

**BEFORE THE TENNESSEE REGULATORY AUTHORITY**

**DOCKET NO. 05-00258**

**PREPARED REBUTTAL TESTIMONY OF**

**PATRICIA J. CHILDERS AND JAN SWAIN**

**On Behalf of**

**ATMOS ENERGY CORPORATION**

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<b>EXHIBIT DESCRIPTION</b>	<b>NO.</b>
<b>NARUC Resolution and National Action Plan</b>	<b>1</b>
<b>Collective Exhibit Regarding Atmos' Communication Plan to Educate Consumers Regarding High Gas Costs</b>	<b>2</b>
<b>Spreadsheet on Disconnects</b>	<b>3</b>
<b>Customer Service PowerPoint and Related Documents</b>	<b>4</b>

1    **I.    INTRODUCTION AND PURPOSE OF REBUTTAL TESTIMONY**

2    **Q.    Please state your name, job title and business address.**

3    A.    My name is Patricia J. Childers. I am Vice President – Rates and Regulatory Affairs for  
4        Atmos Energy Corporation's Mid-States Division which includes Tennessee. My  
5        business address is 810 Crescent Centre Drive, Suite 600, Franklin, Tennessee 37067.

6  
7        My name is Jan Swain. I am a Revenue Systems Analyst for Atmos Energy  
8        Corporation's Mid-States Division which includes Tennessee. My business address is  
9        3034 Parker Street, Paducah, Kentucky 42003. My responsibilities include the  
10       development of and implementation of billing system enhancements as well as the  
11       operation and maintenance of the billing system in support of the established policies,  
12       goals and objectives of the Company. Specifically, I work with the Customer Support  
13       Center (Call Center) personnel to understand customer service request and satisfaction  
14       levels. I am responsible for ensuring timely, accurate and quality billing processes. I am  
15       also responsible for ensuring that Customer Support Center employees are  
16       knowledgeable of the varying Commission rules for all states within the Division. As a  
17       liaison between the Company's Business Units and the Customer Support Center, I am  
18       responsible for ensuring that rate changes and Commission directives are accurately  
19       implemented. I began working with Atmos Energy Corporation (formerly United Cities  
20       Gas Company) in August 1986 prior to assuming my current role. I have participated in  
21       proceedings before various regulatory commissions to present information relative to  
22       utility billing and disconnect procedures. I appeared before this Authority in September  
23       2005 to discuss forecasted high winter gas costs and affordability of rates.

1 **Q. Have you previously filed testimony in this docket?**

2 A. Patricia Childers filed direct testimony on July 17, 2006. Jan Swain has not previously  
3 filed testimony in this docket.

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

5 A. The purpose of this rebuttal testimony is to respond to the testimony of Consumer  
6 Advocate and Protection Division witness Michael D. Chrysler concerning the  
7 Company's bare steel pipe replacement program and customer service issues. This  
8 rebuttal testimony will also address further developments regarding the Company's WNA  
9 Customer Utilization Adjustment that have occurred since the filing of direct testimony in  
10 this case.

11  
12 **II. WNA CUSTOMER UTILIZATION ADJUSTMENT**

13 **Q. Please describe the additional developments that have occurred since the filing of**  
14 **direct testimony related to the Company's proposed WNA Customer Utilization**  
15 **Adjustment.**

16 A. In the direct testimony of Patricia Childers the Company described its proposal to  
17 implement a Customer Utilization Adjustment ("CUA") to its WNA Rider to fully  
18 decouple, or break the link between, the Company's revenues and the volumes of gas  
19 consumed by its customers. The proposed CUA will operate in a similar manner as the  
20 existing WNA Rider, but will correct for fluctuations in customer gas consumption which  
21 are unrelated to weather, including declining usage due to conservation measures.

