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. 07-00105**

REBUTTAL TESTIMONY OF DANNY P. BERTOTTI ON BEHALF OF ATMOS ENERGY CORPORATION IN RESPONSE TO MR. NOVAK'S SUPPLEMENTAL EXHIBIT

I. NAME AND POSITION

Q. PLEASE INTRODUCE YOURSELF.

A. My name is Danny P. Bertotti. I am a Sales Representative for Atmos in Tennessee and the Kentucky/Mid-States region. My business address is 200 Noah Drive, Franklin, Tennessee 37064.

II. SUMMARY OF TESTIMONY

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. The purpose of this rebuttal testimony is to respond to the Supplemental Exhibit submitted by Hal Novak on behalf of Atmos Intervention Group, in which Mr. Novak sets-forth his proposal for a declining block rate design. I have examined Mr. Novak's proposal in light of gas usage data for some of the Company's commercial customers presently on the 220 and 230 rate schedules.

Q. WHAT DATA HAVE YOU EXAMINED?

A. I have looked at raw gas usage data for the twelve months ended September 2007. This data shows the annual usage for each customer. In addition, I checked monthly usage data in certain situations as described herein.

Q. IS THE DATA THAT YOU EXAMINED WEATHER NORMALIZED?

A. No. The Company does not have current weather normalized data. As explained in the testimony of Patricia Childers, the process of creating such data is no small task. I examined what I had access to, which is raw customer usage data.

Q. PLEASE EXPLAIN WHAT YOU FOUND?

A. Basically, in order to give price reductions to a small number of large volume gas users, Mr. Novak's proposal raises gas rates for thousands of small commercial and industrial customers.

The data I examined showed a total of 15,288 commercial and industrial customers being served in rate schedules 220 and 230. Of these, 11,696 (76.5%) had not used more than 3,000 Ccf of gas in the past year. By definition, then, these customers could not have used more than 3,000 Ccf in any given month, and could not possibly have moved out of the first of Mr. Novak's proposed rate blocks. As a result, all 11,696 of these customers would end up paying more for gas under the declining rate block proposal set-forth in Mr. Novak's Supplemental Exhibit. Comparing the rates that these customers would pay under Mr. Novak's proposal with the rates set-forth in Exhibit D to the Settlement Agreement with the Consumer Advocate in this case, these customers would pay 15% more for gas than they would pay under the Settlement Agreement. The bottom-line result of Mr. Novak's proposed declining block rate design is that nearly 12,000 commercial customers would end up paying 15% more for gas than they would otherwise.

Q. WHAT ELSE DOES THE DATA SHOW ABOUT COMMERCIAL CUSTOMERS AS A WHOLE?

A. Only 132 (0.86%) out of the 15,288 customers used more than 60,000 Ccf of gas per year.

Q. Why did you count the number of customers using above 60,000 Ccf of gas per year?

A. Mr. Novak proposed a three tier rate with the 3rd tier being all consumption above 5,000 Ccf in a month. He proposed that the rate level for this tier be approximately 50% of the 1st tier. If you assume a customer uses 5,000 Ccf per month for 12 months, you get an annual volume of 60,000 Ccf per year.

Customers using over 60,000 Ccf per year will then have average monthly gas volumes that hit Mr. Novak's 3rd tier (50%) rate.

Q. WOULD ALL OF THESE CUSTOMERS SAVE MONEY UNDER MR. NOVAK'S PROPOSAL?

A. Not necessarily. Depending on how constant their monthly gas usage is throughout the year, even customers who use more than 60,000 Ccf of gas per year may or may not save enough in the high months to offset the added amount they would pay in the low months.

Q. COULD YOU GIVE AN EXAMPLE?

A. Yes. Below is a hypothetical customer with a relatively flat (constant) load profile, meaning that this customer uses roughly the same amount of gas each month throughout the year.

