BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

IN RE:

PETITION OF ATMOS ENERGY	)	
CORPORATION FOR APPROVAL OF	)	
ADJUSTMENT OF ITS RATES AND	)	
REVISED TARIFF	)	**DOCKET NO. 07-_____**

PATRICIA J. CHILDERS

I. INTRODUCTION OF WITNESS

Q. PLEASE INTRODUCE YOURSELF.

A. My name is Patricia J. Childers. I am Vice President – Rates and Regulatory Affairs of the Kentucky/Mid-States Division of Atmos Energy Corporation. My business address is 810 Crescent Centre Drive, Suite 600, Franklin, Tennessee, 37067.

II. SUMMARY OF TESTIMONY

Q. WHAT SUBJECTS DO YOU PLAN TO COVER IN YOUR TESTIMONY?

A. I will testify on three subjects:

1. The overall rate design and rates proposed in this proceeding, including an explanation of how the revenue requirement changes are distributed among the various customer classes;
2. The proposed payment provision changes to Rate Schedule 260 for transportation service; and
3. Changing the pricing methodology for gas in storage.

Q. PLEASE SUMMARIZE YOUR TESTIMONY IN EACH OF THESE AREAS.

A. At current rates, the Company has a revenue deficiency of $11,055,188, and is requesting a change in revenue requirement to correct this deficiency.

The Company proposes several incremental changes to the overall rate design recently approved in Docket No. 05-00258. These include:

- Implementation of a Customer Utilization Adjustment mechanism (as discussed in the testimony of Gary Smith);
- Updating weather normalization factors (as discussed in testimony from James Cagle); and
- Certain miscellaneous changes (discussed in testimony from Michael Ellis).

On the Transportation Tariff, the Company proposes a revenue neutral change designed to make payment terms consistent with other rate schedules.

Finally, the Company proposes to change from the pricing methodology for gas in storage from the first in first out (FIFO) methodology to the weighted average cost of gas (WACOG) methodology. This will result in a minimal impact to rate base and a smoothing effect on gas price volatility as reflected in the Purchased Gas Adjustment (PGA) mechanism.

III. WITNESS QUALIFICATIONS

Q. PLEASE SUMMARIZE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND, AND CURRENT RESPONSIBILITIES.

A. I have a Bachelor of Science in Business Administration from Middle Tennessee Statue University. I have worked for Atmos and its predecessors since 1979. In 2001, I assumed my current position, Vice President – Rates and Regulatory Affairs Atmos' Mid-States Division (now the Kentucky/Mid-States Division). My job responsibilities include oversight of rates and regulatory affairs for the Company's regulated utility operations in the States of Tennessee, Iowa, Illinois, Missouri, Virginia and Georgia. I also serve on internal and external committees involved in monitoring and addressing developments and trends in regulated gas utility rates.

Q. HAVE YOU EVER TESTIFIED BEFORE THIS AUTHORITY?

A. Yes. Throughout my years with the Company I have provided testimony in several dockets, most recently in Docket No. 05-00258.

Q. HAVE YOU TESTIFIED ON MATTERS BEFORE OTHER STATE REGULATORY COMMISSIONS?

A. Yes, I have testified before the Illinois State Corporation Commission, the Missouri Public Service Commission, the Virginia State Corporation Commission and the Georgia Public Service Commission.

IV. OVERALL RATE DESIGN

Q. PLEASE DISCUSS THE PROPOSED OVERALL RATE DESIGN.

A. The Company proposes to keep essentially the same rate design recently approved in Docket No. 05-00258 with a few modifications. These modifications include the Customer Utilization Adjustment (CUA) mechanism that is discussed in the direct testimony of Mr. Gary Smith, the changes to certain miscellaneous tariff charges discussed in the direct testimony of Mr. Michael H. Ellis and updating the 30-year weather normalization

factors discussed in the direct testimony of Mr. James C. Cagle. Other proposed changes also include adoption of the transportation tariff payment provision changes discussed later in my testimony as well as changing the pricing methodology for gas in storage (which will have a *de minimus* base rate impact).