1 By decoupling the Company's revenues from volumes sold, the CUA will align the  
2 interests of the Company with consumer conservation efforts and permit the Company  
3 the opportunity to promote conservation efforts without jeopardizing its ability to earn its  
4 authorized return. As noted in direct testimony, the Company proposes to accompany the  
5 CUA with a conservation program designed with input from the Consumer Advocate and  
6 Authority Staff to assist customers in their efforts to conserve natural gas use.

7  
8 Included within the previously filed direct testimony was a description of the numerous  
9 policy statements various public groups and government agencies have recently issued  
10 recognizing the importance of conservation and encouraging state regulatory  
11 commissions to implement decoupling mechanisms like the proposed CUA for the  
12 utilities they regulate. On August 1, 2006, the Board of Directors for the National  
13 Association of Regulatory Utility Commissioners ("NARUC") approved its most recent  
14 resolution on decoupling. In that resolution, the NARUC Board of Directors endorsed  
15 the findings and recommendations in the July 2006 National Action Plan on Energy  
16 Efficiency prepared in conjunction with the U.S. Environmental Protection Agency and  
17 the U.S. Department of Energy. A copy of the August 2006 NARUC resolution, together  
18 with the National Action Plan it endorses are attached as Exhibit 1 to this rebuttal  
19 testimony.

20  
21 The August 2006 NARUC Resolution endorsed the recommendations of the National  
22 Action Plan, including the call for state regulatory commissions to "modify policies to  
23 align utility incentives with the delivery of cost-effective energy efficiency and modify

1 ratemaking practices to promote energy efficiency investments.”<sup>1</sup> The National Action  
2 Plan found that historically, regulatory policies have rewarded utilities for building  
3 infrastructure and selling gas, while at the same time discouraging energy efficiency  
4 measures. The Plan recommended that such traditional ratemaking policies be  
5 abandoned in favor of policies, like decoupling, which align the interests of utilities and  
6 consumers with regard to conservation. The recent NARUC Resolution and the National  
7 Action Plan it endorses provide further evidence that the Company’s proposed CUA is  
8 good regulatory policy for Tennessee.

9  
10 **III. BARE STEEL REPLACEMENT PROGRAM**

11 **Q. Please respond to the recommendation by Consumer Advocate witness Chrysler**  
12 **that the TRA order the Company to replace 45,000 feet (approximately 10 miles) of**  
13 **bare steel per year until all bare steel pipe has been replaced.**

14 A. As Mr. Chrysler notes in his testimony, the Company has already reached agreement with  
15 TRA Safety Division Staff to replace approximately 45,000 feet, or 10 miles, of bare  
16 steel pipe per year for the next 10 years, and the Company certainly has every intention  
17 of complying with that agreement. The Company has projected the associated cost of  
18 that replacement for the year ended September 30, 2007 at \$1,800,000, and has included  
19 that amount in its rate base in this case. In the Company’s direct testimony, witness  
20 Childers also proposed an alternative method which would have provided for dollar for  
21 dollar recovery of the associated cost as opposed to rate base treatment. However, in  
22 response to the Second Discovery Request of the Consumer Advocate, Part IV, 2, Ms

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<sup>1</sup> NARUC August 1, 2006 *Resolution Supporting the National Action Plan on Energy Efficiency*, p. 1.

1 Childers clarified that the Company's intent was to utilize the rate base (surcharge)  
2 methodology. It is significant to note that in the two states cited by Mr. Chrysler as  
3 examples of areas where Atmos is under a mandated pipe replacement program, Georgia  
4 and Mississippi, the Commissions have authorized Atmos to recover the costs through a  
5 surcharge procedure as has been proposed in this case.

6  
7 The Consumer Advocate has proposed that the Authority order the Company to replace  
8 approximately 10 miles of bare steel pipe per year, but has failed to make any allowance  
9 for the Company to recover the costs it will incur for that replacement, in both 2006 and  
10 2007. Atmos will incur a projected \$1.8 million in costs through September 2007 and  
11 additional costs each subsequent year until the replacement project is complete to comply  
12 with that requirement. If the Authority declines to accept Atmos' proposal for an annual  
13 surcharge to provide for a return on its investment, then the Company would be lagged in  
14 its recovery until the filing of a general rate application.

