

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

**IN RE:**

**PETITION OF ATMOS ENERGY  
CORPORATION FOR APPROVAL  
OF NEGOTIATED FRANCHISE FEE  
AGREEMENT WITH THE CITY OF  
SHELBYVILLE, TENNESSEE**

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**Docket No. 11- 00041**

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**DIRECT TESTIMONY OF  
DAVID ROBERTS  
ON BEHALF OF ATMOS ENERGY CORPORATION**

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**Q: Please state your name and business address.**

A: My name is David Roberts. My business address is 321 Lane Parkway, Shelbyville, TN 37160.

**Q: By whom and in what capacity are you employed?**

A: I am employed by Atmos Energy Corporation, Kentucky/Mid-States Division ("Atmos") as Field Supervisor. My responsibilities include Atmos' operations in the City of Shelbyville, Tennessee.

**Q: Please describe your work history with Atmos.**

A: I have been employed by Atmos Energy for thirty-two years, serving in various roles that have included Marketing Representative, Service Manager, Engineering Technician and Field Supervisor.

**Q: Have you previously offered testimony in any regulatory proceedings?**

A: I have not previously offered any testimony.

**Q: What is the purpose of your testimony in this case?**

A: I am testifying on behalf of Atmos in support of the petition filed to approve a new franchise agreement between Atmos and the City of Shelbyville.

**Q: In your capacity as Field Supervisor, are you familiar with the natural gas distribution system operated by Atmos in Shelbyville, Tennessee?**

A: Yes. I am familiar with the operation in Shelbyville, Tennessee, as well as the operations in the other surrounding communities that are served by the Atmos system.

**Q: Please give the Authority an overall description of the Shelbyville, Tennessee system and the customers served.**

A: There are approximately 3,890 customers located within the city limits being served by the natural gas distribution system owned and operated by Atmos.

The Atmos system consists of approximately 104.5 miles of pipe within the Shelbyville, Tennessee city limits, excluding service lines. The majority of the pipeline in the Atmos system is located within the public rights-of-way of Shelbyville. Without access to these public rights-of-way, Atmos could not adequately maintain, replace and/or operate its distribution system.

**Q: Has Atmos operated a natural gas distribution system in Shelbyville for a number of years?**

A: Yes. Atmos and its predecessor entity have operated for many years in Shelbyville under franchise agreements with the City. Atmos currently provides natural gas service to the City of Shelbyville pursuant to a franchise agreement incorporated into City Ordinance No. 371, dated March 11, 1986 with an effective date of March 26, 1986.

**Q: Could you please explain the circumstances that caused a need for a new franchise agreement between Atmos and the City of Shelbyville.**

A: Yes. Under § 65-26-101 of the Tennessee Code Annotated, Atmos is required to have the consent of the City of Shelbyville, in the form of a municipal ordinance, in order to enter onto the streets and alleys of Shelbyville for the purpose of placing, maintaining, or expanding its natural gas distribution facilities. Atmos and its predecessor entity have been providing natural gas service to the City of Shelbyville for many years pursuant to such ordinances. The old (1986) inspection fee agreement ran for a period of 25 years, with an expiration date of March 26, 2011.

**Q: Has the Shelbyville franchise agreement been renewed?**

A: Yes. Prior to expiration of the old franchise agreement, and in the ordinary course of the Company's business, Atmos conducted negotiations with the city of Shelbyville for renewal of its franchise authority.

These negotiations ultimately resulted in a franchise agreement acceptable to both the Company and the City. This franchise agreement was incorporated into City Ordinance 892 and presented to the City of Shelbyville's Council for approval. That Ordinance, a

copy of which is attached hereto as Exhibit 1 and incorporated herein by reference, was subsequently approved on January 13, 2011 and subsequently signed by the Mayor of the City of Shelbyville.

**Q: Has the old Shelbyville franchise agreement expired?**

A: No. The expiration date for the old (1986) franchise agreement is March 26, 2011.

**Q: Has there been any change to the amount of the monthly inspection fee charged by the City of Shelbyville?**

A: No. The inspection fee will remain at \$166.67 per month (\$2,000.00 per year) during the twenty-five year term of the new agreement.