Q. WHAT IS THE COMPANY'S CURRENT RATE DESIGN?

A. The Company's current rate design, most recently approved in Docket No. 05-00258, apportions the Company's revenue requirement between a monthly fixed customer charge and a volumetric rate. Except for the modifications and adjustments proposed in this rate case, which also include a proposed increase to base rates (both the monthly customer charge and volumetric rate component), the Company intends to keep essentially the same rate design.

Q. WHY HAS THE COMPANY PROPOSED AN INCREASE IN BASE RATES?

A. As shown in the direct testimony of Mr. Thomas Petersen, the Company has a revenue deficiency of $11,055,188 at current rates. Current rates are therefore insufficient to permit the Company the opportunity to earn a reasonable return on its invested capital over and above its reasonable and necessary operating expenses. The changes to rates proposed by the Company in this filing, coupled with the rate design changes proposed by the Company, will allow the Company to earn a reasonable return.

Q. PLEASE DISCUSS THE PROPOSED CHANGES TO RESIDENTIAL BASE RATES.

A. The Company is proposing that any change in revenue requirement ordered by the TRA in this proceeding be distributed among the rate schedules proportionately based on projected revenues from each rate schedule at existing rates. The Company proposes to in-

crease the residential (Rate Schedule 210) and public authority (Rate Schedule 225) monthly customer charge by $1 each month for a winter customer charge of $13 and a summer customer charge of $10. The remaining proportionate share of any approved increase will be recovered through the volumetric rate per Ccf.

Q. IS THERE ANY PROPOSED EXEMPTION FROM THE MONTHLY CUSTOMER CHARGE?

A. Yes, residential customers 65 or older meeting the threshold for low-income will continue to be exempt from the proposed monthly customer charge as previously approved by the TRA in Docket No. 05-00258.

Q. HOW ARE OTHER RATE SCHEDULES AFFECTED BY THIS FILING?

A. In Docket No. 05-00258, customer charges and volumetric charges for Rate Schedules 220 (small commercial/industrial firm) and 230 (large commercial/industrial firms) were adjusted such that larger users (those served under Rate Schedule 230) are currently paying more (through the combination of the monthly customer charge and the volumetric rate) than they would if served under rate schedule 220. As the Company's intent is to recognize larger users through the offering of a slightly lesser rate, the Company is seeking to correct the existing inequity in this case.

Q. HOW DOES THE COMPANY PROPOSE TO CORRECT THIS?

A. The Company proposes to increase the monthly customer charge for small commercial and industrial firm customers on Rate Schedule 220 from $24.00 to $27.50. The remaining proportionate share of any approved rate increase will be recovered through the volumetric rates per Ccf for both Rate Schedules 220 and 230.

Q. THUS FAR YOU HAVE DESCRIBED BASE RATE CHANGES THAT WILL AFFECT RATE SCHEDULES 210, 225, 220 AND 230. ARE ANY OTHER RATE SCHEDULES AFFECTED BY THE PROPOSED INCREASE?

A. Yes, volumetric rates for the remaining rate schedules will be adjusted proportionately. However, no increase in the monthly customer charge is being proposed for the remaining rate schedules.

Q. PLEASE SHOW THE IMPACT OF THE PROPOSED RATE INCREASE UPON ALL RATE SCHEDULES.

A. Attached to my testimony as Exhibit PJC-1 is a table that shows the impact on each rate schedule based on average normalized consumption for that class.

V. TRANSPORTATION TARIFF PAYMENT PROVISIONS

Q. EXPLAIN WHAT THE COMPANY PROPOSES ADDING TO RATE SCHEDULE 260 WITH REGARD TO PAYMENT.

A. The Company proposes to amend this tariff to add payment language that is consistent with all of the Company's other Rate Schedules. The new language specifies when payment is due and provides for the assessment of a 5% late charge on delinquent accounts.

