

**BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

August 18, 2006

Filed electronically 8/18/06 @ 1:45pm

In re: Petition to Open an Investigation to)
Determine Whether Atmos Energy Corp. Should be)
Required by the TRA to Appear and Show Cause)
That Atmos Energy Corp. is Not Overearning in)
Violation of Tennessee Law and That it is Charging)
Rates That are Just and Reasonable)

Docket No. 05-00258

**REBUTTAL TESTIMONY OF WILLIAM H. NOVAK
IN BEHALF OF ATMOS INTERVENTION GROUP**

1 **Q. Would you state your name, business address and occupation for the record,**
2 **please?**

3 A. My name is William H. Novak. My business address is 19 Morning Arbor Place,
4 The Woodlands, TX, 77381. My background and my professional experience
5 have already been presented in my prefiled direct testimony.

6 **Q. What is the purpose of your rebuttal testimony?**

7 A. Atmos Intervention Group (“AIG”) has proposed a number of structural changes
8 to Atmos Energy Corporation’s (“Atmos’s” or “the Company’s”) commercial and
9 industrial tariffs that are fully described in my prefiled direct testimony. The
10 purpose of my rebuttal testimony is to refute the assertions and insinuations of
11 Atmos through their data requests regarding AIG’s proposed rate structure
12 changes. In addition, I will be addressing our proposed volume ranges for each
13 rate block of the Company’s commercial and industrial tariffs.

14 **Q. What specific assertions and insinuations have been made by the Company?**

15 A. A number of the Company’s questions appear to take issue with our
16 recommendation for a declining block rate structure.¹

17 **Q. Is there anything unique about a declining block rate structure in the**
18 **commercial and industrial tariffs that AIG has proposed?**

19 A. No. As shown in Exhibit AIG-Rebuttal-1, the existing commercial and industrial
20 tariffs already approved by the TRA for Chattanooga Gas Company and Nashville
21 Gas Company already have a declining block rate structure. In addition, as shown
22 in Exhibit AIG-Rebuttal-2, the Company already has declining block tariffs for its
23 operations in Kentucky and Louisiana.

¹ See specifically items 20, 29, 30 and 31 of the Company’s July 21, 2006 data request to the Atmos Intervention Group.

1 As stated in my prefiled direct testimony, the changes proposed by the Atmos
2 Intervention Group are designed solely to place the commercial and industrial
3 tariffs on an equal footing with the other large gas utilities in Tennessee.

4 **Q. Mr. Novak, do you have a specific recommendation for the TRA regarding**
5 **the volume range for each rate block in the Company's commercial and**
6 **industrial tariffs?**

7 A. Not at this time. Since the Company was unable to respond to our data request on
8 this issue until the afternoon of August 17, 2000, the day before this rebuttal
9 testimony was due, we were unable to analyze that data to calculate the size of
10 each usage block prior to filing this rebuttal testimony. The important point is
11 that the TRA should endorse the concept of declining block rates for commercial
12 and industrial tariffs consistent with the tariffs of Nashville and Chattanooga. As
13 soon as we have completed our analysis of the usage data supplied by Atmos, we
14 will provide the TRA with a recommendation for the volume range of each usage
15 block.

16 **Q. Does this conclude your testimony?**

17 A. Yes, it does.

VERIFICATION

STATE OF TENNESSEE)

COUNTY OF DAVIDSON)

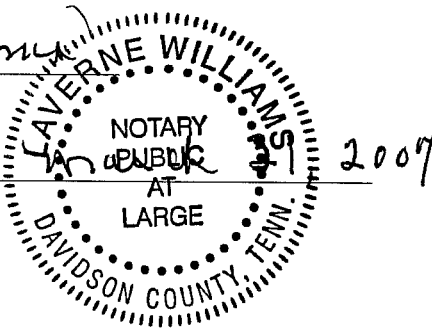
I, William H. Novak, being duly sworn state that I am authorized to make this verification on behalf of Atmos Intervention Group; that I have read the foregoing Testimony and Exhibits and know the content thereof; that the same are true and correct to the best of my knowledge, information and belief.

William H. Novak

Sworn and subscribed before me this 18th day of August, 2006.

