

Before the

**TENNESSEE REGULATORY AUTHORITY**

In re: Petition of Atmos Energy Corporation     )  
for Approval of Adjustment of Its Rates and     )  
Revised Tariff     )

Docket No. 08-00197

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**DIRECT TESTIMONY  
OF  
TERRY BUCKNER**

\*\*\*\*\*

**January 16, 2009**

INTRODUCTION

**Q. Please state your name for the record.**

**A.** My name is Terry Buckner.

**Q. By whom are you employed and what is your position?**

**A.** I am employed by the Consumer Advocate and Protection Division ("Consumer Advocate") in the Office of the Attorney General for the state of Tennessee ("Office") as a Regulatory Analyst.

**Q. How long have you been employed in conjunction with the public utility industry?**

**A.** Approximately thirty years. Before my current employment with the Office, I was employed by the Comptroller of the Treasury for the state of Tennessee for nearly two years as the Assistant Director responsible for public utility audits. Prior to that, I was employed for approximately eight years with the Office. Formerly, I was employed with the Tennessee Public Service Commission ("Commission") in the Utility Rates Division as a financial analyst for approximately six years. My responsibilities included testifying before the Commission as to the appropriate cost of service for public utilities operating in Tennessee. Prior to my employment with the Commission, I was employed by TDS Telecom for eight

1 years and the First Utility District of Knox County for three  
2 years.

3  
4 **Q. What is your educational background and what degrees do**  
5 **you hold?**

6 A. I have a Bachelors degree in Business Administration  
7 from the University of Tennessee, Knoxville with a major in  
8 Accounting. I am also a Tennessee Certified Public Accountant  
9 ("CPA") and a member of the American Institute of Certified  
10 Public Accountants.

11  
12 **Q. Would you briefly describe your responsibilities as a**  
13 **Regulatory Analyst with the Consumer Advocate?**

14 A. I prepare testimony and financial exhibits in rate  
15 proceedings as an employee with the Consumer Advocate.  
16 Additionally, I review tariff filings by Tennessee public utilities,  
17 which are subject to the jurisdiction of the Tennessee  
18 Regulatory Authority ("TRA").

19  
20 **Q. What is the purpose of your testimony?**

21 A. The purpose of my testimony is to represent the  
22 forecasted financial exhibits prepared by the Consumer  
23 Advocate ("Exhibits of CAPD") and provide my exhibit of  
24 work papers ("work papers of Terry Buckner") for forecasted

1 Operating Revenues for Atmos Energy Corporation ("Atmos")  
2 for the attrition year ending March 31, 2010. Additionally, my  
3 testimony makes recommendations on the issue of rate design  
4 for any change in rates ordered by the TRA in this docket.

5  
6 **SUMMARY OF RESULTS**  
7

8 **Q. Please summarize the results of the CAPD forecast of the**  
9 **earnings of Atmos for the attrition year.**

10 **A.** The attrition year in this case is the twelve months ending  
11 March 31, 2010. For the attrition year, Atmos is requesting a  
12 \$6.289 million rate increase whereas the Consumer Advocate's  
13 forecast shows that customer rates should actually be reduced  
14 by \$3.673 million instead, which is a difference of \$9.961<sup>1</sup>  
15 million between the forecast of Atmos and the forecast of the  
16 Consumer Advocate. The \$9.961 million difference is primarily  
17 due to the following areas of disagreement between Atmos and  
18 the Consumer Advocate: (1) The Consumer Advocate believes  
19 that Atmos will collect about \$.12 million<sup>2</sup> more in operating  
20 revenue margins than the revenue estimates included in the  
21 rate increase petition by Atmos; (2) The Consumer Advocate is  
22 projecting about \$2 million<sup>3</sup> less in operation and maintenance  
23 expenses than the amount projected by Atmos; (3) The

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<sup>1</sup> Exhibits of CAPD, Schedule 1, Line 8.

<sup>2</sup> Exhibits of CAPD, Schedule 3, Line 5.

<sup>3</sup> Exhibits of CAPD, Schedule 4, Line 6.

1 Consumer Advocate's calculation of depreciation expense is  
2 approximately \$.228 million<sup>4</sup> less than the depreciation expense  
3 projected by Atmos; (4) The Consumer Advocate forecasts  
4 approximately \$.191 million less in "interest on customer  
5 deposits" than the projection by Atmos; (5) Using the  
6 recommended rate of return by the Consumer Advocate,  
7 results in about \$.200 million less in revenue requirement due  
8 to a lower rate base forecast than the rate base computations of  
9 Atmos; and (6) The amount of revenue required for Atmos to  
10 have an opportunity to earn a fair profit is about \$7 million less  
11 in the Consumer Advocate's forecast due to the Consumer  
12 Advocate's computation of a lower cost of capital.

13 Although there are many underlying details supporting  
14 the Consumer Advocate's position, all of which are discussed  
15 below and/or shown in the testimony, work papers, and  
16 exhibits of the Consumer Advocate's witnesses, the six areas  
17 discussed above serve as an overview of the primary areas of  
18 dispute between Atmos and the Consumer Advocate in this  
19 case.

20  
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22  
23  

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<sup>4</sup> Exhibits of CAPD Schedule 3, Line 8.

## OPERATING REVENUES

1  
2  
3 **Q. Please describe the service areas of Atmos in Tennessee.**

4 A. Atmos is an investor owned LDC, which takes ownership  
5 of the natural gas and delivers it to each individual ratepayer's  
6 location of use. Atmos has exclusive rights to sell and  
7 distribute natural gas to the following certificated service areas  
8 in Tennessee: Union City, Columbia, Shelbyville, Lynchburg,  
9 Maryville, Alcoa, Franklin, Murfreesboro, Nolensville, Johnson  
10 City, Elizabethton, Greeneville, Kingsport, Morristown, and  
11 Bristol. Atmos is a monopoly subject to the regulation of the  
12 TRA.