	Volume Ccf	Atmos Proposal	AIG Proposal	AIG Proposed Savings/(Increased Costs)
May-06	3,830	$ 784.77	$ 858.57	$ (73.81)
Jun-06	5,021	$ 1,028.80	$ 1,069.09	$ (40.29)
Jul-06	4,558	$ 933.93	$ 988.01	$ (54.08)
Aug-06	5,729	$ 1,173.87	$ 1,152.99	$ 20.89
Sep-06	4,558	$ 933.93	$ 988.01	$ (54.08)
Oct-06	5,105	$ 1,046.01	$ 1,079.04	$ (33.03)
Nov-06	4,653	$ 953.40	$ 1,004.90	$ (51.50)
Dec-06	5,495	$ 1,125.93	$ 1,125.26	$ 0.67
Jan-07	5,138	$ 1,052.78	$ 1,082.95	$ (30.18)
Feb-07	5,785	$ 1,185.35	$ 1,159.62	$ 25.72
Mar-07	5,943	$ 1,217.72	$ 1,178.35	$ 39.38
Apr-07	5,145	$ 1,054.21	$ 1,083.78	$ (29.57)
Total	**60,960**	**$12,490.70**	**$12,770.58**	**$(279.88)**

The spreadsheet compares the amount the customer would pay each month for gas under the rates included in Exhibit D to the Atmos/CAD Settlement Agreement (a

flat rate of $0.2049 per Ccf) with the amount that the customer would pay under Mr. Novak's proposed declining block rate structure. (For simplicity, the flat monthly customer charge has been excluded from the comparison , since the customer charges are the same under Mr. Novak's proposal as under the Atmos/CAD Settlement Agreement.) As you can see, this hypothetical customer ends up paying $279.88 more under Mr. Novak's proposal, even though it uses more than 60,000 Ccf per year.

Q. ARE THERE CUSTOMERS AT THIS LEVEL THAT WOULD PAY LESS FOR GAS UNDER MR. NOVAK'S PROPOSAL?

A. Yes. The example below illustrates a customer with an uneven load profile, who uses much more gas in some months than others. The high gas usage typically would occur during the winter heating season.

	Volume Ccf	Atmos Proposal	AIG Proposal	AIG Proposed Savings/(Increased Costs)
May-06	2,631	$ 539.09	$ 623.55	$ (84.46)
Jun-06	1,658	$ 339.72	$ 392.95	$ (53.22)
Jul-06	1,625	$ 332.96	$ 385.13	$ (52.16)
Aug-06	1,278	$ 261.86	$ 302.89	$ (41.02)
Sep-06	1,699	$ 348.13	$ 402.66	$ (54.54)
Oct-06	3,449	$ 706.70	$ 790.83	$ (84.13)
Nov-06	6,449	$ 1,321.40	$ 1,238.31	$ 83.09
Dec-06	8,789	$ 1,800.87	$ 1,515.60	$ 285.27
Jan-07	12,543	$ 2,570.06	$ 1,960.45	$ 609.62
Feb-07	11,722	$ 2,401.84	$ 1,863.16	$ 538.68
Mar-07	5,289	$ 1,083.72	$ 1,100.85	$ (17.13)
Apr-07	2,897	$ 593.60	$ 686.59	$ (92.99)
Total	**60,029**	**$12,299.94**	**$11,262.94**	**$ 1,037.00**

As you can see, this hypothetical customer would save money under AIG's proposal.

Q. WHY DOES THIS CUSTOMER SAVE MONEY, WHEREAS THE PRIOR HYPOTHETICAL CUSTOMER DID NOT?

A. It all has to do with the load profile. The second customer saves money because it uses much more gas in the winter heating months. Due to these peak months, this customer ends up with enough volume in Mr. Novak's 3rd (50%) tier, that it saves enough in these months to offset what it loses in the other months.