15  
16 **IV. ATMOS CALL CENTERS**

17 **Q. Please respond to Mr. Chrysler's statement that the Atmos Call Center appears**  
18 **undersized.**

19 A. Mr. Chrysler is mistaken about the number of Call Center employees. In his direct  
20 testimony, Mr. Chrysler states that the number of Call Center employees has remained  
21 the same from 2004 to 2005 even though the Company almost doubled its residential  
22 customer base with the TXU merger. However, the number of Call Center employees  
23 cited in Mr. Chrysler's testimony includes only one of the Company's three Call Centers,

1 the Call Center in Amarillo, Texas. The Company's Mid-Tex Division, which was  
2 formerly TXU, is served by an entirely separate Call Center located in Waco, Texas. The  
3 Company also has a third Call Center in Metairie, Louisiana which serves the Company's  
4 call pool originating from the Amarillo Texas Call Center. Mr. Chrysler's statement that  
5 the Call Center is undersized is simply incorrect.

6 **Q. Please respond to Mr. Chrysler's recommendation that the Authority impose the**  
7 **same requirement in this docket that the North Carolina Utilities Commission**  
8 **imposed on Piedmont Natural Gas mandating that 80% of all calls be answered**  
9 **within 20 seconds.**

10 A. As a preliminary matter, it is unclear from the information Mr. Chrysler provided exactly  
11 what it means to say that Piedmont has been ordered to ensure 80% of all its calls in  
12 North Carolina will be "answered" within 20 seconds. Piedmont proposed the 80/20  
13 standard in response to numerous complaints concerning its call center over the course of  
14 several years. The North Carolina Commission concluded that Piedmont's call center did  
15 not have a sufficient number of phone lines, which resulted in callers being unable to get  
16 through to the call center *at all* during periods where all lines were busy. The  
17 Commission also ordered Piedmont to improve its Interactive Voice Response ("IVR")  
18 system to permit customers to complete billing and payment transactions without having  
19 to speak to a customer service representative, so it appears those functions were  
20 unavailable previously. The information Mr. Chrysler submitted does not specify what it  
21 means for a call to be "answered," or when the 20 second time period begins, but instead  
22 notes that those issues should be clarified in future meetings between Piedmont and Staff.  
23 The letter from the North Carolina Commission attached to Mr. Chrysler's testimony

1 directs Piedmont to meet with Public Staff and the Attorney General to discuss the issue  
2 and provide a report which will “include an explanation of what it means for a call to be  
3 “answered” and a definition of “answered” as it relates to calls received and handled by  
4 the IVR system, including the formula for calculation the number of calls answered  
5 within 20 seconds and the average speed of the answer.”  
6

7 That ambiguity aside, the unusual action taken by the North Carolina Commission was a  
8 response to extreme circumstances with Piedmont which are not present in this case.  
9 From the information Mr. Chrysler submitted, it appears that the North Carolina  
10 Commission received numerous consumer complaints about Piedmont’s call center  
11 which persisted and grew worse over the course of several years. In addition to problems  
12 with customers not being able to get through at all to the call center due to an inadequate  
13 number of phone lines, Piedmont’s customers also experienced average hold times of  
14 between 9 and 10 minutes. In contrast, Atmos has no issues with inadequate numbers of  
15 phone lines, has not experienced a great number of consumer complaints concerning its  
16 Call Center, and has an average hold time, as noted by Mr. Chrysler, of approximately 2  
17 minutes. For customers who select the “emergency” option, the average hold time is 10  
18 seconds. Atmos also has state-of-the-art technology which allows customers the option  
19 of completing many routine tasks through voice commands or touch pads on their phone  
20 without having to speak to a customer service representative. The North Carolina  
21 Commission did not adopt the 80/20 standard for any gas company other than Piedmont,  
22 and Atmos knows of no similar standard that has been imposed in any other state. It is  
23 clear that the standard was implemented for Piedmont in North Carolina to address the



1 extreme and persistent problems in that case. There is no basis for adoption of such a  
2 standard in this docket for Atmos.

