

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

**IN RE:**

<b>PETITION OF ATMOS ENERGY</b>	)	
<b>CORPORATION FOR ANNUAL</b>	)	<b>DOCKET NO. 14-_____</b>
<b>REVIEW OF RATES</b>	)	

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

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**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 Company's request to implement an alternative regulatory method allowed by Tennessee Code Annotated, Section 65-5-103(d)(6), which authorizes a utility to "file for an annual review of its rates." Under this statutory provision, upon a utility's opt-in to the annual review mechanism, "the authority shall review the annual filing by the public utility within one hundred twenty (120) days of receipt and order the public utility to make the adjustments to its tariff rates to provide that the public utility earns the authorized return on equity established in the public utility's most recent general rate case."

1 For Atmos Energy, the Company's most recent general rate case was Docket  
2 Number 12-00064, which authorizes a return on equity of 10.1%. I also will in-  
3 troduce the other witnesses, who will provide support for the Company's request.

4 **Q. ARE YOU SPONSORING ANY SCHEDULES?**

5 A. Yes. I am sponsoring Schedule 11 attached to the Company's Petition. Company  
6 witness Gregory Waller is sponsoring Schedules 1-10 attached to the Company's  
7 Petition.

8

9 **II. WITNESS BACKGROUND**

10 **Q. PLEASE BRIEFLY DESCRIBE YOUR EDUCATIONAL AND PROFES-**  
11 **SIONAL BACKGROUND, AND CURRENT RESPONSIBILITIES.**

12 A. I have a Bachelor of Science degree from Middle Tennessee State University. I  
13 have worked for Atmos Energy and its predecessor since 1979. In 2001, I as-  
14 sumed my current position. I am responsible for the oversight of regulatory af-  
15 fairs for the Kentucky/Mid-States Division in the States of Tennessee and Virgin-  
16 ia.

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

19 A. Yes. Throughout my years with the Company I have provided testimony before  
20 the Tennessee Regulatory Authority in numerous dockets. I have also testified  
21 before the Virginia State Corporation Commission, the Georgia Public Service  
22 Commission, the Illinois Commerce Commission and the Missouri Public Service  
23 Commission.

1

2 **III. TESTIMONY**

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

6 A. Yes. Atmos Energy's Kentucky/Mid-States Division serves customers in Tennes-  
7 see, Kentucky and Virginia. This Division provides natural gas service to approx-  
8 imately 330,000 customers across those three states. Atmos Energy serves ap-  
9 proximately 132,000 residential, commercial, and industrial customers in  
10 Tennessee. The Company has a Tennessee-based work force of slightly less than  
11 160 employees including 32 employees in the Kentucky/Mid-States Division of-  
12 fice in Cool Springs. Our utility plant in Tennessee includes approximately 67  
13 miles of transmission, 3,340 miles of distribution mains and 143,000 service lines.

14 **Q. WHAT DOES ATMOS ENERGY SEEK IN THIS PETITION?**

15 A. In this Petition, Atmos Energy exercises its statutory right to opt-into the annual  
16 review mechanism established by Tennessee Code Annotated 65-5-103(d)(6).  
17 This statutory provision, adopted in 2013, allows a public utility to opt for annual  
18 review of its rates. Upon such election, the statute provides in subsection  
19 (d)(6)(C) that the Authority shall "order the public utility to make the adjustments  
20 to its tariff rates to provide that the public utility earns the authorized return on  
21 equity established in the public utility's most recent general rate case." To im-  
22 plement and establish procedures to govern the statutory review mechanism for  
23 Atmos Energy, the Company has filed a proposed tariff, a copy of which is at-

1       tached to the testimony of Company Witness Gregory Waller. This proposed tar-  
2       iff spells out the timing of such annual filings and the methodologies to determine  
3       the adjustment to the Company's rates that are necessary to provide that the Com-  
4       pany earns the authorized return on equity of 10.1%, as established in the Compa-  
5       ny's most recent general rate case.

