

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

IN RE:

**PETITION OF ATMOS ENERGY
CORPORATION FOR APPROVAL OF
ADJUSTMENT OF ITS RATES AND
REFUSED TARIFF**

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DOCKET NO. 07-_____

I. INTRODUCTION OF WITNESS

Q. Please state your name, position and business address.

A. My name is John Paris. I am President of the Kentucky/Mid-States Division of Atmos Energy Corporation ("Atmos" or "Company"). My business address is 2401 New Hartford Road, Owensboro, Kentucky 42303.

II. PURPOSE OF TESTIMONY

Q. What is the purpose of your testimony?

A. The primary purpose of my testimony is to set forth the principal factors requiring Atmos to request an increase in rates and explain why this request is coming so quickly after TRA's recent decision in Phase I of Docket No. 05-00258. I will also address the Company's request for a Customer Utilization Adjustment (CUA), which will complement our existing WNA rider, and discuss some of the tariff changes we are proposing in this docket. In addition, I will provide an overview of the Company's history and its operations in Tennessee and across the United States with a particular focus on its commitment to customer service and safety. Finally, I will introduce the Company's other witnesses in this docket.

II. BACKGROUND AND QUALIFICATIONS

Q. Please briefly describe your educational and professional background, and current responsibilities.

A. I earned a Bachelor of Arts degree in History from Berea College in 1985. That same year, I became an operations aide for Western Kentucky Gas Company ("WKG"). WKG was acquired by Atmos in December of 1987 and is now part of Atmos' Kentucky/Mid-States division. I worked in a variety of jobs for WKG during summer recess while attending college. After joining the company full time in 1985, I held positions of increasing responsibility before being named Assistant District Manager of the Bowling Green District in 1993. I became the Southern Colorado District Manager for Atmos in 1995. In 1997, I was named Vice President of Operations for the Colorado Region. In that position, I was responsible for safety, maintenance, construction, and customer service to Atmos' Colorado customers. From 1999 to 2001, I served as Chairman of the Atmos Marketing Council, which has the responsibility for developing and executing the Company's utility marketing strategy.

In 2001, I was named President of Atmos' Kentucky division and in February 2005, my responsibilities were increased to include Atmos' Mid-States division. As President of Atmos' Kentucky/Mid-States division, I have responsibility for customer services, operations, regulatory and community relations and the financial performance of those divisions.

Q. Have you ever testified before the Tennessee Regulatory Authority (TRA)?

A. Yes, I recently testified before the TRA in the Company's Phase I of Docket No. 05-00258 in August 2006. In addition, I have previously provided testimony before the

1 Colorado Public Utilities Commission, the Georgia Public Service Commission, the Mis-
2 souri Public Service Commission, and the Kentucky Public Service Commission in At-
3 mos rate cases.

4 **III. PURPOSE OF THIS PROCEEDING**

5 **Q. What does Atmos seek in this rate case?**

6 A. Atmos seeks approval of an increase in revenues of approximately \$11 million. The in-
7 crease to the bill of an average residential customer at current gas prices would be ap-
8 proximately \$4.27 per month. Although we operate very efficiently, we are not achieving
9 a fair return on our investment with the rates currently in effect. The proposed increase
10 will allow the Company to establish new rates that will provide it a fair return and offset
11 the continued plant investment we have made in our system.

12 Let me explain the components that make up this increase. We are not simply seeking a
13 rehearing on the Authority's rulings in Docket No. 05-00258. Only about \$2.6 million of
14 the requested increase results from our disagreements with some of the rulings in that
15 Docket. Additional investments, inflation, and updated information from cost and depre-
16 ciation studies created the need for approximately \$6.5 million of the increase. This in-
17 cludes a net reduction in depreciation expense of about \$2.1 million due to reduced de-
18 preciation rates, as well as an increase in state gross receipts taxes of approximately \$1.3
19 million, due primarily to a tax anomaly. The remaining \$2.0 million of the requested in-
20 crease is necessary because, at present rates, gross margin is projected to be \$2.0 million
21 lower in the test year than that provided for in the Authority's ruling in Docket No. 05-
22 00258. The net result of all of these items leads to a total increase request of
23 \$11,055,188.