Laverne Williams
Notary Public

My Commission Expires:



NOVAK AIG REBUTTAL EXHIBIT I

CHATTANOOGA GAS COMPANY
GAS TARIFF
TRA NO. 1

RATE SCHEDULE C-1

EIGHTH REVISED SHEET NO.10

AVAILABILITYCommercial and Industrial General Service

Available to any commercial or industrial Customer for all purposes. Gas service under this rate schedule in excess of 1,000 THERM per day shall be, at the option of Chattanooga Gas Company (Company), by written contract for a term of one year or less providing for monthly payment of gas Service, and is subject to the Company's determination of available gas supply. Gas service under this schedule shall be through a single point of delivery and such gas shall not be resold, directly or indirectly.

MONTHLY BASE RATE

	<u>Winter</u> <u>Net Rate</u> November-April	<u>Summer</u> <u>Net Rate</u> May-October
<u>Customer Base Use Charge</u>	\$20.00	\$15.00
<u>Commodity Charge</u>		
First 3,000 Therms Per Month	27.667¢ Per Therm	21.722¢ Per Therm
Next 2,000 Therms Per Month	25.253¢ Per Therm	17.244¢ Per Therm
Next 10,000 Therms Per Month	24.599¢ Per Therm	16.077¢ Per Therm
Over 15,000 Therms Per Month	12.727¢ Per Therm	12.727¢ Per Therm
<u>Air-Conditioning Charge</u>		
Flat Rate Per Month	---	4.560¢ Per Therm
<u>Standby Service Demand Charge</u>		
Rate Per Therm of Input Per Month	Demand Charge Applicable to I-1 Customers	Demand Charge Applicable to I-1 Customers

Standby Input shall be based upon individual Customer's applicable gas equipment rating in Therms

$$\frac{(BTU / Hour) \times 10 \text{ Hours}}{100,000 \text{ BTU}} = \text{Number of Therms}$$

Monthly billing in units of CCF, Dth or Therms may be based upon monthly or bi-monthly meter readings.

Purchased gas costs, other adjustments, charges and/or credits as determined in accordance with the Tennessee Regulatory Authority's Rules and Regulations and applicable taxes shall be added to the above rates.

SUMMER AIR-CONDITIONING RATE

Available to any commercial or industrial Customer who has installed and regularly operates a separately metered gas-fired central air-conditioning system which meets Company's specifications. All provisions of the above rate schedule will apply except as specifically modified herein. The volume of gas used for summer air-conditioning purposes will be determined by metering equipment installed by the Company. In the event a single unit provides both heating and cooling, usage during the Summer (billing months of May through October) shall be deemed to be air-conditioning use for purposes hereof.

MINIMUM BILL

The minimum monthly bill shall be the Customer Base Use Charge plus the Standby Service Demand Charge, when applicable, as shown in the Monthly Base Rate stated above and shall be due and payable in addition to any and all other applicable charges due under this Rate Schedule.

ISSUED: OCTOBER 11, 2004
ISSUED BY: STEVE LINDSEY, VP

EFFECTIVE: OCTOBER 1, 2004

CHATTANOOGA GAS COMPANY
GAS TARIFF
TRA NO. 1

EIGHTH REVISED SHEET NO.10A

PAYMENT TERMS

RATE SCHEDULE C-1(Continued)

All bills for service are due upon presentation. The stated net amount shown on the bill shall apply if payment is received on or before the date as specified on the bill. Payments received after that date shall be for an amount which shall be greater by five percent (5%) than the net billing.

STANDBY SERVICE

When gas service is being supplied for use as a Standby Service for the dual-fuel heat pump or for similar use where the Customer's equipment is specifically designed by the manufacturer or is modified by the Customer or others for the purpose of using natural gas as the equipment's standby energy source, there shall be payable monthly in addition to all and other charges under this Rate Schedule a Standby Service Demand Charge individually determined for each Customer based upon the Customer's applicable gas equipment input rating.

The revenue realized from the Standby Service Demand Charge shall be credited to the demand component of the "Deferred Gas Cost" account in accordance with the Purchased Gas Adjustment Provision.

GAS LIGHT SERVICE

Where Customer has no other use of gas, a gas light may be installed solely at the option of the Company with such service to be provided on a non-metered basis. The monthly billing for such use shall be at the rate of 18 Therms for each light.