13  
14 **Q. Please describe the components of your forecast for**  
15 **Operating Revenues.**

16 A. The components for forecasting Operating Revenues are  
17 monthly rates or prices multiplied by annualized volumes. The  
18 monthly rates are established by the TRA and are set forth in  
19 current tariff of Atmos; and the volumes consist of two  
20 components: the number of customers, and the volume of  
21 natural gas usage per one hundred cubic feet ("CCF"). The  
22 monthly customer rate is dependent upon the classification of  
23 customer (i.e. Residential, Commercial, etc.) and the month of  
24 the year. The monthly rates for natural gas usage for some

1 customer classes differ according to the billed volume per CCF.  
2 There are several usage rates, which are applied to volumetric  
3 blocks. These are the billing determinants generating most of  
4 the Operating Revenues of Atmos.

5 Additionally, these billing determinants are used by  
6 Atmos in six classes of service, which are: (1) residential; (2)  
7 commercial; (3) industrial; (4) public authority; (5)  
8 transportation; and (6) special contract. Other Operating  
9 Revenues are not dependent upon the normal billing  
10 determinants and include forfeited discounts and other  
11 miscellaneous service charges.

12  
13 **Q. Please describe the forecasting methodologies for the**  
14 **Residential Operating Revenues.**

15 A. The Consumer Advocate adopted the test period ended  
16 September 2008 for its forecast of Residential Operating  
17 Revenues. Billing determinants for all the locations and classes  
18 were compiled by month from October 2004 through  
19 September 2008. The residential billing determinants were  
20 calculated by trending the customers and usage history for the  
21 four fiscal years starting with the twelve month period ended  
22 September 2005 through the twelve months ended September  
23 2008 by weather station. The four weather stations are Bristol,  
24 Knoxville, Nashville, and Paducah. The blended billing

1 determinants (i.e. number of bills and volumes) of actual  
2 amounts for the four fiscal years ended September 2008 and  
3 trended amounts for the attrition year were applied to present  
4 rates, which resulted in \$25,696,767<sup>5</sup> in Residential Operating  
5 Revenues. The weather normalization adjustment (“WNA”)  
6 was calculated by the Consumer Advocate using a trended  
7 volume from the last four fiscal years. The use of four historical  
8 winters or heating seasons in the development of the WNA  
9 amount is consistent with the forecasted Residential and  
10 Commercial trended amounts.

11 Atmos adopted the test period ended June 2008 in  
12 forecasting their Residential Operating Revenues. Atmos grew  
13 their residential and commercial customers from the test period  
14 by 1.60%<sup>6</sup>. Additionally, Atmos forecasts more migration of  
15 residential customers to their senior citizen – low income  
16 discount. Based on the data provided to the Consumer  
17 Advocate through September 2008, the migration proposed by  
18 Atmos has yet to occur and will not occur at the historical rate  
19 of conversion.

20 For the residential volumetric usage, Atmos reduced the  
21 normalized volumetric usage from the test period by 1.50%<sup>7</sup>.

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<sup>5</sup>Work papers of Terry Buckner, Index of work papers Page 1, Line 7.

<sup>6</sup>Atmos Direct Testimony of Patricia J. Childers, Page 5, Line 11.

<sup>7</sup>Atmos Direct Testimony, Schedule PJC-2



1 As a result, Atmos is forecasting Residential Operating  
2 Revenues of \$25,396,579<sup>8</sup> at present rates for the attrition year,  
3 which is a .83% increase over the test period ended June 30,  
4 2008. However, the Consumer Advocate's attrition period  
5 Residential Operating Revenues increase by 2.02% over the test  
6 period ended September 30, 2008. The Consumer Advocate's  
7 forecasted Residential Operating Revenue is approximately  
8 \$.3M greater than the forecasted amount of Atmos.

9  
10 **Q. Please describe the forecasting methodologies for the**  
11 **Commercial Operating Revenues.**

12 **A.** The Consumer Advocate adopted the test period ended  
13 September 2008 for its forecast of Commercial Operating  
14 Revenues. Billing determinants for all the locations and classes  
15 were compiled by month from October 2004 through  
16 September 2008. The Commercial billing determinants were  
17 primarily calculated by trending the customers and usage  
18 history as reported by Atmos in discovery responses to the  
19 Consumer Advocate for the four fiscal years starting with the  
20 twelve month period ended September 2005 through the twelve  
21 months ended September 2008 by the four weather stations.  
22 The blended billing determinants of actual amounts for the four  
23 fiscal years ended September 2008 and trended amounts for the

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<sup>8</sup> Atmos Direct Testimony, Schedule PJC-3, Page 5 of 6, Line 7.

1 attrition year were applied to present rates, which resulted in  
2 \$15,022,580<sup>9</sup> in Commercial Operating Revenues. The  
3 Consumer Advocate incorporated one additional large  
4 Commercial customer not included in the test, which is  
5 consistent with the forecast of Atmos. The WNA was  
6 calculated by the Consumer Advocate using a trended volume  
7 from the last four fiscal years. Again, the use of four historical  
8 winters or heating seasons in the development of the WNA  
9 amount is consistent with the forecasted Residential and  
10 Commercial trended amounts.

11 Atmos adopted the test period ended June 2008 in  
12 forecasting their Commercial Operating Revenues. Atmos  
13 grew their residential and commercial customers from the test  
14 period by 1.60%.

15 As a result, Atmos is forecasting Commercial Operating  
16 Revenues of \$15,553,510<sup>10</sup> at present rates for the attrition year,  
17 which is a 1.79% increase over the test period.

18 However, the Consumer Advocate's attrition period  
19 Commercial Operating Revenues decrease by 1.68% over the  
20 test period ended September 30, 2008. This difference is due to  
21 Schedule 250 volumes which were reported in discovery to the  
22 Consumer Advocate as Transportation volumes. The volume  
23 rates are identical for this schedule in both classes. The

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<sup>9</sup> Work papers of TerryBuckner, Index of work papers, Page 1, Line 28.

<sup>10</sup> Atmos Direct Testimony, Schedule PJC-3, Page 5 of 6, Line 28.

