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Witness: Michael J. Ensrud
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MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

DIRECT TESTIMONY

OF

MICHAEL J. ENSRUD

ATMOS ENERGY CORPORATION

CASE NO. GR-2006-0387

Jefferson City, Missouri
September 2006

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of Atmos Energy Corporation's Tariff Revision Designed to Consolidate Rates and Implement a General Rate Increase for Natural Gas Service in the Missouri Service Area of the Company.	))))))	Case No. GR-2006-0387

AFFIDAVIT OF MICHAEL J. ENSRUD

STATE OF MISSOURI)
) **ss**
COUNTY OF COLE)

Michael J. Ensrud, of lawful age, on his oath states: that he has participated in the preparation of the following Direct Testimony in question and answer form, consisting of 20 pages of Direct Testimony to be presented in the above case, that the answers in the following Direct Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true to the best of his knowledge and belief.

Michael J. Ensrud

Subscribed and sworn to before me this 25th day of September, 2006.

Notary Public

My commission expires 9-23-2008

ROSEMARY R. ROBINSON
Notary Public - Notary Seal
State of Missouri
County of Callaway
My Commission Exp. 09/23/2008

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Q. Please state your name and business address.

A. My name is Michael J. Ensrud, P.O. Box 360, Jefferson City, Missouri 65102.

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

A. I am a Rate & Tariff Examiner II in the Energy Department of the Missouri Public Service Commission (Commission).

Q. What is your educational and professional experience?

A. I have a Bachelor of Science from Drake University. I attended the NARUC Annual Regulatory Studies Program at Michigan State University. In the regulatory field, I've worked for CompTel Missouri, and CommuniGroup, Inc., Teleconnect, Telecom* USA, and General Telephone Company of the Midwest in the private sector. In addition, I have four-years experience with the Iowa Public Utility Board – Iowa's equivalent to the Missouri Commission

Q. Have you previously testified before the Missouri Public Service Commission?

A. Yes, I have testified on behalf of Teleconnect, Telecom* USA, CompTel Missouri, and CommuniGroup, Inc. I have filed written testimony and have testified in several jurisdictions.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to address the various tariff changes Atmos Energy Corporation (Atmos or Company) is proposing within the context of this case.

Executive Summary

Issues that I will address are as follows:

Atmos proposes to raise its non-sufficient funds charge (NSF charge or bad check charge) to $30.00 for all the Company's service area. Currently, the NSF charge varies from nothing to $15.00 per-returned-check depending upon Atmos' service area.

Atmos proposes five different rates for an "Activation Charge". This nebulous term should be replaced with commonly-understood terminology. Further, the proposed rates should be reduced.

Staff supports Atmos' attempt to establish an "Economic Development Gas Service" rider.

Staff supports Atmos' attempt to establish a "cash out" provision.

Staff supports Atmos' attempt to change the current the Gas Lost & Unaccounted (L&U) adjustment applicable to transportation customers. Currently, the adjustment is based upon a measured network loss that actually occurred over the last 24-months. The proposal is to use a flat 2% adjustment. A problem with L& U needs to be corrected.

Staff supports Atmos' attempt to establish a new main extension policy based upon a computer model that computes a cost/benefit analysis, while abandoning the 150 feet "free" policy. The existing refund policy should continue.

Staff seeks to address the need for a more encompassing reconnection charge, in light of Staff's proposed "delivery" charge. The proposed change would take away the customers' motivation to disconnect service in summer months.

Atmos' Returned Payment Charge Proposal

Q. What is Staff's position concerning Atmos' proposal to increase its non-sufficient funds charge (NSF charge or bad check charge) to $30.00 for the Company's entire service area?

A. Staff does not support a $30 rate for NSF charge. However, Staff does support a charge for the NSF or bad check charge in the amount of a $15 rate. The Staff's analysis indicates that the cost justified relating to this charge is equivalent to a $12.14 per-check returned (Staff DR 0151).