SPECIAL TERMS & CONDITIONS

In the event Customer takes daily gas deliveries in excess of Customer's daily contract entitlement where such consumption is measured and recorded on a daily basis, or in the event Customer does not comply with a curtailment order as directed by the Company and takes gas in excess of the daily volume allowed by the Company in the curtailment order, such gas taken in excess of Customer's daily contract entitlement or such daily volumes taken in excess of curtailment volumes shall be paid for by the Customer at the greater of (1.) \$15.00 per Dth or (2.) the average index price on curtailment days plus \$5.00 per Dth and all applicable pipeline and/or gas supplier penalties and/or charges because of the Customer's failure to comply with a curtailment order as directed by the Company.

These additional charges shall be in addition to all other charges payable under this Rate Schedule.

The payment of a charge for unauthorized or excess use shall not under any circumstances be considered as giving any such Customer the right to take unauthorized or excess volumes, or to purchase such unauthorized or excess volumes of gas on any of the Company's other rate schedules, nor shall such payment be considered as a substitute for any other remedies available to Company against Customer for failure to respect Customer's obligations to adhere to the provisions of Customer's contract with the Company. Unauthorized over-run collections will be accounted for in the Actual Cost Adjustment in a manner consistent with TRA Administrative Rule 1220-4-7.

NASHVILLE GAS COMPANY
665 Mainstream Drive
Nashville, Tennessee 37228
A Division of Piedmont Natural Gas Company
TRA Rate Schedule No.3

Original Sheet No. 3
Page 1 of 2

RATE SCHEDULE NO. 3

Large General Service

AVAILABILITY

Gas service under this rate schedule is available to any non-residential customer whose usage during any month of the 12-month period ended the 31st day of March preceding the date in question was in excess of 15,000 therms. The Company will evaluate the preceding 12 months' consumption history to determine continued qualification for this schedule. A customer will not be transferred to Rate Schedule 2 until the customers' usage is 90% or less of the minimum required by such rate schedule. Any such transfers will be effective June 1 of each year. Availability under this rate schedule for new customers will be based on reasonably anticipated usage. The General Service designation applies to customers whose business is either commercial or industrial in nature and service is available where the Company's distribution mains are suitable for supplying the desired service. Commercial customers are businesses primarily engaged in the sale of goods or services, including institutions and governmental agencies. Industrial customers are engaged primarily in a process which creates or changes raw or unfinished materials into another form or product including the generation of electric power.

MARGIN RATE

Demand Charge (per therm of billing demand)	\$.45678
Commodity Charge (per therm)	
1 st Step (0-15,000 therms)	\$.08034
2 nd Step (15,001-40,000 therms)	\$.07382
3 rd Step (40,001-90,000 therms)	\$.05319
4 th Step (Over 90,000 therms)	\$.02280

MONTHLY MINIMUM BILL

The minimum monthly bill shall be the monthly demand charge.

BILLING DEMAND

The billing demand shall be determined as follows:

Customer billing demand determinant shall be the highest daily usage during the period from November 1 to March 31 as metered and reported to the Company by the telemetering equipment installed by the Company. Changes to the customer's billing demand determinant will become effective May 1 of each year. The per unit charge may be adjusted from time to time to reflect changes in pipeline capacity charges billed to the Company.

NASHVILLE GAS COMPANY
665 Mainstream Drive
Nashville, Tennessee 37228
A Division of Piedmont Natural Gas Company
TRA Rate Schedule No.3

Original Sheet No. 3
Page 2 of 2

For customers commencing initial gas service under this rate schedule and who do not have a consumption history from other services provided by the Company, the billing demand determinant shall be computed by multiplying the month of highest consumption for the period to date by .06 (6%). If a customer has received gas service from the Company prior to receiving service under this rate schedule, but does not have daily telemetered records to determine peak day usage as described in the above paragraph, the Company shall use six percent (6%) of that customer's highest previous winter month's consumption for the billing demand determinant.

SERVICE AGREEMENTS

All customers purchasing gas pursuant to this schedule shall be subject to the Company's standard contracts and/or service applications and subject to the Company's Rules and Regulations as filed with the TRA.

PAYMENT TERMS

All bills for service are due upon presentation and the net rates are applicable if payment is made on or before the last date of payment stated on the bill. Payments made after that date shall be for the gross amount which is greater by five percent (5%) than the net billing.