VI. STORAGE GAS PRICING METHODOLOGY

Q. IS THE COMPANY PROPOSING TO CHANGE ITS METHOLODOLOGY FOR PRICING ITS GAS STORAGE INVENTORY?

A. Yes. The Company currently utilizes the FIFO (first in first out) methodology in Tennessee. It proposes to change to the WACOG (weighted average cost of gas) methodology, to be consistent with the methodology used in the Company's other jurisdictions.

Q. HOW DOES WACOG DIFFER FROM FIFO?

A. Using the FIFO methodology, the value of gas billed is skewed by a lag between the time the gas is purchased and stored and the time it is sold. For example, gas purchase prices were higher than average in the fall of 2005. Gas purchased at that time for injection into storage would be used at a later date, at which time the ratepayer would be impacted by that higher commodity cost. Since 2005, however, the Company has been able at times to purchase gas at lower prices. Using the WACOG method, the gas in storage would be valued based on the average purchase price, rather than billing a high commodity cost reflective of late 2005 pricing for a period of time, followed by a lower commodity cost.

Q. DOES THIS CHANGE IN PRICING METHODOLOGY PRESENT ANY ADVANTAGES FOR THE RATEPAYER?

A. Yes. Using the WACOG method, customers are billed for the average cost of the gas in storage. This provides balance in the amount charged to the ratepayer. Using this average cost will smooth the effects of gas price volatility through the actual cost adjustment mechanism of the purchased gas adjustment clause and make the commodity price reflected on the bill more reliable.

Q. DOES THIS CHANGE HAVE ANY IMPACT ON BASE RATES?

A. This change will slightly adjust base rates, but any impact will be minimal. Currently, an average balance of storage gas is included in Company's base rates as investment. The WACOG methodology will affect the amount of investment included in base rates to the extent that it determines the value assigned to the storage gas at the time of a rate case.

Q. SHOULD THE TRA APPROVE A FUNDING MECHANISM OF 1.74 CENTS PER MMBTU AS REQUESTED IN THE TESTIMONY OF MR. RONALD B.

EDELSTEIN, HOW WOULD THE COMPANY PROPOSE TO COLLECT THIS FUNDING FROM ITS CUSTOMERS?

A. Yes. The Company proposes to collect the 1.74 cents per MMBtu through a surcharge mechanism from its existing sales customers.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

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VERIFICATION

STATE OF TENNESSEE)
)
COUNTY OF WILLIAMSON)

I, Patricia J. Childers, being first duly sworn, state that I am Vice President of Rates and Regulatory Affairs for the Kentucky/Mid-States Division of Atmos Energy Corporation, that I am authorized to testify on behalf of Atmos Energy Corporation in the above referenced docket, that the Testimony of Patricia J. Childers in support of Atmos Energy Corporation's Petition and the Exhibits thereto pre-filed in this docket on the date of filing of this Petition are true and correct to the best of my knowledge, information and belief.

Patricia J Childers
Patricia J. Childers

Sworn and subscribed before me this 17th day of April, 2007.