1 **Q. When was the Company's last general rate proceeding in Tennessee?**

2 A. Atmos has not filed for a general rate increase in Tennessee since 1995. The Company's
3 last rate proceeding in Tennessee concluded in November 2006 with a motion approved
4 by the TRA ordering the Company to reduce rates by \$6.1 million, effective December 1,
5 2006. That proceeding, which was Phase I of Docket No. 05-00258, was a contested rate
6 case initiated by the Consumer Advocate Protection Division (CAPD) of the Attorney
7 General's office. As I said, the Company has not filed for a general rate increase in Ten-
8 nessee since 1995, when United Cities Gas Company filed a rate application prior to its
9 acquisition by Atmos. For more than 10 years Atmos has made a continual effort to pro-
10 vide the highest quality service to its customers at the lowest possible cost. As a result
11 the Company is proud that it has been able to operate in Tennessee for over 10 years
12 without requesting a rate increase.

13 **Q. Has Atmos complied with all of the orders and directives from the TRA's recent**
14 **motion in Docket No. 05-00258?**

15 A. Yes, the Company implemented the newly approved rates for all customers, effective
16 December 1, 2006. In addition, Atmos is also on track to replace 45,000 feet of bare steel
17 pipe this year, as ordered in Director Miller's Motion. Further, the Company is now
18 waiving the customer charge for qualifying low income and/or senior citizen customers.
19 A message line was included with January 2007 bills, to explain eligibility and provide
20 information concerning this discount. In order to properly notify our customers about the
21 rate changes resulting from Docket No. 05-00258, we included a detailed bill insert,
22 which explained that the new rates were reflected in the current bills.

1 **Q. Why is Atmos requesting a rate increase less than one year after the conclusion of**
2 **the recent Contested Case?**

3 A. While the Company has no doubt that Phase I of Docket No. 05-00258 was conducted in
4 a fair and reasonable manner, the rates resulting from that case are simply not sufficient
5 to allow the Company to earn a reasonable return for its shareholders on its investment in
6 Tennessee. Consequently, Atmos believes that it has an obligation to those shareholders
7 to seek immediate rate relief. Atmos' testimony and the information requested in the fil-
8 ing requirements in Docket No. 05-00258 demonstrated that the Company would experi-
9 ence a significant revenue deficiency during the attrition period, and we continue to be-
10 lieve this to be the case. Nevertheless, the Company was ordered to decrease its rates to
11 its customers by \$6.1 million. We would also respectfully note that in that recent pro-
12 ceeding, Atmos was awarded a return on equity (ROE) of 10.48%, which not only was
13 much lower than the 12% proposed by the Company, but which also was lower than the
14 TRA Staff's recommendation of 10.75%. Consequently, prompt and adequate rate relief
15 is now essential if we are to continue to provide high-quality, safe and reliable service to
16 our customers while achieving a reasonable rate of return for our shareholders.

17 Atmos wants to emphasize that the timing of this filing so soon after the resolu-
18 tion of Phase I of Docket No. 05-00258 is not meant in any way to show disrespect to the
19 TRA or to its decision in that case. As I stated above, the urgency behind the timing of
20 this filing is driven by the fact that the Company believes that it has an obligation to its
21 shareholders to begin receiving a reasonable return on its investment in Tennessee as
22 soon as it possibly can. We have detailed above the components that make up this re-
23 quested increase.

1 Since the Company's last request for a rate increase in 1995, Atmos has increased
2 its rate base in Tennessee by more than \$70 million dollars, while continuing to invest in
3 customer growth projects and increasing its replacement of bare steel pipe each year.
4 Further, while Atmos makes every effort to control its expenses, a portion of the re-
5 quested increase is necessary to cover increased costs for items such as salary and wage
6 increases, increased medical costs and higher pension benefits. At the same time, steady
7 declines in customer usage caused by energy conservation, more efficient homes and ap-
8 pliances, and changes in lifestyles continue to erode our margins in Tennessee. In the
9 past few years, some of the Company's large customers in Tennessee have decreased pro-
10 duction or closed their plants and are therefore contributing less margin each year. We
11 simply cannot continue to absorb these higher costs and maintain the current level of in-
12 vestment while margins continue to decline.

13 **Q. What rate relief are you requesting in this application?**

14 A. We are asking the Authority to approve new rate schedules that would increase our reve-
15 nues to provide a projected rate of return of 8.84% on a projected net rate base of
16 \$188,920,055.