RETURNED CHECK CHARGE

In the event a customer's check for payment is returned to the Company marked NSF (Non Sufficient Funds) the customer will be assessed a charge of \$20.00.

ADJUSTMENTS

Bills for service are subject to adjustment caused by changes in the cost of purchased gas in accordance with Rule No. 1220-4-1-.12 of the TRA Rules and Regulations.

Purchased gas adjustments and all applicable taxes and fees are in addition to the above stated margin rates in accordance with The Rules, Regulations and Orders of the TRA and Laws of the State of Tennessee.

SERVICE AVAILABILITY

All requests for new and additional service or the transfer of existing service to higher priority end use will be supplied based upon the Company's judgement as to the available gas supply, customer's load factor or use pattern, end use priority as specified by the Federal Energy Regulatory Commission (FERC), impact on the local economy, and The Rules, Regulations, and Orders of the TRA and Laws of the State of Tennessee.

SERVICE INTERRUPTION AND CURTAILMENT

Gas service under this schedule is subject to the curtailment provisions contained within TRA Schedule No. 6, "Schedule for Limiting and Curtailing Service".

NOVAK AIG REBUTTAL EXHIBIT 2

ATMOS ENERGY CORPORATION
Louisiana Gas Service Rate Division
 Issued: 05/15/06
 Issued by: Christine A. Tabor, Vice-President
 Rates & Regulatory Affairs

Original Volume 1-AL
 Original Page 29
 Effective: 06/01/06

LARGE GENERAL SERVICE
Schedule LGS

AVAILABILITY

In communities on the existing gas distribution mains of the Company, of capacity to supply the requirements of Customer.

APPLICATION

This Schedule is applicable to the entire natural gas requirements of a Customer when such requirements are taken through one meter and yearly consumption exceeds 36,000 CCF. Service hereunder is for the exclusive use of the Customer and shall not be resold or shared with others. In the event of a shortage of natural gas transported by pipe line, Customers using natural gas for domestic purposes are entitled to be served by priority and preference, and Company reserves the right to reduce natural gas deliveries to Customers served under this Schedule when necessary for the supply of such domestic customers.

RATE

Monthly Customer Charge \$122.22

Commodity Rate per Month

		<u>Per CCF</u>
Up to first 3,000	CCF	\$0.25823
next	2,000 CCF	\$0.24372
next	5,000 CCF	\$0.22995
next	20,000 CCF	\$0.21685
next	20,000 CCF	\$0.20444
over	50,000 CCF	\$0.19261

POWER GENERATION FOR PRIVATE CONSUMPTION

All gas sold for this service that is separately metered shall be billed at a rate of \$0.0890 per CCF.

NET MONTHLY BILL

The net monthly bill shall include customer charge, commodity charge, Rider PGA, and if applicable, Riders LBP, RET, RSC and EEDBP.

In addition to the above, the net monthly bill shall also include the proportionate part of any directly allocable tax, impost or assessment imposed or levied by any governmental authority, which is assessed or levied against the Company or directly affects the Company's cost of operation and which the Company is legally obligated to pay on the basis of meters, customers, or rates of or revenue from gas or service sold or on the volume of the gas produced, transported, purchased for sale, or sold, or on any other basis where direct allocation is possible.

ATMOS ENERGY CORPORATION
Louisiana Gas Service Rate Division
Issued: 05/15/06
Issued by: Christine A. Tabor, Vice-President
Rates & Regulatory Affairs

Original Volume 1-AL
Original Page 30
Effective: 06/01/06

LARGE GENERAL SERVICE
Schedule LGS
(Continued)

PAYMENT

Bills are rendered monthly and are due and payable upon presentation. If paid on or before twenty days after the date thereof, the Net Monthly Bill will apply. For payment after said twenty days, the Gross Monthly Bill, which is the Net Monthly Bill plus 5% will apply.

SERVICE PERIOD

Service period shall be one year or longer, at Company's option, when necessary to justify extension of facilities.

FOR ENTIRE SERVICE AREA**P.S.C. NO. 1****Original SHEET No. 8****ATMOS ENERGY CORPORATION****General Firm Sales Service****Rate G-1****1. Applicable**

Entire Service Area of the Company.
(See list of towns – Sheet No. 3)

2. Availability of Service

Available for any use for individually metered service, other than auxiliary or standby service (except for hospitals or other uses of natural gas in facilities requiring emergency power, however, the rated input to such emergency power generators is not to exceed the rated input of all other gas burning equipment otherwise connected multiplied by a factor equal to 0.15) at locations where suitable service is available from the existing distribution system and an adequate supply of gas to reader service is assured by the supplier(s) of natural gas to the Company.