1 Consumer Advocate's forecasted Commercial Operating  
2 Revenue is approximately \$.5M lower than the forecasted  
3 amount of Atmos.  
4

5 **Q. Please describe the forecasting methodologies for the**  
6 **Industrial Operating Revenues.**

7 A. The Consumer Advocate adopted the test period ended  
8 September 2008 for its forecast of Industrial Operating  
9 Revenues. Billing determinants for all the locations and classes  
10 were compiled by month from October 2004 through  
11 September 2008. The industrial billing determinants were  
12 primarily calculated by trending the customers and usage  
13 history for the four fiscal years starting with the twelve month  
14 period ended September 2005 through the twelve months  
15 ended September 2008 by weather station. However, the actual  
16 September 2008 test year volumes for Schedule 230 were  
17 adopted for the attrition year. Except for the historical amounts  
18 used for Schedule 230, the blended billing determinants of  
19 actual amounts for the four fiscal years ended September 2008  
20 plus the trended amounts for the attrition year were applied to  
21 present rates, which resulted in \$2,467,988<sup>11</sup> in Industrial  
22 Operating Revenues.

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<sup>11</sup> Work papers of Terry Buckner, Index of work papers, Page 1, Line 54.

1           Atmos adopted the test period ended June 2008 in  
2 forecasting their Industrial Operating Revenues.

3           Atmos is forecasting Industrial Operating Revenues of  
4 \$2,515,240<sup>12</sup> at present rates for the attrition year, which is a  
5 2.20% decrease over the test period. The attrition period  
6 Industrial Operating Revenues are diminishing mainly due to  
7 the loss of industrial customers and customer migration to the  
8 Transportation class of service.

9  
10 **Q. Please describe the forecasting methodologies for the Public**  
11 **Authority Operating Revenues.**

12 **A.**           The Consumer Advocate adopted the test period ended  
13 September 2008 for its forecast of Public Authority Operating  
14 Revenues. Billing determinants for all the locations and classes  
15 were compiled by month from October 2004 through  
16 September 2008. The Public Authority billing determinants  
17 were calculated by trending the customers and usage history  
18 for the four fiscal years starting with the twelve month period  
19 ended September 2005 through the twelve months ended  
20 September 2008 by weather station. The blended billing  
21 determinants of actual amounts for the four fiscal years ended  
22 September 2008 and trended amounts for the attrition year

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<sup>12</sup> Atmos Direct Testimony, Schedule PJC-3, Page 5 of 6, Line 54

1 were applied to present rates, which resulted in \$194,620<sup>13</sup> in  
2 Public Authority Operating Revenues.

3 Atmos adopted the test period ended June 2008 in  
4 forecasting their Public Authority Operating Revenues.  
5 Additionally, Atmos forecasts more migration of public  
6 authority customers to their senior citizen - low income  
7 discount.

8 As a result, Atmos is forecasting Public Authority  
9 Operating Revenues of \$203,952<sup>14</sup> at present rates for the  
10 attrition year, which is a .50% decrease over the test period.

11  
12 **Q. Please describe the forecasting methodologies for**  
13 **Transportation Operating Revenues.**

14 **A.** The Consumer Advocate adopted the test period ended  
15 September 2008 for its forecast of Transportation Operating  
16 Revenues. Billing determinants for all the locations and classes  
17 were compiled by month from October 2004 through  
18 September 2008. The transportation billing determinants were  
19 calculated by trending the customers and usage history for the  
20 four fiscal years starting with the twelve month period ended  
21 September 2005 through the twelve months ended September  
22 2008 by weather station. The blended billing determinants of  
23 actual amounts for the four fiscal years ended September 2008

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<sup>13</sup> Work papers of Terry Buckner, Index of work papers, Page 1, Line 63.

<sup>14</sup> Atmos Direct Testimony, Page 5 of 6, Line 63.

1 and trended amounts for the attrition year were applied to  
2 present rates, which resulted in \$5,550,695 in Transportation  
3 Operating Revenues.

4 Atmos adopted the test period ended June 2008 in  
5 forecasting their Transportation Operating Revenues.

6 As a result, Atmos is forecasting Transportation  
7 Operating Revenues of \$5,088,241 at present rates for the  
8 attrition year, which is a .90% decrease over the test period. As  
9 previously mentioned, the forecast difference is due to  
10 Schedule 250 volumes which were reported in discovery to the  
11 Consumer Advocate as Transportation volumes. The volume  
12 rates are identical for this schedule in both classes. The  
13 Consumer Advocate's forecasted Transportation Operating  
14 Revenue is approximately \$.5M higher than the forecasted  
15 amount of Atmos.

16  
17 **Q. Please describe the forecasting methodologies for the Special**  
18 **Contract Operating Revenues.**

19 **A.** The Consumer Advocate has adopted the Special  
20 Contract Operating Revenues forecast of Atmos.

1 Q. Please describe the forecasting methodologies for the Other  
2 Operating Revenues.

3 A. Given that Other Operating Revenues are not dependent  
4 upon the normal billing determinants, the Consumer Advocate  
5 adopted the Atmos forecast amount of \$469,311 for  
6 Miscellaneous Service Charges. However, the Forfeited  
7 Discount amount was adjusted for the forecasted attrition year  
8 volumes. The Consumer Advocate's forecast of Other  
9 Operating Revenues is \$1,677,624, which is \$2,084 lower than  
10 the Other Operating Revenue forecast of Atmos.  
11

12 Q. Please summarize the comparative forecasts of Operating  
13 Revenue Margins.

14 A. The Consumer Advocate's forecast of Operating Revenue  
15 Margins totals \$51,523,980<sup>15</sup>, which is \$123,085<sup>16</sup> greater than  
16 the forecast of Atmos. While the Consumer Advocate took a  
17 longer historical look and a more granular forecasting method  
18 than Atmos in forecasting Operating Revenue Margins, the  
19 comparative results are remarkably similar. Obviously, based  
20 on the known data, adoption of the Consumer Advocate's  
21 Operating Revenue Margins forecast would be slightly more  
22 beneficial to the ratepayers. The Consumer Advocate's  
23 forecast, which considers more data at a more granular level

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<sup>15</sup> Work papers of Terry Buckner, Index of work papers, Page 2, Line 101.