17 **Q. What is the rate of return on common equity requested in this application?**

18 A. We have requested a rate of return on projected common equity of 11.75 %.

19 **Q. How much will Atmos' proposed rate filing increase the bill of an average residen-**
20 **tial customer?**

21 A. The increase to the bill of an average residential customer at current gas prices would be
22 approximately \$4.27 per month. I believe that this is a modest rate increase given that the

1 Consumer Price Index has increased approximately 30% since our 1995 rate filing in
2 Tennessee.

3 **Q. Other than the requested increase in rates, are there any other proposals in this fil-**
4 **ing that you would like to address?**

5 **A.** Yes. The Company is requesting authorization to incorporate a Customer Utilization
6 Adjustment ("CUA"). The CUA will complement the Company's WNA rider by com-
7 pensating for variances in customer usage related to factors other than weather. Although
8 Company witness Mr. Gary Smith will address this proposal in depth in his testimony, I
9 will briefly discuss why I believe the proposed CUA should be approved.

10 **Q. Please discuss the proposed Customer Utilization Adjustment (CUA).**

11 **A.** As the Authority is aware, a WNA addresses variances in the recovery of revenues result-
12 ing from deviations from normal weather. Since its inception in 1991, both the Company
13 and its customers have enjoyed the success of this mechanism, yet there is a fundamental
14 issue that the current WNA does not address. The existing tariff rider does not consider
15 variables that impact customer usage other than weather, such as the increasing energy-
16 efficiency of appliances, more efficient new homes, and conservation. Energy conserva-
17 tion has become increasingly important as utilities and their customers, as well as local,
18 state, and federal government agencies, seek to find ways to place downward pressure on
19 natural gas prices and make efforts to ensure adequate energy supplies to meet the needs
20 of future generations of Americans. However, under traditional rate design a utility typi-
21 cally recovers its cost of service through a monthly customer charge and a volumetric
22 charge. This structure dictates a need for continued growth in sales volume in order to
23 recover fixed costs and authorized revenue requirement. In the current environment this

1 acts as a built-in disincentive for local distribution companies to encourage conservation,
2 and thereby falls short of aligning the interests of utilities and their customers on this im-
3 portant issue. The proposed CUA will compliment the existing WNA and address these
4 problems by accurately adjusting actual non-gas revenues to the level established in this
5 docket, thereby providing the Company with the opportunity to recover its allowed return
6 on investment regardless of fluctuations in sales resulting from the variables mentioned
7 above. Since the revised mechanism will decouple the Company's revenues from the
8 volume of gas consumed, the disincentive that currently exists for the Company to en-
9 courage energy efficiency and conservation would be removed.

10 **Q. Are there any other changes to existing tariffs or additional tariffs requested in this**
11 **proceeding?**

12 A. Yes. The Company is requesting authority to change its monthly customer charges and
13 the volumetric charges applicable to monthly consumption. We propose to spread the
14 new revenue requirement proportionately across all customer classes based on the current
15 revenues of each class. These changes are discussed further in the testimony of Company
16 witness Patricia Childers. The Company is also requesting the authority to apply the cur-
17 rent \$40 activation charge for reconnection of service to all rate schedules. The charge
18 currently applies only to residential customers in rate schedule 210. In addition, the
19 Company is requesting changes to the existing Optional Gas Service tariff, the interest
20 rate paid on customer deposits, and the Company's main extension policy. A more de-
21 tailed discussion of the proposed tariff and General Service Rules changes is contained in
22 the testimony of Company witness Michael Ellis.

23 **III. AN OVERVIEW OF ATMOS ENERGY**

1 **Q. Can you provide the TRA with a general description and background of Atmos'**
2 **natural gas distribution business in the United States?**

3 A. Yes. Atmos Energy is the largest pure natural gas distribution company in the United
4 States. It delivers natural gas to approximately 3.2 million residential, commercial, in-
5 dustrial, and public-authority customers in twelve states. Atmos has six gas utility oper-
6 ating divisions. They are located in Denver, Colorado (Colorado/Kansas division); Baton
7 Rouge, Louisiana (Louisiana division); Jackson, Mississippi (Mississippi division); Lub-
8 bock, Texas (West Texas division); Dallas, Texas (Mid-Tex division); and Franklin, Ten-
9 nessee and Owensboro, Kentucky (Kentucky/Mid-States division). In addition, Atmos
10 has an operating division consisting of a regulated intrastate pipeline that functions only
11 within the state of Texas.