3 **Q. Please respond to Mr. Chrysler's recommendation that the TRA order Atmos to**  
4 **provide the same report of service metrics reported by Nashville Gas.**

5 A. Atmos already provides a report of monthly service metrics to the TRA Staff, and will  
6 begin forwarding a copy to the Consumer Advocate as well. Some of the statistics  
7 included in the report proposed by Mr. Chrysler do not apply to Atmos or request  
8 information which Atmos is unable to track in the format requested. For example, Atmos  
9 does not have walk-in traffic at its Call Centers, and does not track the number of cash  
10 transactions, etc. Atmos would be glad to meet with the Consumer Advocate and TRA  
11 Staff to discuss the issue in more detail.

12  
13 **V. ATMOS' CUSTOMER SERVICE**

14 **Q. Please respond to Mr. Chrysler's statement that Atmos has no locations in**  
15 **Tennessee that accept "walk-in traffic," i.e., no office where customers can go to**  
16 **speak with Atmos representative.**

17 A. Mr. Chrysler's statement is simply incorrect. As Atmos explained through the direct  
18 testimony of John Paris, Atmos has 10 local offices to serve its Tennessee customers.  
19 Each of these local offices is staffed with an Office Assistant (OAs) who provides in-  
20 person customer service. These OAs provide the full range of customer service  
21 functions, including answering customers' questions about their bill, assisting with  
22 setting up payment arrangements, signing new customers up for service, and answering  
23 service inquiries. The only transaction that is no longer performed by the OAs is the

1 taking of in-person payments. Functions that can be performed at local offices were fully  
2 discussed at the meeting in Murfreesboro where both Mr. Chrysler and Mr. Broemel were  
3 present. Customers may now pay their bill by mail, by automatic bank draft, by telephone  
4 through the Company's 24-hour, 7-day a week toll-free customer service number, online  
5 through the Company's website, or in-person at approximately 75 payment centers at  
6 local businesses such as grocery stores or banks. However, Atmos customers can walk  
7 into any of the 10 local offices and speak to an Atmos representative who is responsible  
8 for providing excellent face-to-face customer service.

9 **Q. Please respond to Mr. Chrysler's statements concerning statistics for Atmos with**  
10 **regard to number of missed appointments and emergency response time.**

11 A. Mr. Chrysler states that Atmos' percentage of "missed appointments" is 14% and average  
12 emergency response time is 296 minutes. These numbers are incorrect. Since the filing  
13 of direct testimony, Atmos has submitted supplemental data in discovery which  
14 demonstrates that Atmos' percentage of "missed appointments" is actually .03%, not  
15 14%, and its average emergency response time is 39.44 minutes, not 296 minutes.<sup>2</sup> The  
16 confusion stems from the fact that Atmos' computer system does not track, as a matter of  
17 ordinary course in its business, the information in the format in which the Consumer  
18 Advocate requested it. As such, in accordance with its discovery obligations, Atmos  
19 initially compiled the information responsive to this request as quickly as possible. The  
20 requests were part of over 200 individual requests for information Atmos responded to  
21 within a 30 day time limit. To do so, Atmos constructed queries of its computer system

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<sup>2</sup> See 8/7/2006 Atmos Energy Corporation's Supplemental and Amended Responses to the First Discovery Requests from the Consumer Advocate and Protection Division (Missed Appointments); 8/17/2006 Atmos Energy Corporation's Supplemental and Amended Responses to the Second Discovery Requests from the Consumer Advocate and Protection Division (Emergency Response Time).

