

**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. - _____

**PRE-FILED TESTIMONY OF PATRICIA J. CHILDERS
ON BEHALF OF ATMOS ENERGY CORPORATION**

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME, POSITION AND BUSINESS ADDRESS.

A. My name is Patricia J. Childers. I am Vice President - Rates & Regulatory Affairs for the Kentucky/Mid-States Division of Atmos Energy Corporation ("Atmos Energy" or "Company"). My business address is 810 Crescent Centre Drive, Suite 600, and Franklin, Tennessee 37067-6226.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

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

II. WITNESS BACKGROUND

Q. PLEASE BRIEFLY DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND, AND CURRENT RESPONSIBILITIES.

1 A. I have a Bachelor of Science degree from Middle Tennessee State University. I
2 have worked for Atmos Energy and its predecessor since 1979. In 2001, I as-
3 sumed my current position. I am responsible for the oversight of regulatory af-
4 fairs for the Kentucky/Mid-States Division in the States of Tennessee, Virginia
5 and Georgia.

6 **Q. HAVE YOU EVER TESTIFIED BEFORE THE TENNESSEE REGULA-**
7 **TORY AUTHORITY (TRA)?**

8 A. Yes. Throughout my years with the Company I have provided testimony before
9 the Tennessee Regulatory Authority in numerous dockets. I have also testified
10 before the Georgia Public Service Commission, the Illinois Commerce Commis-
11 sion, the Missouri Public Service Commission and the Virginia State Corporation
12 Commission.

13

14 **III. TESTIMONY**

15 **Q. CAN YOU PROVIDE THE TRA WITH A GENERAL DESCRIPTION**
16 **AND BACKGROUND OF ATMOS ENERGY'S OPERATIONS IN TEN-**
17 **NESSEE?**

18 A. Yes. Atmos Energy's Kentucky/Mid-States Division serves customers in Tennes-
19 see, Kentucky, Missouri, Virginia, Georgia, Illinois, and Iowa. This Division
20 provides natural gas service to approximately 461,000 customers across those
21 seven states. Atmos Energy serves approximately 130,400 residential, commer-
22 cial, and industrial customers in Tennessee. The Company has a Tennessee-based
23 work force of slightly less than 200 employees including approximately 30 em-

1 employees in the Kentucky/Mid-States Division office in Cool Springs. Our utility
2 plant in Tennessee includes over 3,300 miles of transmission and distribution
3 lines. I have included a map of Atmos Energy's Tennessee service territory as
4 Schedule PJC-1.

5 **Q. WHEN DID THE COMPANY'S CURRENT RATES BECOME EFFEC-**
6 **TIVE?**

7 A. The Company's current rates were established by the TRA in Docket No. 08-
8 00197. That case was filed on October 15, 2008. The TRA ultimately approved a
9 settlement in the case, and new rates became effective April 1, 2009. In accord-
10 ance with the settlement agreement and the TRA's Order, the 2009 rates were de-
11 signed to produce a revenue increase in the amount of \$2,512,575.

12 **Q. WHAT DOES ATMOS ENERGY SEEK IN THIS RATE CASE?**

13 A. Atmos Energy seeks approval of an increase in revenues of approximately \$10.8
14 million. The increase to the bill of an average residential customer at current gas
15 prices would be approximately \$4.00 per month. Although Atmos Energy oper-
16 ates very efficiently, it is not achieving a fair return on its investments with the
17 rates currently in effect. Our calculated return on equity, as of March 31, 2012
18 was 7.53%. The allowed return on equity granted in Docket No. 08-00197 was
19 10.3% with an overall return of 8.24%.

20 **Q. WHY IS ATMOS ENERGY REQUESTING A RATE INCREASE AT THIS**
21 **TIME?**

22 A. We make every effort to provide services as efficiently as possible and are proud
23 of our reputation as one of the lowest cost providers of natural gas in the United

1 States. The requested increase is due to increased operating and maintenance ex-
2 penses, projected capital expenditures to re-enforce existing infrastructure to
3 comply with federal safety regulations and a requested increase in return. Conse-
4 quently, we are seeking timely and adequate rate relief in order to maintain the
5 current high-quality safe and reliable service our customers expect. These areas
6 are discussed in detail by other Company witnesses.

7 **Q. WHAT RATE RELIEF ARE YOU REQUESTING IN THIS APPLICA-**
8 **TION?**

9 A. We are asking the Authority to approve new rate schedules that would increase
10 our revenues to provide a projected rate of return of 8.75% on a projected total
11 rate base of \$208,661,037.