12 Atmos' history dates back to 1906 in the panhandle of Texas. Over the years,
13 through various business combinations and mergers, the company became part of Pioneer
14 Corp., a large diversified West Texas energy company. In 1983, Energas Company, the
15 natural gas distribution division of Pioneer and formerly known as Pioneer Natural Gas,
16 was spun off and became an independent, publicly held natural gas distribution company.
17 In October 1988, Energas changed its corporate name to Atmos Energy Corporation and
18 began trading on the New York Stock Exchange.

19 Since 1986, Atmos has completed numerous significant acquisitions. In 1986,
20 Atmos expanded its natural gas distribution business to Louisiana with the acquisition of
21 Trans Louisiana Gas Company. In 1987, Atmos further expanded its operations by mov-
22 ing into Kentucky with the acquisition of WKG. In 1993, Atmos acquired Greeley Gas
23 Company's Kansas, Colorado and Missouri operations and, in 1997, it acquired United

1 Cities Gas Company, which operated in eight states including Tennessee. That acquisi-
2 tion was approved by the TRA. Atmos acquired the Missouri assets of Arkansas Western
3 Gas Company known as Associated Natural Gas Company in 2000 and, in 2001, it com-
4 pleted its purchase of the assets of Louisiana Gas Service Company and LGS Natural Gas
5 Company. In December of 2002, Atmos expanded its operations into Mississippi with
6 the acquisition of Mississippi Valley Gas Company. Most recently, in 2004, Atmos ac-
7 quired the natural gas distribution and pipeline operations of TXU Gas Company from
8 TXU Corp. The operations acquired in this transaction serve approximately 1.5 million
9 customers in the Dallas-Forth Worth metroplex and more than 500 other communities in
10 north and central Texas.

11 Atmos' corporate offices are located in Dallas, Texas, and provide services such
12 as accounting, legal, human resources, rates administration, procurement, information
13 technology, and a customer support center. These centralized services, commonly re-
14 ferred to as Shared Services, are shared with the other Atmos operating divisions in order
15 to avoid having to staff and maintain these functions at each division level. These cen-
16 tralized services are the technical and administrative services that would be required if
17 each division was a stand-alone company today. Atmos believes that this structure gives
18 it an economic advantage and enables it be a low-cost, high-quality service provider of
19 natural gas. Each of the Company's six utility divisions has its own divisional office that
20 is responsible for the day-to-day operations of that division.

21 **Q. Can you provide the TRA with a general description and background of Atmos'**
22 **operations in Tennessee?**

1 A. Yes. Atmos' Kentucky/Mid-States Division serves customers in Tennessee, Kentucky,
2 Missouri, Virginia, Georgia, Illinois, and Iowa. This Division provides natural gas ser-
3 vice to approximately 475,000 customers across those seven states. Atmos serves ap-
4 proximately 128,000 residential, commercial, and industrial customers in Tennessee. The
5 Company has a Tennessee-based work force of over 200 employees including 31 em-
6 ployees in the Mid-States division office in Cool Springs. Our utility plant in Tennessee
7 includes over 3,000 miles of transmission and distribution lines. I have included a map
8 of Atmos' Tennessee service territory as Schedule JP-1.

9 **IV. ATMOS' COMMITMENT TO CUSTOMER SERVICE**

10 **Q. Please discuss the Company commitment to serving its Tennessee customers?**

11 A. Over the past several years the Company has made a substantial investment to ensure that
12 it provides the best customer service possible. To demonstrate this commitment, the
13 Company has introduced and implemented state-of-the-art technology to enable it to pro-
14 vide customers with the best possible service at the lowest possible cost. These en-
15 hancements facilitate customer service through the streamlining of billing inquiries and
16 service orders, allow for efficient billing and processing of customer payments, and pro-
17 vide support to the Company's Customer Support Center. This technology provides rate-
18 payers with many benefits including, but not limited to:

- 19 - Availability of customer service representatives 24 hours a day, seven days a
20 week.
- 21 - Enhanced ability to respond quickly to leaks and other safety related events.
- 22 - More accurate bills.
- 23 - Faster response to service requests.
- 24 - More efficient use of labor and materials
- 25

- 1 - Ability for customers to make check and credit card payments by telephone or
- 2 payments using bank drafts
- 3
- 4 - Enhancements to Company's ability to monitor the quality of its customer service.