Pamela Todd
Notary Public

PAMELA TODD
STATE OF TENNESSEE NOTARY PUBLIC
DAVIDSON COUNTY

My Commission Expires: 05-24-08

My Commission Expires 05-24-08

Atmos Energy Corporation
Exhibit PJC-1

	Rates effective Dec06		Adjusted	Adjusted	Current	Proposed Rates				
	Monthly	Commodity	Base	Volumes	Adjusted	Monthly	Commodity	Total		Percent
	Customer chg	Charge/Ccf	Count	Ccf	Margin Rev	Customer chg	Charge/Ccf	Revenues	Increase	Change
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(k)	(l)	(m)
RESIDENTIAL										
210 RGS SUMMER	$9.00	$ 0.1207	548,615	7,271,449	$ 5,815,200	$ 10.00	$ 0.1838	$ 6,822,643	$ 1,007,444	17%
210 RGS WINTER (weather sensitive)	12.00	$ 0.1207	780,081	61,530,635	$ 16,787,721	$ 13.00	$ 0.1838	$ 21,450,385	$ 4,662,664	28%
210 RGS SR CIT SUMMER	0.00	$ 0.1207	16,967	224,890	$ 27,144	$ -	$ 0.1838	$ 41,335	$ 14,191	52%
210 RGS SR CIT WINTER (weather sensitive)	0.00	$ 0.1207	24,159	1,906,468	$ 230,111	$ -	$ 0.1838	$ 350,409	$ 120,298	52%
211 HVAC	9.00	$ 0.0667	25	4,285	$ 511	$ 9.00	$ 0.0667	$ 511	$ -	0%
Total Residential			1,369,847	70,937,726	$ 22,860,686			$ 28,665,283	$ 5,804,596	25%
Avg. Residential Customer			12	621	$ 204			$ 255	$ 51	25%
COMMERCIAL										
211 HVAC	9.00	$ 0.0667	5	76	$ 50	$ 9.00	$ 0.0667	$ 50	$ -	0%
220 COM/IND GS (weather sensitive)	24.00	$ 0.1851	180,556	47,674,861	$ 13,157,953	$ 27.50	$ 0.2422	$ 16,512,133	$ 3,354,179	25%
230 LRG COM/IND GS (weather sensitive)	200.00	$ 0.1966	71	948,718	$ 200,718	$ 200.00	$ 0.2172	$ 220,262	$ 19,544	10%
250 OPT GS	310.00		39	0	$ 12,090	$ 310.00		$ 12,090	$ -	0%
Block 1 Volumes		$ 0.0901	0	631,610	$ 56,908		$ 0.1038	$ 65,561	$ 8,653	15%
Block 2 Volumes		$ 0.0576	0	748,095	$ 43,090		$ 0.0713	$ 53,339	$ 10,249	24%
Block 3 Volumes		$ 0.0234	0	0	$ -		$ 0.0371	$ -	$ -	N/A
293 LRG TONN HVAC GS	25.00		12	0	$ 300	$ 25.00		$ 300	$ -	0%
Block 1 Volumes		$ 0.0901	0	159,982	$ 14,414		$ 0.1038	$ 16,606	$ 2,192	15%
Block 2 Volumes		$ 0.0576	0	14,088	$ 811		$ 0.0713	$ 1,004	$ 193	24%
Block 3 Volumes		$ 0.0234	0	0	$ -		$ 0.0371	$ -	$ -	N/A
Total Commercial			180,683	50,177,430	$ 13,486,336			$ 16,881,345	$ 3,395,010	25%
INDUSTRIAL										
220 COM/IND GS	24.00	$ 0.1851	3,409	5,358,946	$ 1,073,757	$ 24.00	$ 0.2422	$ 1,379,753	$ 305,996	28%
230 LRG COM/IND GS	200.00	$ 0.1966	195	2,092,856	$ 450,455	$ 200.00	$ 0.2172	$ 493,568	$ 43,113	10%
240 DEMAND/COMM GS	310.00		12	0	$ 3,720	$ 310.00		$ 3,720	$ -	0%
Block 1 Volumes		$ 0.0901	0	240,000	$ 21,624		$ 0.1038	$ 24,912	$ 3,288	15%