12 **Q. WHAT IS THE RATE OF RETURN ON COMMON EQUITY REQUEST-**
13 **ED IN THIS APPLICATION?**

14 A. We have requested a rate of return on projected common equity of 11.0 %.

15 **Q. HOW DO YOU PROPOSE THAT NEW RATES RECOVER THE DIS-**
16 **TRIBUTION REVENUE INCREASE?**

17 A. Although rate design issues are addressed in greater detail in the testimony of
18 Josh C. Densman, the Company's proposal retains the current proportionate mar-
19 gin distribution among the various classes. It is important that the TRA adopt the
20 Company's proposal to increase the customer charges of certain rate schedules.
21 Virtually all of a natural gas local distribution company's costs of service (other
22 than the costs of gas, which are not recovered in base distribution rates) are fixed,
23 as opposed to variable. By fixed, I mean that the costs do not increase or decrease

1 as the volume of natural gas delivered to our customers increases or decreases. At
2 the same time, under our exiting rate structure, the majority of distribution rate
3 revenues are recovered through volumetric rate components. Consequently, I be-
4 lieve that the TRA should authorize the Company to increase the customer charg-
5 es of the various rate schedules as proposed in this case to improve the likelihood
6 of revenue recovery. The proposed monthly customer charges compare favorably
7 with the charges approved by the TRA in recent filings by the other regulated nat-
8 ural gas utilities.

9 **Q. IS THE COMPANY FILING A DEPRECIATION STUDY IN THIS CASE?**

10 A. The Company is not filing a comprehensive depreciation study. The Company is
11 proposing to update the depreciation rates for the Shared Services Unit. This will
12 be discussed in the testimony of Gregory Waller.

13 **Q. PLEASE OUTLINE THE TESTIMONY OF THE OTHER ATMOS EN-**
14 **ERGY WITNESSES IN THIS CASE.**

15 A. In addition to my testimony, Atmos Energy will present the direct testimony and
16 exhibits of six witnesses.

17 Gregory K. Waller, Vice President of Finance for the Kentucky/Mid-
18 States Division, is presenting testimony concerning the Operating and Mainte-
19 nance (O&M) expense budgeting process used by Atmos Energy's utility divi-
20 sions, the Shared Services Unit (SSU) budgeting process, control and monitoring
21 of O&M variances, and the test period costs and forecasted attrition year budget
22 for O&M, depreciation expense, and taxes other than income taxes incurred di-
23 rectly by the Tennessee operations and allocated from the Kentucky/Mid-States

1 General Office and Shared Services Unit.

2 Josh C. Densman, Sr. Financial Analyst for Atmos Energy Corporation's
3 Kentucky/Mid-States Division, is filing testimony in support of the Company's
4 attrition period revenues and billing determinants, and also to support the rate de-
5 sign and proposed rates in this filing.

6 Thomas H. Petersen, Rates Director – for Atmos Energy Corporation, is
7 presenting testimony supporting rate base items, and the calculation of the reve-
8 nue deficiency.

9 Earnest B. Napier, Vice President Technical Services of the Ken-
10 tucky/Mid-States Division provides testimony regarding the Company's capital
11 expenses.

12 Jason Schneider, Director of Accounting Services for Atmos Energy Cor-
13 poration, is filing testimony regarding the historic books and records of the Com-
14 pany and the integrity of the financial information in this case. He also sponsors
15 the Company's Cost Allocation Manual (CAM), which describes the methodolo-
16 gy for shared services cost allocations.

17 Dr. James Vander Weide testifies regarding Atmos Energy's cost of capi-
18 tal and recommends a rate of return that is appropriate to be used in setting rates
19 for Atmos Energy in this proceeding. Dr. Vander Weide also supports the Com-
20 pany's capital structure and cost of debt for use in the proceeding.

21 **Q. DO YOU HAVE ANY CLOSING REMARKS?**

1 A. Yes. It is my opinion that the rates requested in this filing are just, reasonable,
2 and in the public interest and I respectfully request the Authority to provide
3 prompt and adequate rate relief.

4 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

5 A. Yes.

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DOCKET NO.

VERIFICATION

STATE OF TENNESSEE)

COUNTY OF WILLIAMSON)

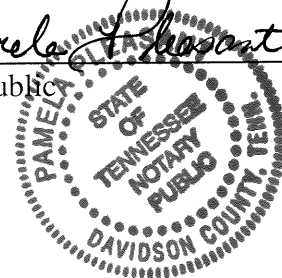
I, Patricia J. Childers, being first duly sworn, state that I am the Vice President - Rates & Regulatory Affairs for Atmos Energy Corporation, that I am authorized to testify on behalf of Atmos Energy Corporation in the above referenced docket, that the Testimony of Patricia J. Childers in Support of 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.


Patricia J. Childers

Sworn and subscribed before me this 18th day of June, 2012.


Notary Public

My Commission Expires: May 3, 2016



Schedule PJC-1

Atmos Energy Tennessee Service Territory