Q. Is there any contradiction in proposing a $15.00 NSF check charge, when underlying cost is a mere $12.14?

A. The $15.00 price is a variation from a pure cost basis, but, there are practical considerations in setting this rate. The traditional dogma infers that the cost causer should be the cost payer. The proper concept is rates should generally reflect underlying cost, unless there are reasons to do otherwise.

The reality of this particular situation, however, is that the vast majority of Atmos customers have paid a $15.00 NSF charge under the current rate structure. The information Atmos provided in Staff DR No. 151 indicated that of the 1395 occurrences of NSF charges applied (between 2002 and 2004); there were 1393 occurrences where the $15.00 NSF rate was charged. There were only two occurrences where the $10.00 NSF charges were applied over the three-year period. For all practical purposes, Atmos currently has a $15.00 NSF charge today. The rate that I am proposing, for the vast majority of customers, constitutes retention of the status quo. It is a practical consideration which causes me to recommend

retention of the current $15.00 NSF, even though underlying cost calculates out to $12.14 per-occurrence.

Atmos' Activation Charge Proposal.

Q. What is your reaction to Atmos proposing 5 different charges with each one identified as an Activation charge?

A. I believe modifications to Atmos' proposal are appropriate at two levels.

Q. What is the first level of concern and what modifications do you propose?

A. My concern is the proposed language is confusing when compared to the general vernacular of the industry and language used in the Commission rules. Atmos has proposed the term "activation charge" which is also sometimes the generic term for "connection charge". These terms are used for both connections in normal business hours and outside normal business hours. In addition, the term "activation charge" is sometimes used as the generic term for "reconnection charge", for reconnections during normal business hours and outside normal business hours. There is also the version of the term "activation charge" where it applies to a meter read that takes place at an unscheduled time. This is generally considered a "transfer" in generic terms. To further complicate matters, many of these "flavors" of "activation charge" have a unique charge.

It is confusing to establish the "activation charge" in Atmos' tariff, and apply it to a virtual cornucopia of generic terms with each having a unique meaning. Better to eliminate the nebulous term, and replace it with commonly understood terminology that differentiates between one flavor of "activation charge" and another. The generic terms are present in Commission rules. There is no reference to "activation charge" in the rules, at least, in the

sense Atmos proposes the term. There was concern about confusion occurring and the possible legal ambiguities if "activation charge" was the tariffed term.

Q. Did Atmos and Staff come to some sort of agreement concerning this matter of the term "activation charge"?

A. Yes. After discussions with Atmos, an agreement was reached and documented in Staff DR No. 117. Therefore, it appears that an agreement now exists in which Atmos agrees to revise its proposed language to use the generic (commonly understood) terminology, instead of the term "activation charge."

Q. Are there any other concerns once the terminology issue is resolved?

A. Yes. No matter what terminology is used, Atmos' proposed rates are too high when compared to underlying costs. Staff proposes reducing these rates. A comparison of the rates which Atmos proposes, Staff's computation of cost, and Staff's proposed rates are juxtaposed in the following chart:

Type of Charge	**Atmos proposed rate**	**Cost Per Atmos***	**Staff's proposed rate**
Connection – normal hours	$30.00	$23.56	**$24.00**
Connection – outside normal hours	$60.00	$50.09	**$50.00**
Reconnection – normal hours	$30.00	$23.56	**$24.00**
Reconnection – outside normal hours	$60.00	$50.09	**$50.00**

Type of Charge	Atmos proposed rate	Cost Per Atmos*	Staff's proposed rate
Transfer - normal hours	$25.00	$20.02	**$20.00**
Transfer - outside normal hours	$55.00	$46.55	**$47.00**

* (See Staff DR No. 151)

Q. Why is Staff proposing these rates?

A. The Staff's proposal is based on the underlying cost of providing these services. While not an exact match, the proposed rates were rounded to the nearest whole dollar for simplicity.

Paying these charges is a necessity when gaining service (connection / reconnection / transfer) and, therefore, should be held closer to cost, than other charges (NSF charge, for example) where the customer has some control over incurring the charge.

Atmos' Economic Development Gas Service Rider Proposal.