<sup>16</sup> Exhibits of CAPD, Schedule 3, Line 5.

1 than Atmos' forecast, should be adopted for setting rates in this  
2 proceeding.

3  
4 **Q. What is Atmos currently earning in Tennessee?**

5 A. The September 2008 TRA 3.06 surveillance report for  
6 Atmos indicates a 7.45% rate of return for the twelve months  
7 ended September 2008. It is the Consumer Advocate's  
8 contention that the reported return is prospectively understated  
9 due to Pension Expense and Long Term Incentive Pay ("LTIP"),  
10 which has been historically disallowed by the TRA.

11  
12 **Q. What is the recent history of rate increases for Atmos in**  
13 **Tennessee?**

14 A. In TRA Docket #05-00258, the TRA ordered a revenue  
15 decrease of \$6,071,837. In TRA Docket #07-00105, the TRA  
16 authorized a revenue increase of \$3,990,00, which resulted in a  
17 9% rate increase. In this docket, Atmos requests an additional  
18 revenue increase of \$6,288,571, which is a 13% increase with a  
19 rate of return of 8.99%.



**RATE DESIGN**

**Q. Please discuss the proposed rate design of Atmos.**

**A.** Atmos is proposing an increase in fixed charges of \$2 per month for residential customers plus a 6% increase in the residential volumetric rate; The proposed increases by Atmos in commercial rates and industrial are \$2.50 per month in fixed charges and a 14% increase in the commercial and industrial volumetric rates; Other Public Authority revenues would increase by \$2.50 per month in fixed charges plus a 6% increase in the volumetric rate; Transportation volumetric rates would increase between 13-14% dependent upon the tariff schedule; and no change would occur for the Special Contract customers. Exclusive of the Special Contract customers, the rate design of Atmos produces a 13% rate increase for nearly every rate class. Atmos contends that "The vast majority of non-gas costs borne by a natural gas utility, and correspondingly its revenue requirements are fixed and are essentially unaffected by the volumes sold or transported."<sup>17</sup> Moreover, Atmos states that "The Company currently collects approximately 45% of its base rate margin through the customer charge."<sup>18</sup> As a result, Atmos states that "The requested increases to the customer charges are

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<sup>17</sup> Atmos Direct Testimony Patricia J. Childers, Page 7, Lines 1-3.

<sup>18</sup> Atmos Direct Testimony Patricia J. Childers, Page 7, Lines 8-10.

1 a small but important incremental step toward greater recovery  
2 of the Company's fixed costs through the customer charge."<sup>19</sup>

3 In TRA Docket #07-00105, the monthly residential fixed  
4 rates were increased by \$1 and the volumetric rates were  
5 increased by approximately 8%; the monthly commercial fixed  
6 rates were increased by \$3.50 and the volumetric rates were  
7 increased by approximately 11%; and only the volumetric rates  
8 were increased for industrial and transportation customers.

9 The volumetric usage by the customers of Atmos  
10 indicates a decline over the last four fiscal years, whereas the  
11 number of customer bills has increased slightly. While there  
12 could be several reasons for the decline in usage, one of the  
13 reasons is undoubtedly conservation efforts by customers. As  
14 commodity and distribution prices of natural gas rise,  
15 customers have a greater incentive to conserve. This principle  
16 is clearly illustrated by the spike in gasoline prices last year;  
17 when the price for gasoline-sky rocketed in the summer of 2008,  
18 there was a resulting decline in gasoline usage. In fact, there  
19 was energy conservation. Therefore, the Consumer Advocate  
20 recommends that conservation would be better achieved  
21 through a higher percentage increase in volumetric rates  
22 relative to the percentage increase in fixed monthly customer  
23 charges. This is so because the customer's behavior has more of

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<sup>19</sup> Atmos Direct Testimony Patricia J. Childers, Page 7, Lines 11-13.

1 an impact on the monthly utility bill under this pricing  
2 structure. Conversely, customers have less of an incentive to  
3 conserve energy as more of their bill becomes fixed.

4 The Consumer Advocate recommends that an  
5 appropriate mix between fixed customer charges and  
6 volumetric rates be achieved. This mix is important because, as  
7 discussed above, moving the rate design toward more fixed  
8 charges through higher monthly customer charges may  
9 negatively impact the conservation efforts of customers. Last  
10 year in TRA Docket #07-00105, the customer charges for  
11 residential and commercial customers were raised; and in this  
12 docket Atmos states that 45% of its base rate margin is collected  
13 through the customer charge. As volumes decline and the  
14 number of bills increase, the ratio of base rate margin collected  
15 through the customer charge may go even higher. Atmos'  
16 customer charges are already the highest of the three largest  
17 LDCs in the state, and the Consumer Advocate does not see a  
18 need to go beyond the increases in customer charges that  
19 Atmos made just last year. The Consumer Advocate therefore  
20 recommends that the monthly customer charges for all  
21 customer classes be maintained at present levels.

22 The Consumer Advocate therefore recommends that the  
23 monthly customer charges for all customer classes be  
24 maintained at present levels, and that any rate adjustment

1       ordered in this proceeding be made proportionately to the  
2       volumetric rates of all customer rate classifications.

3

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

5   **A.       Yes, it does.**

Before the

**TENNESSEE REGULATORY AUTHORITY**

In re: Petition of Atmos Energy Corporation )  
for Approval of Adjustment of Its Rates and )  
Revised Tariff )

Docket No. 08-00197

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**AFFIDAVIT**

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I, Terry Buckner, Regulatory Analyst, for the Consumer Advocate Division of the Attorney General's Office, hereby certify that the attached Direct Testimony represents my opinion in the above-referenced case and the opinion of the Consumer Advocate Division.

  
TERRY BUCKNER

Sworn to and subscribed before me  
this 16<sup>th</sup> day of Jan., 2009.

