

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

IN RE:

**PETITION OF ATMOS ENERGY
CORPORATION FOR APPROVAL
OF NEGOTIATED FRANCHISE
AGREEMENT WITH THE COUNTY OF
HAMBLLEN, STATE OF TENNESSEE**

Docket No. 14- 00089

**DIRECT TESTIMONY OF
JOHN A. HUGHES
ON BEHALF OF ATMOS ENERGY CORPORATION**

Q: Please state your name and business address.

A: My name is John A. Hughes. My business address is 1639 Robert C. Jackson Drive
Maryville, Tennessee 37801.

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

A: I am employed by Atmos Energy Corporation, Kentucky/Mid-States Division ("Atmos")
as Operations Supervisor for the Maryville area of operations which includes Atmos'
operations in the County of Hamblen, State of Tennessee.

Q: Please describe your work history with Atmos.

A: I have been employed by Atmos for 38 years. I began my career as a construction
employee and have held various positions in Atmos with increasing responsibilities. I
have been in my current position for 17 years.

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

1 A: No.

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

3 A: I am testifying on behalf of Atmos in support of the petition filed to approve the franchise
4 between Atmos and the County of Hamblen, State of Tennessee for the territory of the
5 County outside the city limits of Morristown which is governed by a separate franchise
6 agreement.

7 **Q: In your capacity as the Operations Supervisor for the Maryville region of Atmos,**
8 **are you familiar with the natural gas distribution system operated by Atmos in**
9 **Hamblen County?**

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

12 **Q: Please give the Authority an overall description of the Hamblen County, State of**
13 **Tennessee system and the customers served.**

14 A: There are approximately 1,841 customers located within the county limits, but outside the
15 city limits of Morristown, being served by the natural gas distribution system owned and
16 operated by Atmos. Of that amount, approximately 96% are residential customers and
17 4% are in other customer classes such as commercial and industrial.

18

19 The Atmos system consists of approximately 66 miles of pipe within Hamblen County.
20 This pipe is comprised of distribution mains, transmission mains, and service lines. The
21 majority of this pipe is located within the public rights-of-way of Hamblen County.
22 Without access to these public rights-of-way, Atmos could not adequately maintain,
23 replace and/or operate its distribution system.

1
2 **Q: Has Atmos operated a natural gas distribution system in Hamblen County for a**
3 **number of years?**

4 A: Yes. Atmos and its predecessor entity have operated for many years in Hamblen County
5 under franchise agreements with the County. The franchise agreement Resolution
6 adopted April 8, 1968 by the County allowed Atmos' predecessor entity to operate a gas
7 system within the boundaries of Hamblen County lying outside the city limits of the City
8 of Morristown and to use the public rights of way of the County for its distribution
9 system and related plant and access thereto for a thirty year period. For the past fifteen
10 years Atmos and Atmos' predecessor entity have operated a gas system within the
11 County under the franchise agreement Resolution passed by the Hamblen County Board
12 of Commissioners on February 18, 1999.

13 **Q: Could you please explain the circumstances that caused a need for a new franchise**
14 **agreement between Atmos and Hamblen County.**

15 A: Yes. Under § 65-26-101 of the Tennessee Code Annotated, Atmos is required to have
16 the consent of Hamblen County, in the form of an ordinance, in order to enter onto the
17 streets and alleys of Hamblen County for the purpose of placing, maintaining, or
18 expanding its natural gas distribution facilities. Atmos and its predecessor entity have
19 been providing natural gas service to Hamblen County for the last forty-five years
20 pursuant to the resolutions I have previously mentioned. As the fifteen year term of the
21 Resolution adopted February 18, 1999 expired in February 2014, Atmos and the County
22 have entered into a new franchise agreement, allowing Atmos to continue to serve
23 Hamblen County into the future.

1 **Q:** When did Atmos begin pursuing a new franchise arrangement with the County?

2 A: The Company and the County began discussions in early 2014 and a proposed new
3 franchise ordinance followed from those discussions.