Q. What is Staff's position relating to Atmos' proposal to provide an "Economic Development Gas Service" (EDGS) rider?

A. Staff is recommending approval, of Atmos' proposed EDGS rider.

Q. Why is Staff recommending approval of Atmos' EDGS rider?

A. There are some practical aspects that give credence to approval. After careful consideration and review of this proposal, Staff believes this proposal to be non-detrimental to Atmos' customers. In response to Staff Data Requests and questions, Atmos asserts that there have been no customers who have established service, within the last 10-years, who would meet the EDGS criteria (See Staff DR No. 202 (A)).

The duration of the discount promotion (25% of the customer charge (per meter) & 25% of the Distribution Commodity Rate) is 4-years. This time-frame is reasonable and can provide the Staff with a better understanding of how it works when Atmos files its next rate case.

Atmos' Transportation Cash Out Proposal.

Q. What is a "cash out" provision and what is your recommendation as to whether it should be established?

A. A cash-out provision is a procedure in which transportation customers are allowed to resolve imbalances by cash payments, rather than making up imbalances with gas volumes in kind. An imbalance is a discrepancy between the amounts of gas a transportation customer delivers versus what it uses. A negative imbalance is created when a transport customer uses more gas than it delivers into Atmos' system. On the other hand, a positive imbalance is created when the transport customer uses less gas than it delivers into Atmos' system. Atmos does not have a current uniform policy on treating imbalances. For example, when a transportation customer needs more gas than what they nominate on a particular day, that transportation customer uses Atmos' gas supply to meet their usage. The usage of Atmos' gas creates a negative imbalance – an obligation to either replace the gas from the traditional supplier at a later date, or to pay for the gas used from Atmos' gas supply. Atmos currently charges the transportation customer $15.00 per-MCF charge for using Atmos' gas supply when they are in an imbalance position at the end of the month (DR 208.1).

Currently, in positive imbalance situations, Atmos absorbs the over-delivery, sometimes at no charge. Generally, the transportation customer eventually uses the gas

initially retained by Atmos, but in rare instances Atmos may pay for the unutilized gas (DR 208.1).

In some past cases, Atmos settled imbalances (both positive and negative) with the transportation customer's suppliers, not the transportation customer. It was, then, up to the supplier to "settle up" with its transportation customers in some instances. Atmos asserts suppliers are unwilling to continue to engage this method of true-up (Staff DR No. 208.1).

If the Commission accepts Atmos' proposal and Staff's recommendation, these varying policies will be replaced with a uniform policy that is based upon a standardized cash-out policy being established in this proceeding. Staff is in support of Atmos' proposal in this case.

Q. How are these charges calculated?

A. The calculation of obligation owed for the monthly component of the cash-out charge starts with indexed prices set forth in a publication. There are weekly highs and weekly lows listed in the publication. These weekly prices impact both negative and positive imbalances that exist at the end of a month. The highest weekly price for a month is the price that Atmos sells gas to transportation customers. When Atmos buys gas that was delivered, but went unutilized, the lowest weekly price is paid for gas that Atmos must absorb. The prices quoted in the publication determine the price the transportation customer pays when a negative imbalance exists, and the price the transportation customer receives when a positive imbalance exists. Beyond these charges, Atmos charges applicable pipeline fuel and transportation charges as part of the monthly component.

There is an additional premium applied beyond the price quoted in the publication. A transportation customer who is in a negative imbalance position by more than 5% pays a

premium above the aforementioned "price." Likewise, a transportation customer who is in a positive imbalance position by more than 5% is paid a discounted price, compared the weekly low price listed in the publication. The farther out of balance, the greater the "penalty" the index imposes.

In the proposed cash-out provision, a transportation customer's "price" is dictated by a publication. However, the premium or penalty for having a positive or negative imbalance greater than 5% of the total monthly contract volumes of gas comes from an index referenced in the tariff. These two factors dictate the monthly cash-out payment.

Beyond the index price and corresponding premiums (if applicable), Atmos will charge a daily scheduling fee. This charge is based upon storage demand charges plus storage capacity charges plus annual injection and withdrawal costs. The daily usage must be out of balance by 10% for this charge to apply.