  
NOTARY PUBLIC



My commission expires: Aug. 23, 2011

Before the

**TENNESSEE REGULATORY AUTHORITY**

In re: Petition of Atmos Energy Corporation     )  
for Approval of Adjustment of Its Rates and     )  
Revised Tariff   )

Docket No. 08-00197

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**EXHIBITS  
OF  
TERRY BUCKNER**

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**January 16, 2009**

Atmos Energy Corporation  
Index to Schedules  
For the Twelve Months Ended March 31, 2010

	<u>Schedule No.</u>
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Rate Base	2
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Operation & Maintenance Expenses	4
Taxes Other Than Income Taxes	5
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Atmos Energy Corporation  
Revenue Deficiency (Surplus)  
For the Twelve Months Ended March 31, 2010

Line No.		CAPD		Company	E/	Difference
1	Rate Base	189,602,388	A/	191,039,507		1,437,119
2	Operating Income at Present Rates	14,543,687	B/	13,352,571		(1,191,116)
3	Earned Rate of Return (L 2 / L 1)	7.67%		6.99%		-0.68%
4	Fair Rate of Return	6.5%	C/	8.99%		2.50%
5	Required Operating Income (L 1 x L 4)	12,303,678		17,174,452		4,870,774
6	Operating Income Deficiency (Surplus) (L 5 - L 2)	(2,240,009)		3,821,881		6,061,890
7	Gross Revenue Conversion Factor	1.639625	D/	1.645410		0.005785
8	<b>Revenue Deficiency (Surplus)</b>	<b>(3,672,773)</b>		<b>6,288,571</b>		<b>9,961,344</b>

A/ Schedule 2, Line 15.

B/ Schedule 3, Line 16.

C/ Schedule 8, Line 5.

D/ Schedule 7, Line 10.

E/ Atmos Schedules.



Atmos Energy Corporation  
Rate Base  
For the Twelve Months Ended March 31, 2010

Line No.		A/ CAPD	B/ Company	Difference
1	Utility Plant in Service	364,045,392	365,165,376	(1,119,984)
2	Construction Work in Progress	5,156,533	6,048,638	(892,105)
3	Materials and Supplies / Storage Gas	15,381,251	15,381,251	-
4	Working Capital/Deferred Rate Case	1,724,382	2,084,267	(359,885)
5	Net Elimination of Intercompany Leased Property	6,609,445	6,609,445	-
6	Unamortized Maryland Way Gain	-	-	-
7	Total Additions	<u>392,917,003</u>	<u>395,288,977</u>	<u>(2,371,974)</u>
	Deductions:			
8	Accumulated Depreciation	158,816,360	158,512,045	304,316
9	Customer Deposits	4,692,458	4,734,868	(42,410)
10	Contributions and Advances in Aid of Construction	55,261	55,261	-
11	Accumulated Deferred Tax-Accel. Depreciation	38,988,924	40,048,145	(1,059,221)
12	Accrued Interest on Customer Deposits	761,611	899,151	(137,540)
13	Total Deductions	<u>203,314,614</u>	<u>204,249,470</u>	<u>(934,855)</u>
14	Rate Base	<u>189,602,388</u>	<u>191,039,507</u>	<u>(1,437,119)</u>

A/ Dave Peters work paper, RB-SUM-1, Index of work papers, Page 103.

B/ Atmos Direct Testimony, Schedule THP-7, work papers.

Atmos Energy Corporation  
Income Statement at Current Rates  
For the Twelve Months Ended March 31, 2010

Line No.		CAPD		Company D/	Difference
1	Revenues - Sales, forfeited discounts & other	170,989,205	B/	171,283,516	(294,311)
2	Cost of Gas	119,465,225	B/	119,882,621	(417,396)
3	Gross margin on sales and service	51,523,980	A/	51,400,895	123,085
4	AFUDC	141,902	C/	141,902	-
5	Operating Margin	51,665,882		51,542,797	123,085
6	Other Operation and Maintenance	16,050,854	D/	17,568,395	(1,517,541)
7	Interest on Customer Deposits	199,595	E/	390,627	(191,032)
8	Depreciation and Amortization Exp.	9,083,880	F/	9,312,793	(228,913)
9	Taxes Other Than Income	6,447,527	G/	6,228,016	219,511
10	State Excise Tax	942,839	H/	786,515	156,324
11	Federal Income Tax	4,690,912	H/	3,903,880	787,032
12	Total Operating Expense	37,415,607		38,190,226	(774,619)
13	Net Operating Income for Return	14,250,275		13,352,571	897,704
14	Plus amortization-Gain on Maryland Farms	-	I/	-	-
15	Plus adjustments	293,412	I/	-	293,412
16	Adjusted Net Operating Income	14,543,687		13,352,571	1,191,116

A/ Terry Buckner work paper, Index of work papers, Pages 1-2.

B/ Per Atmos Schedule THP-3 as adjusted for volume changes.

C/ Atmos Schedule.

D/ Schedule 4, Line 6.

E/ Schedule 2, Line 10 times 4.5%.

F/ Dave Peters work paper E-DEP, Index of work papers, Page 83.

G/ Schedule 5, Line 7.

H/ Schedule 6, Lines 12 and 20.

I/ Atmos responses.

Atmos Energy Corporation  
 Operation & Maintenance Expenses  
 For the Twelve Months Ended March 31, 2010

Line No.		CAPD		Company	C/	Difference
1	Storage & Dist. - Oper. Expense	6,266,225	A/	6,218,044		48,181
	LNG Maintenance	-		-		-
2	Storage & Dist. - Maint. Expense	-		520,926		(520,926)
	Distribution - CIE	-		-		-
	Distribution - Maintenance	-		-		-
3	Customer Acc. Exp.	2,064,492	A/	2,321,146		(256,654)
4	Uncollectible Accounts Expense	183,481	B/	-		183,481
	GTI Funding	-		-		-
	Customer Service	-		-		-
5	Sales Expense	294,786	A/	266,299		28,487
	Sales Promotion Expense	-		-		-
	Pension Expense	-		-		-
	Injuries and Damages	-		-		-
	Employee Benefits - Insurance	-		-		-
	LTIP	-		-		-
	Other Employee Benefits	-		-		-
	Property Insurance	-		-		-
6	Other Administrative and General Exp.	7,241,870	A/	8,773,976		(1,532,106)
	Reg. Comm. Expense	-		-		-
	Outside Services	-		-		-
	Misc. General	-		-		-
	Misc. Expense	-		-		-
	Rents	-		-		-
	Training	-		-		-
	Elimination of leased property	-		-		-
7	Total O&M Expense	<u>16,050,854</u>		<u>18,100,391</u>		<u>(2,049,537)</u>

A/ Dave Peters work paper, E-REC2, Index of work papers, Pages 3-4.

