Valorem surcharge
21 calculation. As discussed in the previous section, Other Revenue is adjusted in the rate design
22 step to reflect the fact that the level of Ad Valorem Expense will be recovered in base rates and
23 future Ad Valorem surcharges will have a new base established for reconciliation purposes.

1 **Q. WHY IS IT NECESSARY TO ADJUST TO THE LEVEL OF AD VALOREM TAX**
2 **ASSESSED IN 2009?**

3 **A.** In the Company's previous rate case, filed in September of 2007, the latest Ad Valorem
4 information was not available at the time of filing. However, the latest information was
5 available at the time of Staff's filing. Staff utilized the 2007 assessment information in
6 arriving at their recommended revenue requirement.

7 **Q. IS THE COMPANY'S ADJUSTMENT CONSISTENT WITH STAFF'S ADJUSTMENT**
8 **IN THE PREVIOUS DOCKET?**

9 **A.** Yes.

10 **Q. PLEASE DESCRIBE THE SECOND AD VALOREM TAX ADJUSTMENT (IS-9).**

11 **A.** In addition to reflecting the most recent Ad Valorem assessment, the Company has also
12 calculated the estimated Ad Valorem expense associated with the construction work in
13 progress included in the Company's filing.

14 **Q. WHY IS IT NECESSARY TO MAKE THE SECOND AD VALOREM TAX**
15 **ADJUSTMENT (IS-9)?**

16 **A.** K.S.A. 66-117 (f) provides a means for utilities to true-up increases in Ad Valorem expense.
17 Given that the construction work in progress will result in a higher expense in 2010, the
18 inclusion of this adjustment will reduce future Ad Valorem true-up filings.

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

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

22 **Q. PLEASE DESCRIBE THE INTEREST ON CUSTOMER DEPOSIT ADJUSTMENT**
23 **(IS-13).**

1 A. Section 14C of the Company's filing utilizes the average customer deposit amount included in
2 this filing (shown in Section 14A) and normalizes the customer deposit interest rate to the .5%
3 rate approved by the Commission in docket number 98-GIMX-348-GIV on December 15,
4 2009.

5 VI. PROPOSED RATES

6 **Q. PLEASE DESCRIBE HOW THE COMPANY DESIGNED RATES IN THIS**
7 **PROCEEDING.**

8 A. I utilized the normalized billing determinants, as included in Section 17, and referenced the
9 Class Cost of Service Study prepared by Company witness Petersen to develop the rates
10 proposed in this proceeding.

11 **Q. WHAT WERE YOUR GOALS FOR DESIGNING RATES?**

12 A. In conjunction with the Company's existing WNA, the primary goal of designing rates in this
13 case is to rebalance the fixed and variable elements in our distribution rates to more accurately
14 reflect the underlying cost characteristics of our service and establish rates for each class that
15 recover the appropriate contribution to our overall revenue requirement.

16 **Q. WHAT ARE THE PROPOSED RATES?**

17 A. The Company proposes to move the Company's residential facilities charge from \$12.65 to
18 \$16.50 and the commercial/public authority facilities charge from \$31.29 to \$38.00. I would
19 note that the present rates include the Gas System Reliability Surcharge ("GSRS") charges
20 approved in December 2009 by the Commission. A complete set of rates are shown in Section
21 17 and in JTC-1 attached to my testimony.

22 **Q. HOW DO THESE RATES ACCOMPLISH THE GOAL OF REBALANCING FIXED**
23 **AND VARIABLE CHARGES TO MORE ACCURATELY REFLECT THE**

1 **UNDERLYING COST CHARACTERISTICS?**

2 **A.** The majority of a natural gas utilities costs are fixed and unaffected by the volumes sold or
3 transported. Under the existing tariff, rates the Company is recovering only about 52% of its
4 revenue requirement through facilities charges. Under the proposed rates, approximately 57%
5 of the revenue requirements would be recovered through facilities charges.

6 **Q. HOW DOES THE PROPOSED RECOVERY OF 57% OF REVENUE**
7 **REQUIREMENTS THROUGH FACILITY CHARGES COMPARE TO OTHER**
8 **COMPANIES?**

9 **A.** I understand that in Black Hills Energy's last gas rate case, their customer facility charge as a
10 percentage of revenue requirement was approximately 65%. Black Hills Energy's monthly
11 residential facility charge is currently \$16.