Q. Is the proposed monthly cash-out provision a reasonable way to address imbalances created by using more gas than delivered by the supplier, or not using all the gas delivered by the supplier?

A. Yes. The establishment of cash-out provisions seems to be a reasonable approach. Conceptually, Atmos performs functions which are analogous to a "gas bank", in that it allows the transportation customer to draw gas when there is a shortage and deposit gas when more is delivered than can be utilized. This function is well beyond the basic transportation function.

If the transportation customer takes reasonable precautions, the customer should know where monthly nominations stand in relation to actual month-to-date usage (whether the customer is in negative or positive imbalance), and take appropriate steps to get back "in

balance" by month-end. Adjusting what a transportation customer orders from its supplier, in order to get the gas delivered to correspond with the gas consumed, would minimize the "penalty" aspect of the cash out provision. In short, the transportation customer (or its supplier) can control the cash-out penalty by its own actions. Atmos is both rendering a valuable service and incurring a market risk in a time of volatile gas prices.

Q. Do you have any comments about the condition of the Atmos' cash-out proposal?

A. Yes. The monthly cash-out provision lacks any alternative procedure if the referenced index or referenced publication becomes unavailable. There needs to be some contingency plan if Natural Gas Week can not produce a price for a particular pipe line supplier for the month that a billable imbalance exists. Staff proposes tariff language be incorporated into Atmos' tariff that is similar to Union Electric Company. The language would be as follows:

> *In the absence of such published Natural Gas Week index, the Company will determine, subject to Commission's review in Company's actual Cost Adjustment (ACA) filing, a suitable replacement source for such weekly market price information.*

Without some fallback position, the lack of an index would make Atmos proposed methodology non-functioning.

Q. How will the revenues generated by these new cash-out provisions be recognized?

A. They will flow through to all firm customer classes via the PGA mechanism. This means if Atmos fails to recover underlying costs from transportation customers, regular customers will pay the difference.

Q. Do you have any closing comments?

A. Yes. The Staff supports Atmos' cash-out proposal for its transportation customers.

Atmos' Transportation Gas Lost & Unaccounted Proposal

Q. What is Atmos' proposal?

A. The proposal is to use a flat 2% adjustment in the future when imputing a level of lost and unaccounted for (L&U) gas. This loss is applied to transportation customers overtly, but is applied implicitly to "normal" customers. Currently, the adjustment is based upon measured network loss that "actually" occurred during the last 24-months for Atmos' entire Missouri system.

Q. What is Staff's position of this issue?

A. Staff's position is acceptance of the 2% factor with conditions. The current methodology fails to produce reasonable results because Atmos has lost the ability to measure L&U accurately. The use of a 2% factor is perceived as a high L&U amount from a normally functioning system and will act as a surrogate until the problem is fixed.

Q. What are the additional conditions?

A. Atmos should fix its measurement problem as soon as possible, and should be required to report to the Commission its actual L&U gas every 6 months. In addition to reporting the actual percentage, Atmos needs to report to the Commission when the measurement problems have been rectified. Once the measurement for L&U is working with some degree of reliability, Atmos should be put on notice that the gas L&U factor should be revised in its tariff if there is a 25% deviation from the 2% factor Atmos is proposing and Staff is recommending.

Staff believes that if there is a 25% variance from the 2% factor, Atmos should revert to using real measurement criteria to calculate L&U gas. A Commission directive to fix the flawed measuring system, coupled with a reporting requirement should result in information needed to know if the 2% adjustment truly reflects Atmos' L&U.

Staff also recommends that the Commission should impose fines on Atmos if the problem (whether real leaks or measuring problems) is not rectified and loses of the existing magnitude (4.5% for 2004 & 5.0% for 2005 (DR 0053)) continue to be reported.

Main Extension Policy Proposal.