B/ Dave Peters work paper, E-UNCOL, Index of work papers, Page 60.

C/ CAPD DR #31.

Atmos Energy Corporation  
Taxes Other Than Income Taxes  
For the Twelve Months Ended March 31, 2010

Line No.		CAPD	Company	B/ Difference
1	Property Taxes	2,999,806	2,904,284	95,522
2	State Gross Receipts Tax	1,899,600	1,906,286	(6,686)
3	Payroll Taxes	268,299	264,739	3,560
4	State Franchise Tax	628,715	501,600	127,115
5	Other General Taxes	325,607	325,607	-
6	TRA Inspection Fee	325,500	325,500	-
7	Total Taxes Other Than Income Taxes	<u>6,447,527</u> A/	<u>6,228,016</u>	<u>219,511</u>

A/ Dave Peters work paper, T-OTAX0, Index of work papers, Page 90.

B/ ATMOS Schedule THP-5, LINE 5.

Atmos Energy Corporation  
Excise and Income Taxes  
For the Twelve Months Ended March 31, 2010

Line No.		CAPD		Company
1	Operating Margin	51,523,980	A/	51,400,895
2	Other Operation and Maintenance	15,757,442	E/	17,568,395
3	Depreciation and Amortization Expense	9,083,880	A/	9,312,793
4	Taxes Other Than Income	6,447,527	A/	6,228,016
5	NOI Before Excise and Income Taxes	20,235,131		18,291,691
6	less Interest on Customer Deposits	199,595	A/	390,627
7	less Interest Expense	5,530,322	B/	5,800,837
8	Pre-tax Book Income	14,505,214		12,100,227
9	Schedule M Adjustments	-		-
10	Excise Taxable Income	14,505,214		12,100,227
11	Excise Tax Rate	6.50%		6.50%
12	Excise Tax	942,839		786,515
13	Pre-tax Book Income	14,505,214		12,100,227
14	Excise Tax	942,839		786,515
15	Schedule M Adjustments	-		-
16	FIT Taxable Income	13,562,375		11,313,712
17	FIT Rate	35.00%		35.00%
18	Subtotal FIT	4,746,831		3,959,799
19	Less: ITC Amortization	55,919	C/	55,919
20	Federal Income Tax Expense	4,690,912		3,903,880

A/ Schedule 3, Lines 5, 8, 9, 7.

B/ Rate Base \* Weighted Cost of Debt  
(Schedule 2, Line 15 \* [Schedule 8 Line 1 + Line 2 + Line 3]).

C/ Atmos Schedule THP-8, Line 17.

Atmos Energy Corporation  
Revenue Conversion Factor  
For the Twelve Months Ended March 31, 2010

Line No.		<u>Amount</u>		<u>Balance</u>
1	Operating Revenues			1.000000
2	Add: Forfeited Discounts	0.007117	A/	<u>0.007117</u>
3	Balance			1.007117
4	Uncollectible Ratio	0.003561	B/	<u>0.003586</u>
5	Balance			1.003530
6	State Excise Tax	0.065000	C/	<u>0.065229</u>
7	Balance			0.938301
8	Federal Income Tax	0.350000	C/	<u>0.328405</u>
9	Balance			<u>0.609896</u>
10	Revenue Conversion Factor (1 / Line 9)			<u><u>1.639625</u></u>

A/ Forfeited discounts on gross revenues = forfeited discounts / gross revenues (excluding forfeited discounts)

1,208,303 / 170,989,205 - 1,208,303 0.007117

B/ Uncollectible expenses on base revenues 183,481 / 51,523,980 (base revenues) = 0.003561

C/ Statutory rate

Atmos Energy Corporation  
Cost of Capital  
Based on Comparable Companies' Capital Structures

Line No.		Ratio	Cost	Weighted Cost
1	Short Term Debt	13.10%	2.50%	0.3%
2	Long Term Debt	41.10%	6.30%	2.6%
3	Preferred Stock	0.00%	0.00%	0.00%
4	Stockholder's Equity	<u>45.80%</u>	7.80%	<u>3.6%</u>
5	Total	<u>100.00%</u>		<u>6.5%</u>

Source: Direct Testimony, Dr. Stephen Brown

Before the

**TENNESSEE REGULATORY AUTHORITY**

In re: Petition of Atmos Energy Corporation    )  
for Approval of Adjustment of Its Rates and    )  
Revised Tariff                                        )

Docket No. 08-00197

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**WORK PAPERS  
OF  
TERRY BUCKNER**