**Q: What is the standard to be utilized by the Authority in determining whether to approve Ordinance No. 892?**

A: Under Tenn. Code Ann. § 65-4-107, the Authority is authorized to approve the ordinance if it finds that it “is necessary and proper for the public convenience and properly serves the public interest.”

**Q: In your opinion, are the franchise terms set forth in Ordinance No. 892 necessary and proper for the public convenience and in the public interest?**

A: Yes, on a number of grounds.

First, the new franchise terms reflected in Ordinance No. 892 will establish a long-term arrangement through which the current and future residents, business enterprises and governmental facilities located within the City of Shelbyville will be able to receive, under the supervisory jurisdiction of the Authority, the benefits of continuing natural gas service provided by Atmos for an extended period. This arrangement will help ensure the continuing availability of high-quality natural gas service to the City of Shelbyville for the foreseeable future.

Second, the new franchise facilitates the provision of such natural gas service to the City of Shelbyville by an established and proven provider of that service well known to both the City of Shelbyville and this Authority and possessing the requisite expertise, facilities, systems and gas supply and transportation assets necessary to provide such service.

Third, the new franchise arrangement establishes adequate and proper mechanisms for access by the Company to public rights-of-way, new and existing customers, and its distribution facilities. These mechanisms help to ensure that Atmos is able to provide both adequate and efficient service and to comply with the requirements of this Authority



to ensure the safety and protection of residents and property within the City of Shelbyville.

Fourth, the various other protective provisions set forth in the new franchise arrangement provide useful and important tools for the City of Shelbyville to ensure that its citizens are benefited and not economically harmed by the activities of Atmos within the City of Shelbyville.

Fifth, the new franchise arrangement provides an incentive for Atmos to invest in infrastructure needed to provide improved and expanded service within the City of Shelbyville by ensuring that Atmos will have the right to provide service within these areas for a sufficient period in order to permit Atmos the opportunity to recover the capital investment in such facilities under the rates approved by the Authority.

**Q: Could you please summarize your thoughts on the public convenience issue?**

A: Yes. Approval of the new franchise arrangement between Atmos and the City of Shelbyville will ensure that the residents, businesses and governmental entities residing and operating within the City of Shelbyville continue to receive high quality, safe, and reliable natural gas service from a provider with a long and successful history of providing that service to these areas. The franchise ordinance also provides substantial protections to the citizens of the City of Shelbyville while concurrently offering Atmos a positive incentive to provide ongoing and expanded natural gas service to this area. That service will contribute to a stable infrastructure and expanded economic opportunity and will be beneficial to customers by bringing the desirable attributes of natural gas service to the City of Shelbyville for some time into the future.

**Q: How will Atmos comply with Tennessee Code Annotated § 65-4-105(e), which requires that the franchise fee, insofar as practicable, be billed pro rata to the utility customers receiving service within the municipality.**

A. In this case, the agreement calls for a fixed inspection fee of \$2,000 per year. In light of the small amount of this fixed annual payment, it simply is not practicable for Atmos to separately bill Shelbyville customers for a pro rata portion of this payment. The amounts would be so small that with approximately 3,890 customers, the total annual amount per customer would be less than \$1. Under such circumstances, the administrative costs of separate billing would swamp the amounts to be billed. This situation demonstrates the wisdom of the statute's provision that pro rata billing is required only "insofar as practicable." Under the circumstances, pro rata billing is not practicable, and Atmos proposes that the \$2,000 total annual inspection fee be included in the Company's fixed costs, and not separately billed to Shelbyville customers.

**Q: Do you know of any facts that would indicate that the new franchise arrangement reflected in Ordinance No. 892 is not in the public interest.**

A: No.

**Q: What are you asking the Authority to do in this proceeding?**

A: Based on the facts discussed above, we are asking the Authority to approve the franchise agreement between Atmos and the City of Shelbyville as reflected in Ordinance No. 892, and to provide that the \$2,000 annual inspection fee be included in the company's fixed costs, and not separately billed to Shelbyville customers.


**Q: Do you have anything further to add to your testimony?**

A: Not at this time.

  
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David Roberts

STATE OF TENNESSEE   )  
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COUNTY OF Bedford   )

SWORN to and subscribed before me  
this 17<sup>th</sup> day of March, 2011.

  
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Notary Public

My Commission Expires May 8, 2012



My Commission Expires May 8, 2012