Q. What is Atmos' proposal?

A. Atmos is proposing to eliminate the existing 150 feet of "free" extension policy currently in effect and replace it with a computer generated program that generates a "price" for the new extension. Upon review of the alternative method, Atmos' proposal seems to be an improved substitute to the existing policy of giving anyone and everyone who needs a main extension, a free 150 feet allotment. The existing policy then requires the potential customer to pay for all facilities beyond the initial 150 feet of extension.

Q. How pervasive is potential customers seeking main extensions?

A. This application would only apply to a limited customer base. It is for customers who have built new homes or developers who have built new housing tracks in a place that lacks existing gas mains. The new main extension policy would not be applicable when construction of new homes takes place where main capacity already exists.

Q. What is Staff's position on this proposal?

A. Staff is in support of Atmos' proposal on this issue. What is being proposed is somewhat of a compromise. It is a continuation of the long-standing practice of customers

who need a main extension, getting an allotment or an offset in the total cost in establishing service, but the allotment has some financial justification behind the method of allocation. It is a step in the direction of cost-based main extensions. It is better to use a criterion that matches perspective revenues and perspective costs associated with a particular installation. Customers pay for service in dollars. Atmos proposes the use of a computer model that estimates the cost of the main extension and the revenues that will be derived from having the potential customer commence purchasing service from Atmos.

Q. What is accomplished by this approach concerning the "free" allotments of main extensions?

A. By treating the "free" allotment of mains as a quasi-finance calculation, the Commission is likely to get a better "matching" of projected costs and projected revenues vs. what is currently provided as a "free" line extension policy. Indeed, there is no correlation of costs or revenues and what is provided under the current "come-one, come all - 150 feet of main extension free" policy.

Q. Is there a problem that needs to be resolved concerning the Atmos Profitability Model (APM)?

A. Yes. In its response to Staff DR No. 231, Atmos acknowledges that it plans on implementing the elimination of the practice of refunds when an initial customer pays for main extensions, and, subsequently, a secondary customer utilizes some of the facilities that were paid for by the initial customer. In this scenario, it is traditional that the initial customer be compensated by the utility for that percentage of the total cost that would be attributed to the new customer. The utility may be able to charge the secondary customer the money associated with joint and common costs of their hookup and refund some of the amount back

to the initial customer. The reassignment of cost (under these conditions) is both reasonable and just in an economic sense. This time-honored practice of recompensing the initial customer is an equitable distribution of cost among customers sharing common facilities. Atmos should adopt language similar to the following:

> *Atmos shall refund to the initial customer, a pro rata share of any joint and common costs paid to establish main extensions when any subsequent customer shares in those facilities within the next 5 years after the facilities are established. Atmos is free to simultaneously incorporate any pro rata costs refunded to the initial customer, into the subsequent customer's APM calculation. These diverted initial costs of construction during the first 5-years can be recaptured (if justified) via the APM process. The costs to be reallocated shall be joint and common costs that benefit both the initial and subsequent customer. The pro rata allocation shall be a ratio of distance of facilities shared. For example, if the initial customer pays for a 1000 foot extension and the subsequent customer utilizes those same 1000 feet, then the initial customer receives 50% refund of those cost that are joint and common to both customers. If the initial customer pays for 1000 foot extension and the subsequent customer utilizes only 500 feet of that main extension, then the initial customer receives 25% refund of those cost that are joint and common to both customers.*

Q. Did Atmos commit to any changes to the proposed tariff?

A. Yes. There were some unintentional eliminations of tariff language when Atmos drafted its main proposal. The sections that were unintentionally omitted address Atmos' responsibility for meters, "Free Extension Allowance" and "Cost of Facilities for Permanent Gas Service". Atmos will reinsert this needed tariff language that was lost in translation of the "old" main extension policy to the "new" extension policy. (See Company response to Staff DR No. 116 for specific language.)

Reconnections

Q. What is Staff proposing as it relates to a reconnection fee?

A. Staff is proposing to change the reconnection fee that would allow the Company to collect its delivery charges that were missed during the months that the seasonal

customer was off the system, as well as the traditional reconnection charge. This will ensure that the Company's fixed costs are equitably paid for by all customers. In the current environment, approximately 7000 customers (out of approximately 70,000 base) disconnect from Atmos' service for a month or more every year (Staff DR No. 0230). These customers reconnect and return to using gas generally during the colder time of year. Customers who follow this pattern are referred to as "seasonal disconnect customers".