6       **Q.    WHEN WAS THE LAST GENERAL RATE CASE FOR ATMOS ENER-**  
7       **GY?**

8       A.    Subsection (d)(6)(B) sets forth the requirement for a utility to qualify to opt-in to  
9       the statutory annual review procedure under Tennessee Code Annotated 65-5-103  
10       (d)(6). Specifically, subsection (d)(6)(B) requires that the public utility must have  
11       engaged in a general rate case within the last five (5) years; provided, however,  
12       that the authority may waive such requirement or increase the eligibility period  
13       upon a finding that doing such would be in the public interest. Atmos Energy has  
14       engaged in a general rate case within the last five years, having concluded its last  
15       general rate case (Docket 12-00064) less than five years ago, in December 2012.  
16       Company Witness Gregory Waller's direct testimony will discuss in detail the  
17       calculation of the tariff rate adjustments necessary to provide that the Company  
18       earns the authorized return on equity of 10.1%.

19       **Q.    PLEASE EXPLAIN THE HANDLING OF ECONOMIC DEVELOPMENT**  
20       **INVESTMENTS UNDER THE STATUTE?**

21       The statute provides for economic development expenses to be handled in two  
22       ways. A utility may request implementation of a mechanism to recover economic  
23       development costs. Alternatively, section 65-5-103(d)(3)(B) provides that the

1 Authority shall adjust rates to recover operational expenses, capital costs or both  
2 associated with the investments associated with economic development facilities,  
3 including the return approved by the Authority in the Company's most recent  
4 general rate case, which for Atmos Energy is a return on equity of 10.1%.

5 **Q. HAS ATMOS ENERGY INCLUDED ANY ECONOMIC DEVELOPMENT**  
6 **OPERATIONAL EXPENSES OR CAPITAL COSTS IN THIS FILING?**

7 A. Not in this filing; however the request for recovery of any incurred operational  
8 expenses, capital costs or both related to the expansion of infrastructure for the  
9 purpose of economic development may be included in future annual filings.

10 **Q. WHAT SUPPORT WILL BE FILED ANNUALLY IN SUPPORT OF THE**  
11 **COMPANY'S ANNUAL REVIEW MECHANISM?**

12 A. The Company will file a set of schedules that in large part mirrors what the Com-  
13 pany has filed in its general rate cases. These schedules are discussed in the tes-  
14 timony of Company Witness Gregory Waller.

15 **Q. WHAT IS THE COMPANY'S PROPOSED EFFECTIVE DATE FOR THE**  
16 **RATE ADJUSTMENT?**

17 A. The proposed effective date is January 1, 2015, which is 120 days from the filing  
18 date consistent with Tennessee Code Annotated Section 65-5-103(d)(1)(A).

19 **Q. WHAT IS THE REQUESTED RATE ADJUSTMENT IN THIS PROCEED-**  
20 **ING?**

21 A. The Company is requesting an increase of \$2,517,023 based on the overall return  
22 of 8.11% and current return on equity of 10.1% as authorized in the Company's  
23 most recent case.

1    **Q.     WHAT IS THE COMPANY'S CURRENT RATE DESIGN?**

2    A.     The Company's current rate design apportions the Company's revenue require-  
3           ment between a monthly fixed charge and a volumetric rate for each customer  
4           class. Except for the proposed increases to both the monthly customer charge and  
5           the volumetric rate component, the Company is proposing essentially the same  
6           rate design.

7    **Q.     HOW IS THE COMPANY PROPOSING TO DISTRIBUTE THE RE-**  
8           **QUESTED INCREASE?**

9    A.     The Company is proposing to distribute the requested increase among the rate  
10          classes proportionate to the current margin of each class and consistent with the  
11          distribution methodology in Docket 12-00064. The distribution of the increase is  
12          shown in Schedule 11 (The Proof of Revenues and Calculation of Rates)

13   **Q.     BRIEFLY DESCRIBE THE COMPONENTS THE COMPANY UTILIZED**  
14          **TO ARRIVE AT ITS CALCULATION OF FORWARD LOOKING TEST**  
15          **YEAR BILLING DETERMINANTS**

16   A.     The Company calculated its Forward Looking Test Year Billing Determinants  
17          consistent with the methodology adopted in Docket No. 12-00064. The Company  
18          first began with Historic Base Period sales and transportation volumes of  
19          23,895,057 Mcf, 1,615,993 bills and 16,126 billing demand units. The Company  
20          then adjusted for normal weather, annualized customer usage and customer  
21          growth to arrive at Forward Looking Test Year billing determinants of 24,566,191  
22          Mcf, 1,653,475 bills and 16,126 billing demand units.