Block 2 Volumes		$ 0.0576	0	403,380	$ 23,235		$ 0.0713	$ 28,761	$ 5,526	24%
Block 3 Volumes		$ 0.0234	0	0	$ -		$ 0.0371	$ -	$ -	N/A
Demand Volumes		$ 1.6293	0	40,596	$ 66,143		$ 1.6293	$ 66,143	$ -	0%
250 OPT GS	310.00		565	0	$ 175,066	$ 310.00		$ 175,066	$ -	0%
Block 1 Volumes		$ 0.0901	0	6,087,350	$ 548,470		$ 0.1038	$ 631,867	$ 83,397	15%
Block 2 Volumes		$ 0.0576	0	6,157,590	$ 354,677		$ 0.0713	$ 439,036	$ 84,359	24%
Block 3 Volumes		$ 0.0234	0	0	$ -		$ 0.0371	$ -	$ -	N/A
280 - ECONOMIC DEV GS (250 OPT)	310.00		13	0	$ 4,030	$ 310.00		$ 4,030	$ -	0%
Block 1 Volumes		$ 0.0675	0	260,000	$ 17,550		$ 0.0779	$ 20,241	$ 2,691	15%
Block 2 Volumes		$ 0.0432	0	1,845,770	$ 79,737		$ 0.0535	$ 98,703	$ 18,965	24%
Block 3 Volumes		$ 0.0175	0	0	$ -		$ 0.0278	$ -	$ -	N/A
292 CNG/Prime Mover	0.00		12	0	$ -	$ -		$ -	$ -	N/A
Block 1 Volumes		$ 0.0901	0	25,133	$ 2,264		$ 0.1038	$ 2,609	$ 344	15%
Block 2 Volumes		$ 0.0576	0	0	$ -		$ 0.0713	$ -	$ -	N/A
Block 3 Volumes		$ 0.0234	0	0	$ -		$ 0.0371	$ -	$ -	N/A
292 COGEN/CNG	25.00		24	0	$ 600	$ 25.00		$ 600	$ -	0%
Block 1 Volumes		$ 0.0901	0	175,397	$ 15,803		$ 0.1038	$ 18,206	$ 2,403	15%
Block 2 Volumes		$ 0.0576	0	5,372	$ 309		$ 0.0713	$ 383	$ 74	24%
Block 3 Volumes		$ 0.0234	0	0	$ -		$ 0.0371	$ -	$ -	N/A
			4,230	22,651,794	$ 2,837,442			$ 3,387,598	$ 550,156	19%
PUBLIC AUTHORITY										
211 HVAC	9.00	$ 0.1207	0	0	$ -	$ 9.00	$ 0.1838	$ -	$ -	N/A
221 EXPERIMENTAL SGS	25.00	$ 0.0995	72	677,504	$ 69,212	$ 25.00	$ 0.0995	$ 69,212	$ -	0%
225 PAG SR CIT SUMMER	0.00	$ 0.1207	74	3,343	$ 404	$ -	$ 0.1838	$ 614	$ 211	52%
225 PAG SR CIT WINTER (weather sensitive)	0.00	$ 0.1207	104	16,352	$ 1,974	$ -	$ 0.1838	$ 3,005	$ 1,032	52%
225 PAG GS - SUMMER	9.00	$ 0.1207	2,401	108,095	$ 34,654	$ 10.00	$ 0.1838	$ 43,875	$ 9,222	27%
225 PAG GS - WINTER (weather sensitive)	12.00	$ 0.1207	3,370	528,703	$ 104,258	$ 13.00	$ 0.1838	$ 140,989	$ 36,731	35%
			6,022	1,333,997	$ 210,500			$ 257,696	$ 47,196	22%
TRANSPORTATION										
260 - TRANSP (220 SML COM/INDG)	310.00	$ 0.1851	22	153,483	$ 35,230	$ 310.00	$ 0.2422	$ 43,994	$ 8,764	25%
260 - TRANSP (230 LRG COM/INDG)	310.00	$ 0.1966	379	7,965,796	$ 1,683,566	$ 310.00	$ 0.2172	$ 1,847,661	$ 164,095	10%
260 - TRANSP (240 DEMAND/COMM GS)	310.00		13	0	$ 4,030	$ 310.00		$ 4,030	$ -	0%
Block 1 Volumes		$ 0.0901	0	253,230	$ 22,816		$ 0.1038	$ 26,285	$ 3,469	15%
Block 2 Volumes		$ 0.0576	0	593,290	$ 34,174		$ 0.0713	$ 42,302	$ 8,128	24%
Block 3 Volumes		$ 0.0234	0	0	$ -		$ 0.0371	$ -	$ -	N/A
Demand Volumes		$ 1.6293	0	51,635	$ 84,129		$ 1.6293	$ 84,129	$ -	0%