12 **Q. WHY IS \$16.50 THE CORRECT LEVEL FOR THE MONTHLY RESIDENTIAL**
13 **FACILITY CHARGE?**

14 **A.** I believe that the proposed monthly facilities charge will appropriately move toward greater
15 cost recovery through non-volumetric rates, and in an incremental and rational manner that
16 minimizes the shifting of cost recovery between lower usage residential customers (non-space
17 heating) and higher volume space heating residential customers.

18 **Q. DO THE RATES YOU PROPOSE ACCOMPLISH THE GOAL OF RECOVERING**
19 **THE APPROPRIATE REVENUE FROM EACH CLASS?**

20 **A.** Yes. As shown in the Class Cost of Service model (Schedule 14; page 1 of 14, line 23), each
21 class reasonably contributes to the overall requested return on investment of 9.11%.

22 **Q. ARE THE PROPOSED RATES REFLECTED IN THE TARIFFS?**

23 **A.** Yes. The Company has included a copy of Schedule IV of our tariffs with the proposed rates

1 reflected on the appropriate sheets.

2 **Q. HAS THE COMPANY PROPOSED ANY OTHER TARIFF CHANGES?**

3 **A.** Yes. The Company has included updated Index Sheets to reflect changes to the Company's
4 system map and to reflect the addition of Schedule VIII Gas System Reliability Surcharge
5 Rider. Also the Company has included other minor changes that are "housekeeping" in nature.

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

7 **A.** Yes.

8

VERIFICATION

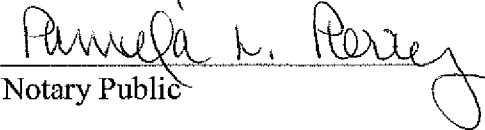
STATE OF TEXAS)
) ss
COUNTY OF DALLAS)

Joe T. Christian, being duly sworn upon his oath, deposes and states that he is the Director of Rates & Regulatory Affairs of Atmos Energy Corporation; that he has read and is familiar with the foregoing Direct Testimony filed herewith; and that the statements made therein are true to the best of his knowledge, information and belief.



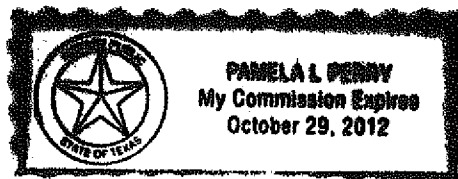
Joe T. Christian

Subscribed and sworn before me this 25th day of January, 2010.



Notary Public

My appointment expires: 10-29-12



Atmos Energy Corporation - Kansas
Rate Development
For the test year ended September 30, 2009
Rate Design

Line No.	Description (a)	Tot. Kansas (b)	Total Residential (q)
1	Peak Month (February 2007) Ccf		
2	As adjusted	33,409,987	
3			
4	Annual Delivery or Thru-put Ccf		
5	As adjusted	162,281,029	
6			
7	Winter Volume Ccf excl. Transp. [1]		
8	As adjusted	113,460,722	
9			
10	[1] November through April		
11	[2] Data from Section 17 and File "Adjusted TY volume by		
12			
13			
14	Bill Count	1,534,695	1,408,227
15			
16	Current Rates - w/o GSRS		
17	GSRS		
18			
19	Current Volumetric Rates	1st block	
20		2nd block	
21			
22	Proposed Rates		
23	GSRS		
24			
25	Proposed Volumetric Rates	1st block	
26		2nd block	
27			
28	Facilities Charges at Present Rates	\$ 22,073,749	\$ 17,815,496
29	Volumetric Charges at Present	1st block	13,192,617
30		2nd block	
31	Total	\$ 42,862,593	\$ 31,008,113
32	Other Revenue & Special Contract	2,097,713	
33	Total Revenue at Present Rates	\$ 44,960,306	
34			
35	Proposed Facilities Charge	\$ 28,383,932	\$ 23,237,726
36	Proposed Volumetric Rate	1st block	13,661,109
37		2nd block	
38	Total	\$ 49,863,652	\$ 36,898,835
39	Other Revenue & Special Contract	1,111,218	
40	Total Proposed Revenue	\$ 50,974,870	
41			
42	Margin change	\$ 6,014,564	\$ 5,890,722
43	Margin percentage change	13.38%	19.00%
44			
45	Proposed Rate of Return	9.11%	
46			