

BEFORE THE CORPORATION COMMISSION
OF THE STATE OF KANSAS

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IN THE MATTER OF THE APPLICATION]
OF ATMOS ENERGY FOR ADJUSTMENT]
OF ITS NATURAL GAS RATES IN]
THE STATE OF KANSAS]

by
State Corporation Commission
of Kansas

KCC Docket No. 12-ATMG-564-RTS

CROSS-ANSWERING TESTIMONY OF
BRIAN KALCIC

ON BEHALF OF
THE CITIZENS' UTILITY RATEPAYER BOARD

June 22, 2012

1 **Q. Please state your name and business address.**

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

3

4 **Q. Are you the same Brian Kalcic who filed direct testimony in this docket on June 8,**
5 **2012?**

6 A. Yes.

7

8 **Q. What is the subject of your cross-answering testimony?**

9 A. I will respond to the testimony of Staff witness Dorothy J. Myrick regarding Staff's
10 proposed residential sales service class ("RS") rate design.

11

12 **Q. Please summarize Staff's proposed RS rate design.**

13 A. Staff proposes to increase the RS facilities (or customer) charge from \$15.50 to \$16.15 per
14 month, and to increase the RS volumetric charge from \$0.12953 to \$0.13240 per 100 cubic
15 feet ("Ccf") of usage. These rate increases would produce an overall base revenue increase
16 of 3.5% for the RS class.¹

17

18 **Q. How did Ms. Myrick determine the level of Staff's proposed RS facilities charge?**

19 A. According to Staff's cost-of-service study ("COSS"), the total amount of customer-related
20 costs allocated to the RS class is \$19.594 million, or \$13.85 per month.² However, Ms.
21 Myrick testifies that a customer-related cost benchmark (such as \$13.85) derived from a
22 COSS does not "define a proper facilities/customer charge."

¹ See Exhibit DJM-E3.

² See page 36 of Exhibit DJM-E1.

1 Instead, Ms. Myrick argues that it is appropriate to recover a portion of the demand-
2 related costs that are allocated to a class in the facilities charge. More specifically, Ms.
3 Myrick claims that it is appropriate to set a class' facilities charge within the range
4 established by: a) the applicable customer-related cost benchmark; and b) the total fixed
5 (i.e., customer- and demand-related) costs allocated to a class. In this case, Ms. Myrick is
6 proposing to recover \$16.15 minus \$13.85 or \$2.30 of demand-related costs in Staff's
7 proposed RS facilities charge.

8
9 **Q. Do you agree that it is appropriate to recover demand-related costs in a utility's**
10 **facilities charges?**

11 A. As a general policy matter, I do not. Facilities charges should be limited to the recovery of
12 a utility's customer-related costs. Demand-related costs should be recovered via demand
13 charges (as applicable), or alternatively within the volumetric charge.

14 Limiting the facilities charge to the recovery of customer-related costs is appropriate
15 since the approach: 1) produces cost-based rates; and 2) results in higher volumetric
16 charges that, all else equal, provide customers with a greater incentive to conserve.

17
18 **Q. Mr. Kalcic, is CURB recommending that the KCC limit Atmos's facilities charges to**
19 **the recovery of customer-related costs in this proceeding?**

20 A. No. In order to provide a reasonable balance between the Company's existing level of
21 fixed charge recovery (i.e., 56%) and cost based level of fixed charge recovery (44.8% per

1 Atmos's COSS), CURB recommends that Atmos recover 50% of its base rate revenues in
2 its facilities charges at the conclusion of this case.³

3
4 **Q. What is the total level of Atmos's customer-related costs, at Staff's proposed revenue
5 requirement level, using Staff's COSS methodology?**

6 A. Per page 36 of Exhibit DJM-E1, the total amount of customer-related costs incurred by
7 Atmos is \$22.626 million, which is 45.8% of Staff's proposed base rate revenue
8 requirement of \$49.351 million.

9
10 **Q. What is the overall level of fixed charge recovery in Staff's proposed rate design?**

11 A. Per Exhibit DJM-E3, Staff proposes to collect \$27.954 million divided by \$49.351 million
12 or 56.6% of its total proposed revenue requirement in facilities charges.

13
14 **Q. In CURB's view, would it be appropriate to recover 56.6% of Staff's proposed base
15 rate revenue requirement through facilities charges, based on Staff's COSS?**

16 A. No, since the cost-based facilities charge level is only 45.8% of Staff's proposed base rate
17 revenue requirement, using Staff's COSS methodology.

18
19 **Q. What percentage of RS revenues would be collected via the facilities charge under
20 Staff's proposed rate design?**

21 A. Per Exhibit DJM-E3, the percentage would be 63.2%.

22

³ See page 4 of the Direct Testimony of CURB witness Brian Kalcic.

1 **Q. Is Staff's proposed RS facilities charge of \$16.15 per month appropriate?**

2 A. No. Given the results of Staff's COSS, there is no basis for assigning any increase to the
3 RS facilities charge in this proceeding.

4

5 **Q. What does CURB recommend?**

6 A. CURB continues to recommend that the existing RS facilities charge of \$15.50 per
7 month remain unchanged at the conclusion of this case.

8

9 **Q. Does this conclude your cross-answering testimony?**

10 A. Yes.

VERIFICATION

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

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

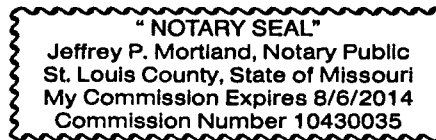
That he is a consultant for the Citizens' Utility Ratepayer Board; that he has read the above and foregoing Testimony, and, upon information and belief, states that the matters therein appearing are true and correct.

Brian Kalcic
Brian Kalcic

SUBSCRIBED AND SWORN to before me this 20 day of JUNE, 2012.

Jeffrey P. Mortland
Notary of Public

My Commission expires: 8/6/2014



CERTIFICATE OF SERVICE

12-ATMG-564-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 22nd day of June, 2012, to the following parties who have waived receipt of follow-up hard copies:

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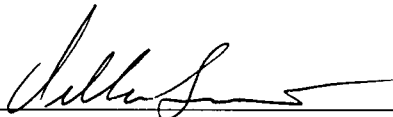
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