3. Net Monthly Rate**a) Base Charge**

\$ 7.50 per meter for residential service

\$20.00 per meter for non-residential service

b) Distribution Charge

First¹ 300 Mcf @ \$1.1900 per 1,000 cubic feet

Next¹ 14,700 Mcf @ 0.6590 per 1,000 cubic feet

Over 15,000 Mcf @ 0.4300 per 1,000 cubic feet

c) Weather Normalization Adjustment, referenced on Sheet No. 22.

d) Gas Cost Adjustment (GCA) Rider, referenced on Sheet No. 23.

e) Margin Loss Recovery Rider, referenced on Sheet No. 38.

f) Demand Side Management Cost Recovery Mechanism, referenced on Sheet No. 39.

g) Gas Research Institute R&D Rider, referenced on Sheet No. 42.

¹ All gas consumed by the customer (Sales, Transportation, and Carriage; firm, high, load factor, interruptible) will be considered for the purpose of determining whether the volume requirement of 15,000 Mcf has been achieved.

ISSUED: August 9, 2002**EFFECTIVE: October 1, 2002**

(Issued by Authority of an Order of the Public Service Commission in Case No. 99-070 dated December 21, 1999)

ISSUED BY: William J. Senter**Vice President – Rates & Regulatory Affairs/Kentucky Division**

FOR ENTIRE SERVICE AREA
P.S.C. NO. 1
Original SHEET No. 9

ATMOS ENERGY CORPORATION

General Firm Sales Service	
Rate G-1	
4. <u>Net Monthly Bill</u>	
The Net Monthly Bill shall be equal to the sum of the Base Charge, Distribution Charge, the Gas Cost Adjustment (GCA) Rider, and other riders applicable by class of service.	
5. <u>Minimum Monthly Bill</u>	
The Base Charge plus any High Load Factor (HLF) demand charge, if applicable.	
6. <u>Service Period</u>	
Open order. However, the Company may require a special written contract for large use or abnormal service requirements. This contract shall include provisions for load limitations and for curtailment or interruptions as necessary, at the discretion of the Company, to prevent the load adversely affecting firm service customers in the area.	

ISSUED: August 9, 2002

(Issued by Authority of an Order of the Public Service Commission in Case No. 99-070 dated December 21, 1999)

EFFECTIVE: October 1, 2002

ISSUED BY: William J. Senter

Vice President – Rates & Regulatory Affairs/Kentucky Division

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing is being forwarded via email and U.S. mail, postage prepaid, to:

Vance L. Broemel
Office of the Attorney General
Consumer Advocate and Protection Division
P.O. Box 20207
Nashville, TN 37202
vance.broemel@state.tn.us

Joe A. Conner
Misty Smith Kelley
Baker, Donelson, Bearman & Caldwell
1800 Republic Centre
633 Chestnut Street
Chattanooga, TN 37450-1800
mkelley@bakerdonelson.com
jconner@bakerdonelson.com

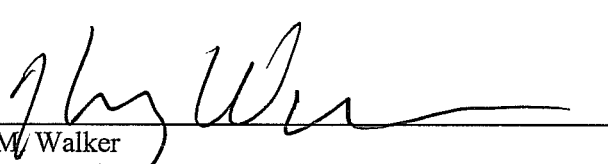
Patricia J. Childers
VP-Regulatory Affairs
Atmos/United Cities Gas Corp.
810 Crescent Centre Drive, Ste. 600
Franklin, TN 37064-5393
pat.childers@atmosenergy.com

J. W. Luna
Farmer & Luna
333 Union Street, Ste. 300
Nashville, TN 37201
jwlunc@farmerluna.com

Gary Hotvedt
Tennessee Regulatory Authority
460 James Robertson Pkwy.
Nashville, TN 37243-0505
gary.hotvedt@state.tn.us

Melvin J. Malone
Miller & Martin
2300, One Nashville Place
150 4th Avenue North
Nashville, TN 37219-2433
mmalone@millermartin.com

on this the 18 day of August 2006.


Henry M. Walker