

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

Filed electronically 10/15/08

IN RE:

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

)
)
)
)

DOCKET NO. 08- 00197

INTRODUCTION

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

A. My name is Kevin Akers. I am President of the Mid-States and Kentucky Divisions of Atmos Energy Corporation ("Atmos" or "Company"). My business address is 810 Crescent Centre Drive, Suite 600, and Franklin, Tn.

Q. What is the purpose of your testimony?

A. My testimony will outline the principal factors requiring Atmos to request an increase in rates. I also will introduce the other witnesses, who will provide support for the requested rate increase.

WITNESS BACKGROUND

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

A. I earned a Bachelor of Science degree in Petroleum Engineering from The University of Alabama in 1987. From 1988 to August of 1991 I worked for the Indiana Utility Regulatory Commission as a Gas Engineer. I joined Atmos Energy Corporation, in our Kentucky Division, in August of 1991 as an Engineer. I held positions of increasing responsibility before being named Regional Vice President of Operations in 1997. In that

1 position, I was responsible for safety, maintenance, construction, and customer service.
2 From 1999 to 2001, I also served as Chairman of the Atmos Utility Operations Council,
3 which has responsibility for developing and executing the Company's best practices re-
4 garding environmental, safety compliance, technical, supply chain and operating stan-
5 dards. From 2001 to 2002, I was Regional Vice President of Operations for our northern
6 region in the Louisiana Division. In December 2002, I was named the President of Mis-
7 sissippi Valley Gas Company, now the Mississippi Division. As President of Atmos'
8 Mississippi Division, I had responsibility for customer services, operations, regulatory
9 and community relations and the financial performance of this division. In May of 2007,
10 I was named the President of the Atmos Mid-States and Kentucky Divisions. My respon-
11 sibility covers customer service, operations, regulatory and community relations, and the
12 financial performance of the seven (7) states that make-up this division.

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

14 A. No. However, I testified in Georgia Public Service Commission Docket No. 27163-U,
15 the Company's recently-concluded rate case in Georgia.

16 **TESTIMONY**

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

19 A. Yes. Atmos' Kentucky/Mid-States Division serves customers in Tennessee, Kentucky,
20 Missouri, Virginia, Georgia, Illinois, and Iowa. This Division provides natural gas ser-
21 vice to approximately 475,000 customers across those seven states. Atmos serves ap-
22 proximately 129,000 residential, commercial, and industrial customers in Tennessee. The
23 Company has a Tennessee-based work force of over 200 employees including approxi-

1 mately 30 employees in the Mid-States division office in Cool Springs. Our utility plant
2 in Tennessee includes over 3,000 miles of transmission and distribution lines. I have in-
3 cluded a map of Atmos' Tennessee service territory as Schedule JKA-1.

4 **Q. When did the Company's current rates become effective?**

5 A. The Company's current rates were established by the TRA in Docket No. 07-00105.
6 That case was filed on May 4, 2007. The TRA ultimately approved a settlement in the
7 case, and new rates became effective November 4, 2007. In accordance with the settle-
8 ment agreement and the TRA's Order, the 2007 rates were designed to produce a revenue
9 increase in the amount of \$3,990,000. Prior to the 2007 rate case, the Company's last in-
10 crease in Tennessee was in 1995.

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

12 A. Atmos seeks approval of an increase in revenues of approximately \$6.3 million. The
13 increase to the bill of an average residential customer at current gas prices would be ap-
14 proximately \$2.40 per month. Although Atmos operates very efficiently, it is not achiev-
15 ing a fair return on its investments with the rates currently in effect. Our indicated return
16 on equity, as of June 30, 2008, was 7.67%. The allowed return on equity granted in
17 Docket No. 07-00105 was 10.48%.

18 **Q. Why is Atmos requesting a rate increase at this time?**

19 A. We make every effort to provide services as efficiently as possible and are proud of our
20 reputation as one of the lowest cost providers of natural gas in the United States. None-
21 theless, changing market conditions and increasing costs have caused the existing rates to
22 produce inadequate revenues. Consequently, we are seeking timely and adequate rate re-
23 lief in order to maintain the current high-quality safe and reliable service our customers

1 expect. Historic growth rates have been sufficient to overcome declining customer usage
2 due to energy conservation and more efficient homes and appliances. However, more re-
3 cently we have seen a decline in customer additions caused by the weakening economy.