The problems seasonal disconnect customers pose is the shifting of costs to customers who remain connected all year around. Customers utilizing seasonal disconnect avoid paying the current customer charge, as well as the current volumetric rates. Staff believes that a customer knows that the total bill can be avoided via seasonal disconnect and that is the primary motivation for doing so. Saving money drives these seasonal customers to seek disconnection in warm months.

Staff witness Anne Ross of the Commission's Energy Economic Analysis Department is proposing a new rate called a "delivery charge". This delivery charge will be the basis for the reconnection charge.

Q. What constitutes "fixed costs" that are being avoided by seasonal disconnects?

A. For the seasonal disconnect customer, there are a vast amount of distribution costs that simply don't go away during a disconnection. Costs associated with meters and services, to name a few, are fixed.

Q. What supports your contention?

A. Atmos acknowledges such in its response to Staff DR No, 0230 when it states the following:

> *While not uniformly true, most of the charges being recaptured via the proposed customer charge can be characterized as "fixed" (not fluctuating*

with the volume of gas being concerned), sunk (not easily reallocated to a different customer / no easily reusable) and somewhat dedicated to a particular customer. For the vast majority of the distribution costs, Atmos experiences these cost whether the customer is connected or disconnected. From the perspective of distribution costs, it matter little whether the customer is active or inactive.

WE BELIEVE THAT ONLY MINOR COSTS, SUCH AS BILL PRINT, POSTAGE AND RELATED COSTS WOULD BE AVOIDED.

Q. What is the specific concern?

A. The concern is what will happen if the current rate structure is replaced by a different rate structure. Staff believes a different rate structure may exacerbate seasonal disconnect problems, unless some effective means is found to deter it. Atmos' $30.00 proposal is an ineffective deterrent. Staff proposes a more encompassing policy that will be a more effective deterrent. Staff's method will differentiate the cost to reconnect and ties it to the time a specific customer was disconnected.

In the short run, it is the Atmos' stockholders who lose via summer disconnect, but, in the long run, these seasonal disconnects will negatively impact (raise their rates) Atmos' customers who stay on the system year around. Given the description of cost set forth above, such a foisting of costs from seasonal customer to year-around is unjust and unwarranted.

Q. Has Atmos tried to do anything to attempt to dissuade seasonal disconnects?

A. Yes. In other states (Virginia, Georgia, Kentucky, and Illinois) Atmos has tried to dissuade seasonal disconnects. It would appear that Atmos has had mixed results.

In Atmos' response to Staff DR No. 230, Atmos shows the **total** number of disconnects that occur:

- *What was the number of customers, by state, who seasonally disconnected / reconnected? What was the total customer base?*

  - ***ILLINOIS:*** ***1,500/ 23,000 OR 6.5%***
  - ***KENTUCKY*** ***12,000/ 180,000 OR 6.6%***

- ***GEORGIA*** ***11,400/ 73,000 OR 15% (METRO AREA)***
- ***VIRGINIA*** ***2,700/ 24,000 OR 11%***

These figures demonstrate that disconnects are a prevalent problem under various states reconnection policies. Significant numbers of customers disconnect and cause the inequitable distributions of costs as discussed above.

THE FOLLOWING TABLE SHOWS THE NUMBER OFCUSTOMERS THAT ARE CODED AS "SEASONAL" AT THE TIME OF DISCONNECT, THE ACTUAL SEASONAL DISCONNECTS THAT THE COMPANY EXPERIENCES IS GROSSLY UNDERSTATED IN THE SYSTEM.