1 **Q. PLEASE DESCRIBE HOW THE COMPANY CALCULATED ITS**  
2 **WEATHER NORMALIZATION?**

3 A. Consistent with the methodology adopted in Docket 12-00064, the Company used  
4 weather data from the Bristol, Nashville, Knoxville (TN) and Paducah (KY) NO-  
5 AA weather stations to normalize actual usage for all customers served under  
6 Rate Schedule (210), (211), (220), (221) and (225), as well as the commercial  
7 sales customers under Rate Schedule (230). From this data a 30-year daily normal  
8 ending June 30, 2014 was calculated. Monthly normal cycle degree days were  
9 calculated from the 16th of the previous month to the 15th of the current month to  
10 approximate cycle-billing. Weather normalization months were the periods from  
11 October through April to also be consistent with Docket 12-00064.

12 **Q. HOW DID THE COMPANY ADJUST THE FORWARD LOOKING TEST**  
13 **YEAR BILLING DETERMINANTS FOR EXISTING CUSTOMER US-**  
14 **AGE?**

15 A. As utilized in Docket 12-00064, the Company adjusted industrial customer usage  
16 by individually analyzing the sales volumes of the Company's largest customers.  
17 These adjustments, made by rate schedule, are based on whether the customer re-  
18 duced or increased consumption or left the system during the Historic Base Peri-  
19 od. Adjustments were also made based on information provided by these custom-  
20 ers concerning their projected usage during the Forward Looking Test Year.

21 **Q. HOW WERE SALES VOLUMES FOR ADDED CUSTOMERS COMPUT-**  
22 **ED?**

1 A. Consistent with the methodology in Docket 12-00064, the customer growth ad-  
2 justments reflect the projected net number of residential, commercial and small  
3 industrial customers that will be added to the system during this Forward Looking  
4 Test Year. This adjustment is based on the two-year period, ending June 30,  
5 2014. The customer change is then multiplied by the annualized normal usage per  
6 customer to arrive at the adjustment to volumes. Consistent with Docket 12-  
7 00064, a declining usage adjustment in annual usage per customer was not uti-  
8 lized in these calculations, which are shown in Schedule 11 of the Petition.

9 **Q. HOW DID THE COMPANY COMPUTE OTHER REVENUES?**

10 A. Other revenues primarily consist of forfeited discounts and miscellaneous service  
11 charges. Consistent with Docket 12-00064, the Company took a historical aver-  
12 age of these amounts over the last two years. This produced \$1,136,588 in Other  
13 Revenues as shown in Schedule 11 of the Petition.

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

16 A. In addition to my testimony, Atmos Energy presents the direct testimony and ex-  
17 hibits of two witnesses.

18  
19 Gregory K. Waller, Manager Rate and Regulatory Affairs, testifies concerning the  
20 mechanics of the Company's proposed annual mechanism including filing time-  
21 lines, methodologies, and cost of service data sources in support of the proposed  
22 tariff which is attached to his testimony as Exhibit GKW-1 and Schedules 1  
23 through 11 attached to the Company's Petition. Mr. Waller's testimony also con-

1 cerns the Company's operating expenses and capital budget processes, as well as  
2 the control and monitoring of O&M and Capital Expenditure ("Capex") budget  
3 variances.

4  
5 Jason Schneider, Director of Accounting Services for Atmos Energy Corporation,  
6 testifies regarding the historic books and records of the Company and the integrity  
7 of the financial information in this case. He also sponsors the Company's Cost  
8 Allocation Manual (CAM), which describes the methodology for shared services  
9 cost allocations.

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

11 **A. Yes.**

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**DOCKET NO.**


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**VERIFICATION**

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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 25<sup>th</sup> day of August, 2014.

  
Notary Public

My Commission Expires: MAY 3, 2016