Q. WHAT CONCLUSIONS CAN YOU DRAW FROM THIS COMPARISON?

A. What you can see is that at the margins Mr. Novak's proposal would reward customers with uneven load profiles (who use much more gas during the winter heating season), at the expense of customers at similar levels who use a more constant volume of gas throughout the year. This is exactly the reverse of what you would want to see. If anything, rates should reward and encourage customers who use a constant volume of gas throughout the year, including the summer months when gas demand is lower.

Q. HAVE YOU LOOKED TO SEE HOW DIFFERENT KINDS OF CUSTOMERS WOULD BE IMPACTED BY MR. NOVAK'S PROPOSED DECLINING BLOCK RATE STRCTURE?

A. Yes. The data set includes a field for customer SIC Code (Standard Industrial Classification Code), which indicates the type of business the customer is in. There is an SIC Code listed for about half of the customers (7,280). After sorting the data by SIC Code and annual gas usage, I was able to extract some examples of the kinds of customers who would end up paying more for gas under Mr. Novak's declining block rate proposal.

Q. PLEASE EXPLAIN WHAT YOU DID.

A. For each SIC Code or group of SIC Codes that I studied, I first looked to see whether any customers in the group had used more than 3,000 Ccf of gas during the year. We know that customers who use less than 3,000 Ccf per year could not have used more than 3,000 Ccf in any given month, and therefore all of their gas consumption would be charged at the lowest block in Mr. Novak's proposal. All of these customers would end up paying 15% more for gas under Mr. Novak's proposal.

For customers with higher gas usage, I checked individual customer data to see whether these higher volume customers had used more than 3,000 Ccf of gas in any given month. If not, then they, too, would end up paying more for gas under Mr. Novak's proposals. As indicated above, even very large volume customers who use over 60,000 Ccf of gas per year still may end up paying more for gas under Mr. Novak's proposal, depending on their monthly load profile. Where necessary to draw conclusions, I checked the monthly data on such customers to see whether they would have saved or paid more under Mr. Novak's declining block rate proposal.

Q. WHAT DID YOU FIND?

A. The data included 887 churches and other places of worship. Only one would save money under Mr. Novak's proposal. The other 886 would pay more more for gas under Mr. Novak's declining block rate proposal.

There were 232 auto repair shops, oil change services, and car washes, and 472 restaurants. All would pay more under Mr. Novak's proposal. There were 924 stores and other retail businesses (covering SIC Codes 5200 through 5990) that used less than 3,000 Ccf of gas during the year, and therefore necessarily would pay more under Mr. Novak's proposal. A total of 423 healthcare locations and 41 daycare centers were in the same position. The data included over 300 schools and 200 government buildings that would pay more under Mr. Novak's proposal.

Q. What conclusions have you drawn from your study of the data?

A. This data brings home what Mr. Novak acknowledged in his testimony at the October 8 hearing: to reduce rates for a small number of very large commercial and industrial gas customers, declining block rates must raise rates for a large number of small commercial gas users. There is no free lunch. Lower gas rates for a few large industrial customers would come at the expense of higher rates for well more than 11,000 churches, schools, daycare centers, small stores, restaurants, and other small commercial entities who use natural gas.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

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VERIFICATION

STATE OF TENNESSEE)
)
COUNTY OF WILLIAMSON)

I, Danny Bertotti, being first duly sworn, state that I am a Sales Representative for Atmos Energy Corporation, that I am authorized to testify on behalf of Atmos Energy Corporation in the above referenced docket, that the Rebuttal Testimony of Danny Bertotti pre-filed in this docket on the date of filing herein is true and correct to the best of my knowledge, information and belief.

Danny P Bertotti
Danny Bertotti

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

Ronnie Myatt
Notary Public

My Commission Expires: June 20, 2011

RONNIE MYATT
STATE OF TENNESSEE NOTARY PUBLIC
WILLIAMSON COUNTY

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing has been served, via the method(s) indicated below, on the following counsel of record, this the 17 day October 2007.

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