5 **Q. Please describe these enhancements in greater detail.**

6 A. One of the key enhancements related to this initiative was the implementation of a new

7 Customer Information System (CIS) using SCT Banner software. The CIS facilitates

8 customer service and accounting functions through the streamlining of billing inquiries

9 and service orders and allows efficient billing and processing of customer payments in all

10 of Atmos' operating jurisdictions. In addition, it provides support for Atmos' Customer

11 Support Center. The Customer Support Center accepts service order requests, answers

12 billing and other customer inquiries as well as emergency calls 24 hours a day, 7 days a

13 week. Further, the Customer Support Center provides for a system that better measures

14 the quantity and content of customer calls, as well as the quality of service provided to

15 customers when they call. This includes recording of customer calls, the measurement of

16 call lengths, and the tracking of the number and type of calls by the hour, day, week and

17 month. It enables Atmos to continually monitor the quality of its customer service and

18 also assists in forecasting call loads and scheduling customer service personnel to ensure

19 that the Customer Support Center operates as effectively and efficiently as possible. The

20 system also provides Atmos with the enhanced ability to respond to leaks and other

21 safety-related events faster than ever before by enabling all field service employees to re-

22 ceive orders while in the field.

23 **Q. Are there other aspects of these enhancements to customer services that you would**

24 **like to discuss?**

1 A. Yes. The system also allows customers to pay their bills using bank drafts. Customers
2 who opt for this service have a draft issued to their bank and their bills are then deducted
3 from their bank account each month. This has proven to be an attractive option for cus-
4 tomers who do not want to spend the time and postage each month required to pay their
5 bill. In addition, the system uses Speedpay and Telepay to provide customers with alter-
6 native means of paying their bills. Speedpay allows the Customer Service Associates at
7 the Customer Support Center to participate in check-by-phone transactions with custom-
8 ers. Telepay is similar, but it uses an Interactive Voice Response system to enable cus-
9 tomers to pay their bills using their credit cards. While not every customer chooses these
10 services, Atmos has found many customers prefer the ease and convenience they offer.

11 The system also provides customers with the ability to choose the due date of
12 their bills. This is important to many customers, particularly those on fixed incomes, be-
13 cause it allows them to plan their payments at the time that best meets their needs and
14 monthly budgets. In addition, it allows for summary billing which enables the Company
15 to send customers with service at multiple locations one (1) bill.

16 **Q. Please describe some of the other features of how the Company has upgraded cus-**
17 **tomer service to its Tennessee customers since its last request for an increase in**
18 **rates.**

19 A. Atmos has introduced a number of technological enhancements since it acquired United
20 Cities Gas Company to be used by its field personnel including the use of hand-held com-
21 puters known as ITRONs for automated meter reading and mobile data terminals (MDT)
22 installed in the vehicles of our field service employees. The ITRONs eliminate the need
23 for meter readers to carry meter-reading sheets and enter each meter reading on those

1 sheets. Instead, the employee simply reads the meter and enters the readings into the
2 ITRON. This reduces the potential for errors in customers' bills.

3 Each MDT is equipped with the capability to communicate directly with the Cus-
4 tomer Support Center. Our field service technicians use this feature to process field ser-
5 vice work orders while on-site or traveling in the field. Field service work orders are
6 transmitted directly to the MDT units, thereby eliminating the paperwork order system
7 and the delay inherent in having to go through a third-person dispatcher. Further, the
8 MDTs allow our field service employees to be even more responsive to customers by
9 providing them with direct access to customer information stored in Atmos' customer da-
10 tabase. Once the field service employee completes the work detailed on the work order,
11 he is able to input the work order or completion information in his vehicle rather than
12 submitting a bundle of paperwork at the end of each shift. In the case of emergency work
13 orders, the MDTs enable field service employees to receive the orders directly while al-
14 ready in the field and thereby provide a faster response. In short, the MDTs enable At-
15 mos to respond more directly, more efficiently, and more quickly to our customer's
16 needs. There is far less chance of orders going astray or being mis-communicated and
17 field service employees are freed up to spend more time in the field meeting the needs of
18 our customers and less time doing cumbersome paperwork.