1 to attempt to compile the requested statistics on missed appointments and emergency  
2 response time, and produced the results of the queries. Due to the amount of information  
3 being produced and the limited amount of time, Atmos was not able to manually verify  
4 the results. After reviewing the initial production, Atmos discovered that the queries had  
5 swept in additional information not relevant to the original requests. For example, the  
6 initial missed appointment information reflected all types of orders, both *internal*  
7 (company generated) and *external* (customer request), that were not completed on or  
8 before the next day. The internal (company generated) orders are not responsive to a  
9 particular customer's request and relate to routine tasks such as painting a meter,  
10 collection, disconnecting for non-payment, checking meters, etc. As the Consumer  
11 Advocate's request was directed toward finding external (customer request) appointments  
12 "missed", Atmos re-queried its system using more precise search parameters to reach  
13 only those orders received from customers that were not completed on or before the next  
14 business day. Although the results still include some margin of calls that are not  
15 "missed," as that term has been defined for purposes of this discovery response (i.e., the  
16 customer asked that the service call be made later than the next day; the customer was not  
17 available the next day for Atmos to complete the service call; the task was too large to be  
18 completed in one day; etc.), the supplemental response is a more accurate representation  
19 of the number of missed appointments. Similarly with regard to the information on  
20 emergency response time, Atmos does not keep the data in the format requested by the  
21 Consumer Advocate and had to construct a search and query its system. After reviewing  
22 the results of the search, Atmos discovered that the initial query included order types that  
23 could not be considered "emergencies." After Atmos became aware that the search

1 results initially produced did not accurately reflect the information requested, it refined  
2 its search to include only those orders classified as “emergencies” (Carbon Monoxide,  
3 Cut Line, Fire, Gas Leak). The corrected information reveals that Atmos’ average  
4 response time to orders which are classified as “emergencies” is 39.44 minutes.

5 **Q. Please respond to Mr. Chrysler’s statement that reporting of the number of**  
6 **Tennessee employees is a necessary gauge to measure the level of customer service**  
7 **provided to Tennessee customers.**

8 A. Employee number counts can be misleading, and it is important that the employee  
9 numbers be taken in context. For example, in discovery responses in this docket, Atmos  
10 has provided data which shows the number of employees who physically reside in  
11 Tennessee declining from 388 in June 1999 to 210 in June 2006, a reduction of 178  
12 employees. However, those numbers do not include employees who are physically  
13 located in other states (i.e., Kentucky, Virginia, Texas) but who provide services to  
14 Tennessee. These would include, among other examples, operational or sales employees  
15 who cover multi-state territories, or employees who provide services to Tennessee  
16 through the Company’s Shared Services Division in Dallas. Additionally, of the 178  
17 decline in Tennessee-located employees from 1999 to 2006, 133 employees were actually  
18 UCG Propane employees who did not serve the Company’s utility customers, and whose  
19 jobs were eliminated when the propane division was sold in August 1999. The remaining  
20 45 jobs removed from Tennessee include many job functions previously located in the  
21 former United Cities Gas headquarters in Brentwood which were transferred to Atmos  
22 headquarters in Dallas, as well as other transfers to other locations. Atmos has not

1 reduced the level of customer service provided to Tennessee ratepayers, nor has the  
2 Company dramatically reduced its local presence in the towns it serves.

3 **Q. Please respond to Mr. Chrysler's recommendation concerning third party billing by**  
4 **Atmos.**

5 A. Mr. Chrysler recommends that the Authority require Atmos, or any other utility, to obtain  
6 Authority approval before billing for services from third parties. Atmos agrees, and will  
7 abide by that requirement. As Mr. Chrysler explained, Atmos ceased providing the  
8 billing service to third parties in 2004. As noted in the testimony, approximately 500  
9 Tennessee customers are still being billed by Atmos for services they have purchased  
10 from third parties. In response to the concerns raised by Mr. Chrysler, Atmos would be  
11 glad to notify those customers through a separate mailing of the charges they are  
12 incurring, and how they can cancel the services purchased.