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

5 A. We are asking the Authority to approve new rate schedules that would increase our reve-
6 nues to provide a projected rate of return of 8.99% on a projected total rate base of
7 \$191,039,508

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

9 A. We have requested a rate of return on projected common equity of 11.7 %.

10 **Q. How do you propose that new rates recover the distribution revenue increase?**

11 A. Although rate design issues are addressed in greater detail in the testimony of others, it is
12 important that the TRA adopt the Company's proposal to increase the customer charges
13 of certain rate schedules. Virtually all of a natural gas local distribution company's costs
14 of service (other than the costs of gas, which are not recovered in base distribution rates)
15 are fixed, as opposed to variable. By fixed, I mean that the costs do not increase or de-
16 crease as the volume of natural gas delivered to our customers increases or decreases. At
17 the same time, under our exiting rate structure, the majority of distribution rate revenues
18 are recovered through volumetric rate components. Consequently, I believe that the TRA
19 should authorize the Company to increase the customer charges of the various rate
20 schedules as proposed in this case to improve the likelihood of revenue recovery.

21 **Q. Is the Company filing a depreciation study in this case?**

22 A. No. The Company is not proposing a change to the depreciation methodology ordered in
23 the last proceeding. In keeping with the settlement agreement approved by the TRA in

1 the last case, Atmos has, with one minor exception, adopted the depreciation rates deter-
2 mined there, under the Average Life Group (ALG) methodology. For this reason, the
3 Company has not presented an outside expert witness to discuss the issue of depreciation.
4 The one minor change in depreciation that Atmos proposes in this case relates to the de-
5 preciation rates for the Cool Springs office, Division 91. This change will be addressed
6 by Company witness Gregory Waller.

7 **Q. Please outline the testimony of the other Atmos witnesses in this case.**

8 A. In addition to my testimony, Atmos will present the direct testimony and exhibits of 7
9 witnesses.

10 Patricia J. Childers, Vice President – Rates & Regulatory Affairs for Atmos En-
11 ergy Corporation’s Kentucky/Mid-States division, is filing testimony in support of the
12 Company’s attrition period revenues and billing determinants, and also to support the rate
13 design and proposed rates in this filing.

14 Gregory K. Waller, Vice President of Finance for the Kentucky/Mid-States Divi-
15 sion, is presenting testimony concerning the Operating and Maintenance (O&M) expense
16 budgeting process used by Atmos Energy’s utility divisions, the Shared Services Unit
17 (SSU) budgeting process, control and monitoring of O&M variances, and the test period
18 costs and forecasted attrition year budget for O&M, depreciation expense, and taxes other
19 than income taxes incurred directly by the Tennessee operations and allocated from the
20 Kentucky / Mid-States General Office and Shared Services Unit.

21 Thomas H. Petersen, Director of Rates - Dallas Shared Services, is presenting
22 testimony supporting rate base items, and the calculation of the revenue deficiency.

1 Earnest B. Napier, Vice President Technical Services of the KY/Mid-States Divi-
2 sion provides testimony regarding the Company's capital expenses.

3 Daniel M. Meziere, Director of Accounting Services for Atmos Energy Corpora-
4 tion, is filing testimony regarding the historic books and records of the Company and the
5 integrity of the financial information in this case. He also provides testimony concerning
6 the Company's Cost Allocation Manual (CAM), which describes the methodology for
7 shared services cost allocations.

8 Laurie M. Sherwood, Atmos' Vice President, Corporate Development and Treas-
9 urer, sponsors the Company's capital structure and cost of debt for use in setting rates in
10 this proceeding.

11 Dr. James Vander Weide testifies regarding Atmos' cost of capital and recom-
12 mends a rate of return that is appropriate to be used in setting rates for Atmos in this pro-
13 ceeding.

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

15 A. Yes. It is my opinion that the rates requested in this filing are just, reasonable, and in the
16 public interest and I would encourage the Authority to provide prompt and adequate rate
17 relief.

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

19 A. Yes.

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

IN RE:

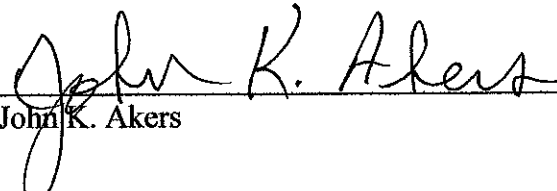
**PETITION OF ATMOS ENERGY
CORPORATION FOR APPROVAL OF
ADJUSTMENT OF ITS RATES AND
REVISED TARIFF**

DOCKET NO. _____

VERIFICATION

STATE OF TENNESSEE)
)
COUNTY OF WILLIAMSON)

I, John K. Akers, being first duly sworn, state that I am the President 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 John K. Akers 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.



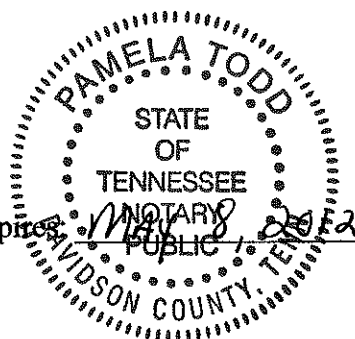
John K. Akers

Sworn and subscribed before me this 24th day of September, 2008.



Notary Public

My Commission Expires



My Commission Expires May 8, 2012

Schedule JKA-1

Atmos Energy Tennessee Service Territory