\*\*\*\*\*

January 16, 2009



**ATMOS ENERGY CORPORATION**  
**TRA DOCKET #08-00197**  
**INDEX OF WORK PAPERS**

<b>LINE</b>	<b>WORK PAPER DESCRIPTION</b>	<b>WORK PAPER #</b>	<b>PAGES#</b>
1	Summary of Revenue Margin at Present Rates	Revenue	P1-P2
2	Trend of Residential Customers	R-Residential Trend	P3
3	Trend of Commercial Customers	R-Commercial Trend	P4
4	Trend of Industrial Customers	R-Industrial Trend	P5
5	Trend of Public Authority Customers	R-Public Authority Trend	P6
6	Trend of Transportation Customers	R-Transportation Trend	P7
7	Trend of Special Contract Customers	R-Special Contract Trend	P8
8	Trend of Total Customers	R-Total Customer Trend	P9
9	Trend of Residential Customers by Tariff Schedule	R-Residential Trend (TS)	P10
10	Trend of Commercial Customers by Tariff Schedule	R-Commercial Trend (TS)	P11
11	Trend of Industrial Customers by Tariff Schedule	R-Industrial Trend (TS)	P12
12	Trend of Public Authority Customers by Tariff Sch.	R-Public Authority Trend (TS)	P13
13	Trend of Transportation Customers by Tariff Sch.	R-Transportation Trend (TS)	P14
14	Trend of Special Contract Customers by Tariff Sch.	R-Special Contract Trend (TS)	P15
15	Trend of Total Customers by Tariff Schedule	R-Total Customer Trend (TS)	P16
16	Trend of Residential Volumes	R-Residential Vol. Trend	P17
17	Trend of Commercial Volumes	R-Commercial Vol. Trend	P18
18	Trend of Industrial Volumes	R-Industrial Vol. Trend	P19
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22	Trend of Total Volumes	R-Total Volume Trend	P23
23	Trend of Total WNA Volumes	R-Total WNA Trend	P24
24	Trend of Residential Volumes by Tariff Schedule	R-Residential Vol. Trend (TS)	P25
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26	Trend of Industrial Volumes by Tariff Schedule	R-Industrial Vol. Trend (TS)	P27
27	Trend of Public Authority Volumes by Tariff Sch.	R-Public A. Vol. Trend (TS)	P28
28	Trend of Transportation Volumes by Tariff Sch.	R-Transp. Vol. Trend (TS)	P29
29	Trend of Special Contract Volumes by Tariff Sch.	R-Special C. Vol. Trend (TS)	P30
30	Trend of Total Volumes by Tariff Schedule	R-Total Volume Trend (TS)	P31
31	2005 Monthly Residential Customers	R-Residential 1	P32
32	2006 Monthly Residential Customers	R-Residential 2	P33
33	2007 Monthly Residential Customers	R-Residential 3	P34
34	2008 Monthly Residential Customers	R-Residential 4	P35
35	2005 Monthly Residential Volumes	R-Residential 5	P36
36	2006 Monthly Residential Volumes	R-Residential 6	P37
37	2007 Monthly Residential Volumes	R-Residential 7	P38
38	2008 Monthly Residential Volumes	R-Residential 8	P39
39	2005 Monthly Commercial Customers	R-Commercial 1	P40
40	2006 Monthly Commercial Customers	R-Commercial 2	P41
41	2007 Monthly Commercial Customers	R-Commercial 3	P42
42	2008 Monthly Commercial Customers	R-Commercial 4	P43
43	2005 Monthly Commercial Volumes	R-Commercial 5	P44

ATMOS ENERGY CORPORATION  
 TRA DOCKET #08-00197  
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4	2005 Monthly Industrial Customers	R-Industrial 1	P48
5	2006 Monthly Industrial Customers	R-Industrial 2	P49
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12	2005 Monthly Public Authority Customers	R-Public Authority 1	P56
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22	2007 Monthly Transportation Customers	R-Transportation 3	P66
23	2008 Monthly Transportation Customers	R-Transportation 4	P67
24	2005 Monthly Transportation Volumes	R-Transportation 5	P68
25	2006 Monthly Transportation Volumes	R-Transportation 6	P69
26	2007 Monthly Transportation Volumes	R-Transportation 7	P70
27	2008 Monthly Transportation Volumes	R-Transportation 8	P71
28	2005 Monthly Special Contract Customers	R-Special Contract 1	P72
29	2006 Monthly Special Contract Customers	R-Special Contract 2	P73
30	2007 Monthly Special Contract Customers	R-Special Contract 3	P74
31	2008 Monthly Special Contract Customers	R-Special Contract 4	P75
32	2005 Monthly Special Contract Volumes	R-Special Contract 5	P76
33	2006 Monthly Special Contract Volumes	R-Special Contract 6	P77
34	2007 Monthly Special Contract Volumes	R-Special Contract 7	P78
35	2008 Monthly Special Contract Volumes	R-Special Contract 8	P79
36	2007 Monthly Senior Citizen Customers	R-Senior Citizen 1	P80
37	2008 Monthly Senior Citizen Customers	R-Senior Citizen 2	P81