13 **Q. Please respond to Mr. Chrysler's statements concerning the percentage of**  
14 **customers disconnected for non-payment last winter.**

15 A. Mr. Chrysler notes that Atmos' percentage of customers disconnected for nonpayment  
16 increased approximately 14% from 2005 to 2006, and questions the cause for that  
17 increase in light of the mitigation efforts ordered last winter by the Authority in response  
18 to rising gas costs. Atmos participated in the docket convened by the Authority in 2005  
19 concerning efforts to mitigate the effects of rising gas costs. Attached as collective  
20 Exhibit 2 to this testimony are some components of the communication plan Atmos  
21 presented to the Authority in that docket which described the efforts Atmos took to  
22 educate consumers with regard to high gas costs. Atmos also agreed to the joint  
23 stipulation which was approved by the Authority with regard to disconnect procedures.

1 Under the stipulation, the companies agreed to follow the “32 degree rule,” under which  
2 disconnects are suspended when the temperature is 32 degrees or below during any 24  
3 hour period as measured from 8:00 am on the planned date of termination, and also by  
4 customer election or by an automatic placement of customers, who are in good standing  
5 and who fail or are unable to make full payment of amounts due, on a budget billing plan  
6 with the levelized process, which sets the monthly amount due based on a rolling twelve  
7 month average of previous bills. The stipulation did not contain any additional  
8 restrictions with regard to disconnects.

9  
10 Atmos fully complied with all the procedures contained within the stipulation. In  
11 response to the concerns raised by the Consumer Advocate, Atmos investigated the issue  
12 further and compiled additional information which explains why the percentage of  
13 disconnects increased in 2006. As shown on the spreadsheet attached as Exhibit 3 to this  
14 testimony, gas costs increased by more than 100% from 2005 to 2006, and Atmos  
15 experienced a 55% increase in the number of delinquent accounts and a 51% increase in  
16 the amounts past due. In addition, from 2005 to 2006, the average bill referred to  
17 collections increased from \$95 to over \$400. These statistics explain why disconnects  
18 increased from .13% of residential customers in 2005 to .83% of customers in 2006.  
19 However, the spreadsheet also shows that Atmos had a 40% increase in customers  
20 participating in levelized billing during that same time period, which is consistent with  
21 the mitigation efforts taken per the stipulation. Many of the customers who were  
22 automatically transferred to levelized billing remained on the plan, so those customers  
23 will not experience the sharp increase in their gas bills this winter as they did last year.

1 **Q. Please explain Atmos' commitment to customer service.**

2 A. Attached as collective Exhibit 4 to this testimony is a powerpoint presentation that was  
3 prepared to highlight some of the aspects of Atmos' commitment to customer service, as  
4 well as additional documents which provide additional information on recent  
5 achievements in the customer service area. As demonstrated in the presentation, Atmos  
6 has a passion for excellence in customer service through enterprise culture building,  
7 through customer service opportunities, through utilizing trend-setting technology and the  
8 delivery of superior customer service from our employees. Also included in the  
9 collective Exhibit is a summary of the results of a recent independent customer  
10 satisfaction survey Atmos commissioned. The results indicated that 94% of the Atmos  
11 customers surveyed stated they were satisfied or very satisfied with Atmos, which is  
12 higher than average for utilities. Atmos commissioned the survey to identify areas where  
13 the Company could improve its customer service, and the Company immediately began  
14 working on measures to address areas for improvement. For example, the survey  
15 indicated that 29% of commercial customers had some difficulty communicating with  
16 Atmos. Atmos has formed a new team to design a delivery mechanism for the identified  
17 audience from the customer survey results. The finished piece will be customized with  
18 details on ways for these customers to, for example: request new service lines,  
19 establish/discontinue service, and make payments by utilizing our  
20 [www.atmosenergy.com](http://www.atmosenergy.com) website features.

21 **Q. Does this conclude your rebuttal testimony?**

22 A. Yes.