19 **Q. Have there been any additions or improvements to the Company's customer service**
20 **since the conclusion of Phase I of Docket No. 05-00258?**

21 **A.** Yes. Atmos is in the process of forming a new Customer Advisory Board (CAB) in Ten-
22 nessee to begin work in the spring of 2007. In the past, Atmos had one CAB for the en-
23 tire Mid-States division. This year, Atmos will have four CABs, which will allow each

1 group to focus more directly on customer concerns and needs in specific states. Tennes-
2 see will have a CAB made up primarily of Tennessee customers who will meet twice a
3 year to share their ideas concerning customer service and discuss ways the Company can
4 improve service and other processes. I believe that the information received from this
5 process will be invaluable in helping the Company to assure that it is aware of and re-
6 sponsive to the needs and concerns of its customers.

7 In addition, Atmos has also developed a donation program for energy assistance
8 dollars, which began in January 2007. The Company will match up to approximately
9 \$46,000 in energy assistance dollars that are donated by our customers. These dollars go
10 to energy assistance agencies throughout Atmos' service territory in Tennessee who then
11 distribute the funds to qualified customers to pay their utility bills.

12 Another enhancement to our customer service is the addition of the "Managing
13 Your Energy Use" area on the Company's website. This useful tool allows our customers
14 to conduct a personalized on-line energy audit of their home or business to assist them in
15 managing their energy needs in the most efficient manner possible. The site also contains
16 home energy and weatherization tips along with other valuable information designed to
17 promote conservation and help customers reduce energy bills.

18 **Q. Have ratepayers benefited from these enhancements to service?**

19 A. Absolutely. The investment that Atmos has made in enhanced technology and superior
20 customer service is a driving force behind its continued success as a low-cost, high-
21 quality provider of natural gas service and is one of the reasons it has not required a rate
22 increase since 1995.

23 **V. ATMOS' COMMITMENT TO SAFETY**

1 **Q. Would you please discuss the Company's commitment to safety?**

2 A. Atmos is fully committed to delivering safe and reliable service. In early 2005, Atmos
3 had consulting firm Towers Perrin Tillinghaust conduct a study of the Company's work-
4 ers' compensation and safety policies and procedures. In this study, it was recommended
5 that the employee development/safety coordinator positions in each utility division be
6 split out into stand-alone areas (safety, employee development, and training). Conse-
7 quently, in July 2005, in order to enhance our commitment to a culture in which the
8 safety of our customers, employees, and communities is a vital part of our success, the
9 Company created a Manager of Safety for each of its divisions. These safety managers
10 work with the Atmos Utility Operations Safety Committee and members of each divi-
11 sion's safety leadership team to develop and implement industry-best safety programs.
12 The Kentucky/Mid-States division safety manager is also the chairman of Atmos' Utility
13 Operations Safety Committee.

14 **Q. Does Atmos work closely with the TRA on safety issues?**

15 A. Yes. In February 2006, the Company submitted an action plan to the TRA and commit-
16 ted to accomplishing several things during the course of 2006. Below is a progress report
17 concerning these initiatives, which have been, and continue to be, an important part of the
18 Company's education concerning issues of safety.

19 1. Periodically address the safety "lessons learned" with employees during future
20 safety meetings:

21 Each local in office Tennessee received a number of AEGIS (Associated Energy
22 and Gas Insurance Services) Lessons Learned videos that focus on safety issues.

1 The Company also continues to emphasize safety policies at monthly safety meet-
2 ings held in each of its local offices.

- 3
- 4 2. Perform a comprehensive safety and operations and maintenance compliance au-
5 dit of the Company's operations in each of the towns in Tennessee in which Atmos oper-
6 ates and conduct quarterly meetings to discuss results of the audits:

7 In 2006, the Company performed the audits in each town it serves and conducted
8 two meetings in Tennessee with selected employees and TRA safety staff to dis-
9 cuss the results of the audits performed.

- 10
- 11 3. Conduct at least two unannounced inspections in 2006 in each town served by the
12 Company.