Atmos Energy Corporation
Exhibit PJC-1

	Rates effective Dec06		Adjusted	Adjusted	Current	Proposed Rates				
	Monthly	Commodity	Base	Volumes	Adjusted	Monthly	Commodity	Total		Percent
	Customer chg	Charge/Ccf	Count	Ccf	Margin Rev	Customer chg	Charge/Ccf	Revenues	Increase	Change
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(k)	(l)	(m)
260 - TRANSP (280/240 ECON DEV - DEMAND/C	310.00		12	0	$ 3,720	$ 310.00		$ 3,720	$ -	0%
Block 1 Volumes		$ 0.0675	0	240,000	$ 16,200		$ 0.0779	$ 18,684	$ 2,484	15%
Block 2 Volumes		$ 0.0432	0	410,760	$ 17,745		$ 0.0535	$ 21,965	$ 4,221	24%
Block 3 Volumes		$ 0.0175	0	0	$ -		$ 0.0278	$ -	$ -	N/A
Demand Volumes		$ 1.2220	0	35,626	$ 43,535		$ 1.2220	$ 43,535	$ -	0%
260 - TRANSP (250 OPT GS MASS METER)	310.00		24	0	$ 7,440	$ 310.00		$ 7,440	$ -	0%
Block 1 Volumes		$ 0.0901	0	392,170	$ 35,335		$ 0.1038	$ 40,707	$ 5,373	15%
Block 2 Volumes		$ 0.0576	0	366,470	$ 21,109		$ 0.0713	$ 26,129	$ 5,021	24%
Block 3 Volumes		$ 0.0234	0	0	$ -		$ 0.0371	$ -	$ -	N/A
260 - TRANSP (250 OPT GS)	310.00		541	0	$ 167,710	$ 310.00		$ 167,710	$ -	0%
Block 1 Volumes		$ 0.0901	0	10,147,168	$ 914,260		$ 0.1038	$ 1,053,276	$ 139,016	15%
Block 2 Volumes		$ 0.0576	0	27,993,068	$ 1,612,401		$ 0.0713	$ 1,995,906	$ 383,505	24%
Block 3 Volumes		$ 0.0234	0	0	$ -		$ 0.0371	$ -	$ -	N/A
260 - TRANSP (280/250 ECON DEV - OPT GS)	310.00		28	0	$ 8,680	$ 310.00		$ 8,680	$ -	0%
Block 1 Volumes		$ 0.0675	0	473,690	$ 31,974		$ 0.0779	$ 36,877	$ 4,903	15%
Block 2 Volumes		$ 0.0432	0	1,657,600	$ 71,608		$ 0.0535	$ 88,640	$ 17,032	24%
Block 3 Volumes		$ 0.0175	0	0	$ -		$ 0.0278	$ -	$ -	N/A
Total Transportation				50,733,987	$ 4,815,660			$ 5,561,670	$ 1,940,713	40%
Sub Total				195,834,934	$ 44,210,624			$ 54,753,592	$ 11,737,671	
Special Contracts					$ -			$ -	N/A	N/A
4870 - Forfeited Discount					$ 1,366,814			$ 1,433,015	$ 66,201	
4880 - Miscellaneous Service charges					$ 175,696			$ 621,140	$ 445,444	
TOTAL MARGIN REVENUES					$ 46,345,608			$ 57,400,221	$ 11,054,613	24%