- ***ILLINOIS*** ***30 CUSTOMERS OR 0.13%***
- ***KENTUCKY*** ***346 CUSTOMERS OR 0.19%***
- ***GEORGIA*** ***112 CUSTOMERS OR 0.15%***
- ***VIRGINIA*** ***104 CUSTOMERS OR 0.43%***

These percentages seem to indicate that the seasonal disconnects are not that big of problem. However, the caveat of "GROSSLY UNDERSTATED IN THE SYSTEM" contradicts that conclusion. The conclusion of "little or no impact" is also contradicted by other informal comments and submissions. Any form of disconnect that causes a customer to miss paying a delivery charge has the potential to cause a redistribution of cost.

Atmos seems to have tried both a single component reconnection (single flat fee) and a dual component reconnection charge (charge to cover dispatch & travel plus an attempt to recapture monthly customers charges missed during the disconnect period). While vague, the impression left is neither has been satisfactory and the problem persists.

Q. What is Atmos' proposal for a reconnection charge in Missouri?

A. Atmos wants a single-component reconnection of $30.00. Since the existing reconnection charges range from $25.00 to $45.00, the proposed rate is likely to be ineffectual as a deterrent to summer disconnects. On the other hand, the proposed charge is in excess of costs.

Q. What is Staff's position as it relates to the seasonal disconnect problem?

A. The seasonal-disconnect customers seeks to avoid paying costs when not using gas for heat. Going to a two-component reconnect charge (traditional reconnection charge plus cumulative foregone delivery charge) as the basis for reconnection is the more appropriate method. It is consistent with Staff's proposed Rate Design.

Q. What alternative reconnection charge is Staff proposing?

A. Staff proposes a two component reconnection charge. First, Atmos would charge the traditional cost-based reconnection charge. Staff proposes a $24.00 rate to cover the cost of dispatch and travel. Additionally, Staff's proposal would divide the number of days the customer was disconnected from service by 30. The whole number result is multiplied by the customer charge if the existing rate structure is retained or by the delivery charge if the proposed rate structure is implemented. This two-component rate structure is Staff's proposal to alleviate seasonal disconnects.

Q. Would Staff's reconnection charge proposal apply to all disconnect/reconnects?

A. Yes. Staff advocates that whether the customer asks for seasonal disconnection or achieves it by doing something to cause Atmos to perform a valid disconnect (like not paying), the reconnection policy would be the same. The customer would be subject to a two-component reconnection policy in either case. .

Q. Is there anything conceptually challenging about the waiving of the exemption for involuntarily disconnected customers being forced to pay charges based upon 30-day intervals where the customer had no service?

A. No. The fact that some customers habitually engage in seasonal disconnect seems to indicate some customers are basically gaming the system. Again, the act of

disconnecting does not make any significant distribution costs go away. Rather, in the long run, costs avoided by the seasonal disconnect customer are transferred to customers who retain service year around.

Q. What happens when a customer disconnects, but moves to a different locale and gets back on the system?

A. A customer who disconnects and moves to a different location should not be subject to reconnection charge. A customer who disconnects and never returns to the same premise has truly severed the relationship with Atmos; and will avoid the reconnection charge.

Those who merely interrupt service for an interim period are different and should pay the residual charge. They never fully terminated service. Instead, they placed it in a state of suspended animation, and will reactivate themselves in cooler months.

Q. Is there any limitation to this policy?

A. Yes. This policy is geared to discourage the seasonal disconnect customer. If a customer were to have service disconnected for 12-consecutive months (or longer), Staff believes that should not constitute a seasonal disconnect. That should be the duration where a customer should revert to only paying the traditional reconnection charge.

Q. Is there an administrative aspect to be addressed?

A. Yes. The Commission needs to set a policy about length of time Atmos should give customers to repay the two-component reconnection charges. Since some seasonal customers are off for as much as nine months, in some cases, special payment provisions may be applicable. Staff advocates that for those who voluntarily disconnect, they should be given the ability to pay over the same duration as they were disconnected, or up to a maximum

period of three months. For voluntary disconnects, where the duration of disconnection exceeded three months, Atmos should allow the total cost of reconnection to be spread over only three months.

For those customers who were involuntarily disconnected, such customers should be subject to the same provisions of scheduling past-due bills as any other customer subject to involuntary disconnect.

Q. Does this conclude your direct testimony?

A. Yes it does.