13 The Company accomplished this task.

- 14 4. Re-emphasize the importance of daily work execution with all Company person-
15 nel through periodic employee, staff, and safety meetings.

16 Sections of the Company's safety manual were reviewed each month during regu-
17 larly scheduled safety meetings for employees in 2006. In addition, operations
18 supervisors and operations managers conducted periodic meetings with employ-
19 ees, which emphasized safety during work activities.

- 20
- 21 5. Use best efforts to complete the procedures manuals project by January 2007.

22 The Company's Operations and Maintenance procedure for Department of Trans-
23 portation (DOT) regulations 192.605 (b)(9) and 192.751 was revised to include

1 procedures for Prevention of Accidental Ignition. The Company also provided
2 classroom training for employees on Preventing Accidental Ignition.
3

4 In addition to what was submitted to the TRA in the action plan, the Company
5 implemented a plan to conduct OSHA construction classes for employees at central sites
6 in Tennessee. To date, the several classes have been completed in Franklin, Maryville,
7 and Morristown. The Company also has conducted safety, compliance, and environ-
8 mental audits in each town in Tennessee served by Atmos. For each of the inspections,
9 the Company used forms from the Company's safety manual or DOT 192 standards. The
10 inspection forms were summarized with a cover sheet that lists "action to be taken" and a
11 responsible employee(s) with a completion date that was assigned to each item needing
12 attention. The TRA was invited to attend every audit as well as the OSHA classes, and
13 did in fact attend several of the inspections conducted.

14 **Q. Does Atmos benchmark its safety performance with like operations within the in-**
15 **dustry?**

16 **A.** Yes. Atmos benchmarks the Company's reportable OSHA employee injury Lost Work-
17 day Rate (DART) based on the total injuries times 200,000 hours divided by actual hours
18 worked and preventable vehicle accident (PVAR) based on total number of preventable
19 vehicle accidents times 1,000,000 divided by actual miles driven, statistics with annually
20 published information by the American Gas Association (AGA). AGA collects statistics
21 from natural gas utilities throughout the United States and publishes a summary of their
22 findings of reporting companies on an annual basis. The most current AGA reporting is
23 for calendar year 2005 indicating a DART rate of 3.62 and a PVAR of 3.12. While At-

1 mos benchmarks AGA's information, Atmos actually establishes its DART and PVAR
2 reduction target based on its most current three years of history with respect to accumu-
3 lated reportable employee injury and vehicle accident information and then further re-
4 duces that rate by 10 percent. These targeted reduction rates are currently better than the
5 AGA existing calendar rate for both DART and PVAR. For example, AGA's most cur-
6 rent calendar year statistics for reporting member companies of our size in 2005 reflects
7 an employee injury DART rate of 2.90 and a vehicle accident PVAR of 3.12 while At-
8 mos' targeted reduction DART rate for our fiscal year 2007 (October – September) is
9 2.90 and PVAR is 3.00. As of December 31, 2006 the Kentucky/Mid-States division's
10 FY07 DART rate is 2.51 and the PVAR of 3.27. As a result, the Kentucky/Mid-States
11 division was awarded an Atmos "Leaders in Safety" certificate for exceeding the estab-
12 lished reduction target of 2.90. While the division did not meet or exceed the established
13 PVAR target by posting a 3.27 as compared the PVAR reduction target of 3.00 during the
14 first quarter its management as well as employees have recommitted themselves to meet
15 or exceed the reduction-targeted rate by the end of the second quarter.

16 **VI. OVERVIEW OF COMPANY WITNESS TESTIMONY**

17 **Q. Please briefly summarize the testimony of the other Atmos witnesses in this case.**

18 A. In addition to my testimony, Atmos will present the direct testimony and exhibits of 14
19 witnesses.

20 Mr. Thomas H. Petersen, Director of Rates (Shared Services), will sponsor the de-
21 termination of the revenue deficiency indicated in Atmos' projected cost of service.

1 Mr. Greg Waller, Vice President of Finance (Kentucky/Mid-States Division), will
2 sponsor the projected test period cost of service and the assumptions on which the projec-
3 tions are based.

4 Mr. Robert R. Cook, Jr., Vice President – Technical Services (Kentucky/Mid-
5 States Division), will sponsor the projected capital expenditures and the assumptions on
6 which the projections are based.

