

**BEFORE THE STATE CORPORATION COMMISSION JAN 26 2012  
OF THE STATE OF KANSAS**

by  
State Corporation Commission  
of Kansas

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

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**DIRECT TESTIMONY OF**

**ROBERT E. HASSEN**

**FOR ATMOS ENERGY CORPORATION**

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**I. INTRODUCTION**

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

3 A. My name is Robert E. Hassen and my business address is 5420 LBJ Freeway,  
4 Suite 1600, Dallas, Texas 75240.

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

6 A. I am employed as a Senior Rate Analyst for Atmos Energy Corporation  
7 ("Atmos" or the "Company").

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

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

1 **Q. WHAT IS YOUR EDUCATIONAL BACKGROUND AND WORK**  
2 **EXPERIENCE?**

3 A. I graduated from Grambling State University with a Bachelor of Science in  
4 Accounting. Prior to entering the gas industry, my professional experience  
5 included ten years of accounting, during which I held the positions of Staff  
6 Accountant, Financial Analyst and Advanced Analyst. In 2007, I accepted the  
7 position of Rate Analyst in the Rates & Regulatory Affairs group at Atmos  
8 Energy Corporation. In 2008, I was promoted to Senior Rate Analyst.

9 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE KANSAS**  
10 **CORPORATION COMMISSION OR OTHER REGULATORY ENTITIES?**

11 A. I have not testified before the Kansas Corporation Commission. I have filed  
12 testimony with the Colorado Public Utilities Commission in Docket No. 09AL-  
13 507G and with the Missouri Public Service Commission in Docket No. GR-  
14 2010-0192.

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

16 A. The purpose of my testimony is to discuss adjustments made to the test year  
17 Operating and Maintenance ("O&M") expense. I also discuss adjustments made  
18 to Taxes Other than Income Taxes. These adjustments can be found in Sections  
19 9 and 11, respectively of Atmos' rate case application.

20 **Q. WHAT IS THE TEST YEAR IN THIS CASE?**

21 A. The test year is the 12-month period ending September 30, 2011.  
22

1 **II. O&M EXPENSE**

2 **Q. WHAT ADJUSTMENTS WERE MADE TO O&M EXPENSE?**

3 A. Six adjustments were made to O&M expense and are listed as follows:

- 4 1. Labor (IS-1)
- 5 2. Benefits (IS-2)
- 6 3. AGA Dues (IS-3)
- 7 4. Charitable Contributions (IS-4)
- 8 5. Rate Case Expense (IS-5)
- 9 6. Expense Reports & Other Misc. Employee Expenses (IS-6)

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

11 A. This adjustment to labor expense is for known and measurable merit increases  
12 that were not included in the test year. The labor adjustment reflects the budgeted  
13 merit increase of 3.0% to the total gross labor recorded on the books and records  
14 for the test year. The merit increase is an annual increase provided to employees  
15 that primarily goes into effect on October 1<sup>st</sup> of each year. A three year average  
16 expense rate is applied to the adjusted gross labor calculation to reflect the  
17 portion of the adjusted gross labor related to O&M expense. The calculation of  
18 the labor adjustment is set forth in workpaper 9-2 and is included in the rate case  
19 application as Adjustment IS-1.

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

21 A. Benefit costs typically fall in line with the amount of labor expense the Company  
22 incurs. Therefore, a benefits adjustment was made in order to maintain this in-  
23 line relationship between benefits and the adjusted labor in IS-1. This

1 adjustment is calculated by multiplying the 2011 budgeted benefits percentage,  
2 located on workpaper 9-3, by the labor expense adjustment (IS-1). The budgeted  
3 rates are based on actuarial reports prepared by Towers Watson, along with  
4 insurance information received by the Company's Human Resources  
5 Department. The benefits adjustment calculation is set forth in workpaper 9-3  
6 and is included in the rate case application as Adjustment IS-2.

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

8 A. The AGA dues paid by Atmos are adjusted to remove the portion of the payment  
9 that relates to advertising and public affairs. The calculation of the adjustment is  
10 shown on workpaper 9-4 and is included in the rate case application as  
11 Adjustment IS-3.