Schedule - Revenue

No.	Description	Present Rates		Adjusted	Adjusted	Total
		Monthly Customer chg	Commodity Charge/Ccf	Base Count	Volumes Ccf	Adjusted Margin Rev
	(a)	(b)	(c)	(d)	(e)	(f)
1	<u>RESIDENTIAL</u>					
2	210 RGS SUMMER	\$10.000	\$0.1308	576,013	7,598,642	\$6,754,032
3	210 RGS WINTER (weather sensitive)	\$13.000	\$0.1308	818,918	63,350,984	18,932,243
4	210 RGS SR CIT SUMMER	\$0.000	\$0.1308	729	7,056	923
5	210 RGS SR CIT WINTER (weather sensitive)	\$0.000	\$0.1308	1,004	70,597	9,234
6	211 HVAC	\$10.000	\$0.0667	12	3,223	335
7	Total Residential			1,396,676	71,030,502	\$ 25,696,767
8						
9						
10						
11	<u>COMMERCIAL</u>					
12	211 HVAC	\$10.000	\$0.0667	16	193	173
13	220 COM/IND GS (weather sensitive)	\$27.500	\$0.2049	187,418	46,998,834	14,784,056
14	230 LRG COM/IND GS (weather sensitive)	\$200.000	\$0.1758	56	460,278	92,117
15	240 DEMAND/COMM GS	\$310.000		0	0	-
16	Block 1 Volumes		\$0.0983	0	0	-
17	Block 2 Volumes		\$0.0640	0	0	-
18	Block 3 Volumes		\$0.0279	0	0	-
19	Demand Volumes		\$1.6283	0	0	-
20	250 OPT GS	\$310.000		79	0	24,490
21	Block 1 Volumes		\$0.0983	0	619,969	60,943
22	Block 2 Volumes		\$0.0640	0	711,126	45,512
23	Block 3 Volumes		\$0.0279	0	0	-
24	293 LRG TONN HVAC GS	\$27.500		12	0	330
25	Block 1 Volumes		\$0.0983	0	149,519	14,698
26	Block 2 Volumes		\$0.0640	0	4,081	261
27	Block 3 Volumes		\$0.0279	0	0	-
28	Total Commercial			187,581	48,944,000	\$ 15,022,580
29						
30	<u>INDUSTRIAL</u>					
31	220 COM/IND GS	\$27.500	\$0.2049	4,340	6,233,151	1,396,523
32	230 LRG COM/IND GS	\$200.000	\$0.1758	160	1,152,893	234,679
33	240 DEMAND/COMM GS	\$310.000		12	0	3,720
34	Block 1 Volumes		\$0.0983	0	240,000	23,592
35	Block 2 Volumes		\$0.0640	0	394,256	25,232
36	Block 3 Volumes		\$0.0279	0	0	-
37	Demand Volumes		\$1.6283	0	45,915	74,763
38	250 OPT GS	\$310.000		420	0	130,200
39	Block 1 Volumes		\$0.0983	0	3,604,306	354,303
40	Block 2 Volumes		\$0.0640	0	3,488,734	223,279
41	Block 3 Volumes		\$0.0279	0	0	-
42	280 - ECONOMIC DEV GS (250 OPT)	\$310.000		0	0	-
43	Block 1 Volumes		\$0.0737	0	0	-
44	Block 2 Volumes		\$0.0480	0	0	-
45	Block 3 Volumes		\$0.0209	0	0	-
46	292 CNG/Prime Mover	\$0.000		0	0	-
47	Block 1 Volumes		\$0.0983	0	0	-
48	Block 2 Volumes		\$0.0640	0	0	-
49	Block 3 Volumes		\$0.0279	0	0	-
50	292 COGEN/CNG	\$27.500		24	0	660
51	Block 1 Volumes		\$0.0983	0	10,543	1,036
52	Block 2 Volumes		\$0.0640	0	0	-
53	Block 3 Volumes		\$0.0279	0	0	-
54	Total Industrial			4,956	15,169,798	\$ 2,467,988
55						
56	<u>PUBLIC AUTHORITY</u>					
57	211 HVAC	\$10.000	\$0.0667	0	0	-
58	221 EXPERIMENTAL SGS	\$27.500	\$0.0983	72	578,208	58,818
59	225 PAG SR CIT SUMMER	\$0.000	\$0.1308	0	0	-
60	225 PAG SR CIT WINTER (weather sensitive)	\$0.000	\$0.1308	0	0	-
61	225 PAG GS - SUMMER	\$10.000	\$0.1308	2,438	0	24,380
62	225 PAG GS - WINTER (weather sensitive)	\$13.000	\$0.1308	3,442	509,760	111,423
63	Total Public Authority			5,952	1,087,968	\$ 194,620

Schedule -Revenue

No.	Description	Present Rates		Adjusted Base Count	Adjusted Volumes Ccf	Total Adjusted Margin Rev
		Monthly Customer chg	Commodity Charge/Ccf			
	(a)	(b)	(c)	(d)	(e)	(f)
64						
65	TRANSPORTATION					
66	260 - TRANSP (220 SML COM/INDG)	\$310.000	\$0.2049	0	308,820	63,277
67	260 - TRANSP (230 LRG COM/INDG)	\$310.000	\$0.1758	72	8,479,462	1,513,009
68	260 - TRANSP (240 DEMAND/COMM GS)	\$310.000		24	0	7,440
69	Block 1 Volumes		\$0.0983	0	480,000	47,184
70	Block 2 Volumes		\$0.0640	0	1,534,870	98,232
71	Block 3 Volumes		\$0.0279	0	0	-
72	Demand Volumes		\$1.6283	0	85,240	138,796
73	260 - TRANSP (280/240 ECON DEV - DEMAND/COMM)	\$310.000		0	0	-
74	Block 1 Volumes		\$0.0737	0	0	-
75	Block 2 Volumes		\$0.0480	0	0	-
76	Block 3 Volumes		\$0.0209	0	0	-
77	Demand Volumes		\$1.2212	0	0	-
78	260 - TRANSP (250 OPT GS)	\$310.000		982	0	304,420
79	Block 1 Volumes		\$0.0983	0	13,430,112	1,320,180
80	Block 2 Volumes		\$0.0640	0	30,091,102	1,925,831
81	Block 3 Volumes		\$0.0279	0	806,780	22,509
82	260 - TRANSP (280/250 ECON DEV - OPT GS)	\$310.000		12	0	3,720
83	Block 1 Volumes		\$0.0983	0	240,000	23,592
84	Block 2 Volumes		\$0.0640	0	507,887	32,505
85	Block 3 Volumes		\$0.0480	0	0	-
86	SPECIAL CONTRACT (facility chg only)	\$18,475.040		12	10,338,770	221,700
87	SPECIAL CONTRACT COGEN (.040/.022 per Ccf)	\$400.000		12	0	4,800
88	Block 1 Volumes		\$0.0400	0	4,282,500	171,300
89	Block 2 Volumes		\$0.0220	0	1,256,700	27,647
90	SPECIAL CONTRACT (\$0.015 PER Ccf)	\$310.000	\$0.0150	12	1,440,000	25,320
91	SPECIAL CONTRACT (\$0.021 PER Ccf)	\$310.000	\$0.0210	12	5,205,800	113,042
92	SPECIAL CONTRACT (\$0.042 PER Ccf)	\$310.000	\$0.0420	12	2,809,570	121,722
93	SPECIAL CONTRACT (Handbill \$0.02 per Ccf)	\$8,000.000	\$0.0200	12	9,107,190	278,144
94	Total Transportation			1,162	90,404,803	\$ 6,464,370
96						
97	TOTALS			1,596,327	226,637,071	\$49,846,325
98						
99	4870 - Forfeited Discount					\$1,208,303
100	4880 - Miscellaneous Service charges					469,311
101	TOTAL MARGIN REVENUES					\$51,523,980