7 Mr. Daniel Meziere, Director of Accounting Services (Shared Services), will
8 sponsor the Company's books and records, as well as testimony concerning the Com-
9 pany's Cost Allocation Manual (CAM).

10 Mr. James Cagle, Manager of Rates (Shared Services), will sponsor the Com-
11 pany's method of allocating shared services costs to the various Atmos divisions includ-
12 ing the Kentucky/Mid-States Division. He will also sponsor the Company's update of the
13 WNA mechanism's base and heat load factors.

14 Mr. Donald Roff, President of Depreciation Specialty Resources, will sponsor the
15 Company's depreciation studies for Shared Services and Tennessee.

16 Ms. Laurie Sherwood, Atmos' Vice President, Corporate Development and
17 Treasurer, will sponsor the proposed capital structure and embedded cost of debt.

18 Dr. Donald A. Murry, a consultant with C. H. Guernsey & Company, will testify
19 to the appropriate rate of return on equity.

20 Mr. John Ellerman, a consultant with Towers Perrin, will sponsor a study con-
21 cerning the Company's compensation and benefits, including an analysis of incentive
22 pay.

1 Mr. Chris Hutzler, also of Towers Perrin will address the company's pension
2 benefits.

3 Mr. Gary L. Smith, Vice President – Marketing and Regulatory Affairs (Ken-
4 tucky/Mid-States Division), will sponsor the Company's CUA proposal and will also
5 support the forecast of growth, volumes and revenues as used in the Company's projec-
6 tions and various cost studies.

7 Mrs. Patricia J. Childers, Vice President – Rates and Regulatory Affairs (Ken-
8 tucky/Mid-States Division), will support the Company's rate design proposal to allocate
9 the requested revenue requirement proportionately across all customer classes.

10 Mr. Michael Ellis, Vice President – Marketing (Kentucky/Mid-States Division),
11 will sponsor the Company's proposed new tariff charges, changes to existing utility tar-
12 iffs, changes to Atmos' Service Rules and Regulations, and changes to the Company's
13 main extension policy.

14 Mr. Ronald Edelstein, Director, State Regulatory Programs with the Gas Tech-
15 nology Institute (GTI), presents the benefits that Tennessee natural gas consumers receive
16 from GTI and its gas consumer benefits research and development program (R&D), and
17 recommends that Atmos be granted authority to fund natural gas consumer benefits
18 R&D.

19 **VII. CONCLUSION**

20 **Q. Do you have any closing remarks?**

21 A. Yes. We are not simply seeking a rehearing on the Authority's rulings in Docket No. 05-
22 00258. Only about \$2.6 million of the requested increase results from our disagreements
23 with some of the rulings in that Docket. Additional investments, inflation, and updated

1 information from cost and depreciation studies created the need for approximately \$6.5
2 million of the requested increase. As a result, the rates produced by the outcome of Phase
3 I of Docket No. 05-00258 will not afford the Company an opportunity to recover its in-
4 vestment and earn a reasonable return. It is therefore necessary to pursue the rate relief
5 proposed in this filing. It is my opinion that the rates requested in this filing are just, rea-
6 sonable, and in the public interest and I would encourage the Authority to provide prompt
7 and adequate rate relief.

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

9 **A. Yes.**

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

IN RE:

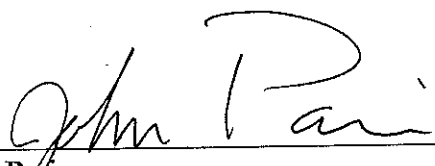
**PETITION OF ATMOS ENERGY
CORPORATION FOR APPROVAL OF
ADJUSTMENT OF ITS RATES AND
REVISED TARIFF**

DOCKET NO. 07-_____

VERIFICATION

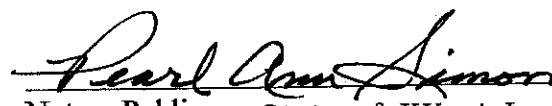
STATE OF KENTUCKY)
)
COUNTY OF DAVIESS)

I, John Paris, being first duly sworn, state that I am President of 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 John Paris 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.



John Paris

Sworn and subscribed before me this 9th day of April, 2007.



Notary Public - State of KY at Large

My Commission Expires: September 26, 2009

Schedule JP-1

Atmos Energy Tennessee Service Territory