12 **Q. PLEASE EXPLAIN THE ADJUSTMENT TO CHARITABLE**  
13 **CONTRIBUTIONS (IS-4).**

14 A. The charitable contributions adjustment is shown in detail on workpaper 9-5 and  
15 is included in the rate case application as Adjustment IS-4. The Company is  
16 seeking to recover 50% of the total charitable contributions, excluding any  
17 expenditures for civic or political activities and sporting events.

18 **Q. PLEASE EXPLAIN THE ADJUSTMENT TO RATE CASE EXPENSES**  
19 **(IS-5).**

20 A. The Company is seeking to recover the expenses it has incurred or will incur  
21 relating to the preparation and filing of this particular rate case. Adjustment IS-5  
22 reflects a two year amortization of the estimated rate case expense. A calculation  
23 of those estimated expenses is shown in workpaper 9-6. The Company chose to

1 use a two year amortization period rather than a three year amortization period  
2 because the two year period is more in line with the Company's most recent  
3 Kansas rate case filings which occurred in 2008, 2010 and 2012. Additionally  
4 one year remains of the three year amortization of the Company's 2010 rate case  
5 expenses and that amount is also included in this adjustment.

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

7 A. The Company has reviewed the expense reports recorded within the test year for  
8 its SSU and Colorado/Kansas General Offices, along with those reported from its  
9 direct Kansas Property Divisions. Atmos has elected to not include in rates,  
10 expense report items and other miscellaneous employee expense items that may  
11 include costs such as alcoholic beverages and social events. This adjustment is  
12 IS-6 in the rate case application and is shown on workpaper 9-7.

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

15 A. 2012 allocation factors were utilized in this filing to allocate expense items. The  
16 allocation factors can be found on Schedule 12 of the filing, and the methods  
17 utilized in the development of these factors are discussed as part of the Cost  
18 Allocation Manual ("CAM") in Mr. Jason Schneider's testimony. The filing is  
19 consistent with Shared Services General Office using a composite factor and the  
20 Customer Service Center using a customer factor.

21

1 **III. TAXES, OTHER THAN INCOME TAXES**

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

4 A. Yes. There are four adjustments being proposed to taxes other than income  
5 taxes. The first two adjustments, ad valorem and ad valorem associated with  
6 Construction Work in Progress, are discussed by Company witness Joe T.  
7 Christian. I discuss the other two adjustments; (1) payroll tax, and (2) the  
8 Kansas Corporation Commission ("KCC") assessment.

9 **Q. PLEASE DESCRIBE THE PAYROLL TAX ADJUSTMENT (IS-10).**

10 A. A payroll tax adjustment is made in conjunction with the previously discussed  
11 labor adjustment. This adjustment is comprised of applying the budgeted payroll  
12 tax rate of 8.00% to the direct Kansas proforma labor expense less the per book  
13 direct Kansas payroll tax. This is reflected in Adjustment IS-10 in the rate case  
14 application and is shown on workpaper 11-5.

15 **Q. PLEASE DESCRIBE THE KANSAS CORPORATION COMMISSION**  
16 **ASSESSMENT ADJUSTMENT (IS-11).**

17 A. The KCC assessment adjustment is a known and measurable adjustment to  
18 normalize to the actual amounts paid by the Company to the KCC as of  
19 December 31, 2011. This is reflected in Adjustment IS-11 in the rate case  
20 application and is shown on workpaper 11-6.

21 **Q. DOES THIS COMPLETE YOUR TESTIMONY?**

22 A. Yes.

VERIFICATION

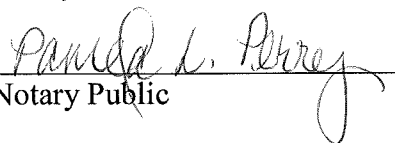
STATE OF TEXAS  
COUNTY OF DALLAS

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Robert H. Hassen, being duly sworn upon his oath, deposes and states that he is a Senior Rate Analyst for 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.

  
Robert E. Hassen

Subscribed and sworn before me this 17<sup>th</sup> day of January, 2012.

  
Notary Public

My appointment expires: 10-29-12