4 **Q:** How does the new franchise agreement compare with the old one?

5 A: The proposed franchise is for a term fifteen years, similar to the previous agreement. The
6 new agreement is materially identical to the old agreement, and neither agreement carries
7 a franchise fee. Atmos will continue providing gas service under the terms of the old
8 agreement pending the Authority's consideration of the new agreement.

9 **Q:** Is TRA approval required for this new franchise agreement?

10 A: Yes. Under § 65-4-107 of Tennessee Code Annotated, the new franchise agreement will
11 not be valid unless and until approved by this Authority.

12 **Q:** What is the standard to be utilized by the Authority in determining whether to
13 approve the new franchise agreement?

14 A: Under the statute, the Authority is authorized to approve the ordinance if it finds that it
15 "is necessary and proper for the public convenience and properly conserves the public
16 interest."

17 **Q:** In your opinion, are the Hamblen County franchise agreement's terms necessary
18 and proper for the public convenience and in the public interest?

19 A: Yes, on a number of grounds.

20
21 First, the new franchise terms reflected in the new agreement will establish a long-term
22 arrangement through which the current and future residents, business enterprises and
23 governmental facilities located within Hamblen County- will be able to receive, under the

1 supervisory jurisdiction of the Authority, the benefits of continuing natural gas service
2 provided by Atmos for an extended period. This arrangement will help ensure the
3 continuing availability of high-quality natural gas service to Hamblen County for the
4 foreseeable future.

5
6 Second, the new franchise facilitates the provision of such natural gas service to Hamblen
7 County by an established and proven provider of that service well-known to both
8 Hamblen County and this Authority and possessing the requisite expertise, facilities,
9 systems and gas supply and transportation assets necessary to provide such service.

10
11 Third, the new franchise arrangement establishes adequate and proper mechanisms for
12 access by the Company to public rights-of-way, new and existing customers, and its
13 distribution facilities. These mechanisms help to ensure that Atmos is able to provide
14 both adequate and efficient service and to comply with the requirements of this Authority
15 to ensure the safety and protection of residents and property within Hamblen County.

16
17 Fourth, the various other protective provisions set forth in the new franchise arrangement
18 provide useful and important tools for Hamblen County to ensure that its citizens are
19 benefited and not economically harmed by the activities of Atmos within Hamblen
20 County.

21
22 Fifth, the new franchise arrangement provides an incentive for Atmos to invest in
23 infrastructure needed to provide improved and expanded service within Hamblen County

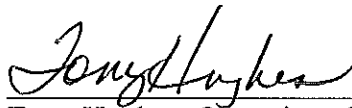
1 by ensuring that Atmos will have the right to provide service within these areas for a
2 sufficient period in order to permit Atmos the opportunity to recover the capital
3 investment in such facilities under the rates approved by the Authority.

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

5 A: Based on the facts discussed above, we are asking the Authority to approve the new
6 franchise agreement between Atmos and Hamblen County as reflected in Exhibit 1 to the
7 Petition in this matter.

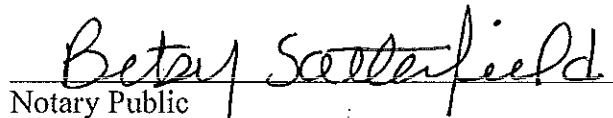
8 **Q: Do you have anything further to add to your testimony?**

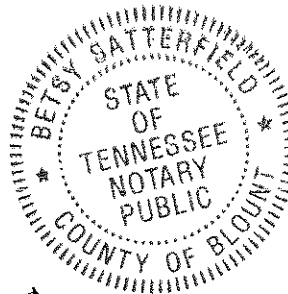
9 A: Not at this time.



Tony Hughes, Operations Supervisor
for the Hamblen County Area of Operations

Sworn to and subscribed before me
this 5 day of September, 2014


Notary Public



My Commission Expires: 03/23/2015