

Exhibit No.:  
Issues: Rate Design  
Witness: Thomas A. Solt  
Sponsoring Party: MO PSC Staff  
Type of Exhibit: Direct Testimony  
Case No.: GR-2010-0192  
Date Testimony Prepared: June 18, 2010

**MISSOURI PUBLIC SERVICE COMMISSION**

**UTILITY OPERATIONS DIVISION**

**DIRECT TESTIMONY**

**OF**

**THOMAS A. SOLT**

**ATMOS ENERGY CORPORATION**

**CASE NO. GR-2010-0192**

**Jefferson City, Missouri  
June, 2010**

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

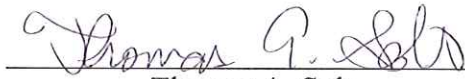
In the Matter of Atmos Energy )  
Corporation's Tariff Revision Designed to )  
Implement a General Rate Increase for )  
Natural Gas Service in the Missouri )  
Service Area of the Company. )

Case No. GR-2010-0192

**AFFIDAVIT OF THOMAS A. SOLT**

STATE OF MISSOURI    )  
                                  ) ss  
COUNTY OF COLE     )

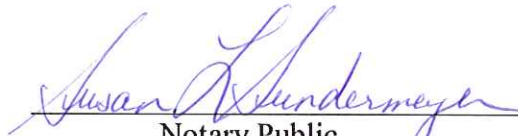
Thomas A. Solt, of lawful age, on his oath states: that he has participated in the preparation of the following Direct Testimony in question and answer form, consisting of 3 pages of Direct Testimony to be presented in the above case, that the answers in the following Direct Testimony were given by him; 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.

  
\_\_\_\_\_  
Thomas A. Solt

Subscribed and sworn to before me this 16<sup>th</sup> day of June 2010.



SUSAN L. SUNDERMEYER  
My Commission Expires  
September 21, 2010  
Callaway County  
Commission #06942086

  
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Notary Public

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**DIRECT TESTIMONY**

**OF**

**THOMAS A. SOLT**

**ATMOS ENERGY CORPORATION**

**CASE NO. GR-2010-0192**

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**DIRECT TESTIMONY**  
**OF**  
**THOMAS A. SOLT**  
**ATMOS ENERGY CORPORATION**  
**CASE NO. GR-2010-0192**

Q. Please state your name and business address.

A. Thomas A. Solt, P.O. Box 360, Jefferson City, Missouri 65102.

Q. With reference to Case No. GR-2010-0192, have you participated in the Commission Staff's (Staff) audit of Atmos Energy Corporation (Atmos or Company)?

A. Yes, I have.

**EXECUTIVE SUMMARY**

Q. What is the purpose of your Direct Testimony?

A. The purpose of my Direct Testimony is to provide an overview of Staff's position on Atmos' Class Cost-of-Service (CCOS), rate design, and low-income programs. I have attached Staff's Rate Design and Class Cost-of-Service Report (CCOS Report) to my testimony. A copy of Staff's CCOS Study is attached to the CCOS Report. This CCOS Report describes in detail Staff's position regarding these issues and was prepared by various Staff members. The "report" approach to the case filing is intended to minimize the number of Staff witnesses required to file individual pieces of direct testimony and provide for a clearer presentation of the Staff's recommendations for CCOS and rate design.

**CLASS COST-OF-SERVICE**

Q. What is the purpose of Staff's CCOS testimony?

1           A.     Staff's CCOS study determines how Atmos' cost of providing service  
2 (revenue requirement) should be divided among its customer classes.

3           Q.     What is CCOS?

4           A.     All local distribution company's (LDC) have various classes of customers  
5 that share common characteristics such as Residential, Commercial and Industrial, Large  
6 Volume, Interruptible, Basic Transportation and Firm Transportation. Atmos' rates for  
7 each class are based on the cost of providing service to that customer class, plus the  
8 opportunity to earn a return. Staff then considers which class is responsible for each cost,  
9 or the portion of the cost, and assigns that cost to the class by either direct assignment or  
10 allocation using reasonable methods for determining the class responsibility for that item.

11           Staff then summarizes its results and compares those results to Atmos' revenues  
12 being collected from each class based on current rates. The difference between a  
13 particular customer class' costs responsibility and the revenues generated by that  
14 customer class is the amount that class is either subsidizing other classes (revenues  
15 greater than costs) or is being subsidized (revenues less than costs).

16           Q.     What is Staff's recommendation on CCOS?

17           A.     Staff is recommending no shifts in revenue responsibility between Atmos'  
18 rate classes. Each class would receive an equally proportionate share of any increase or  
19 decrease in rates.

## 20 **RATE DESIGN**

21           Q.     What is rate design?

22           A.     Rate design is the assignment of rates to each customer class and is based  
23 from the Staff's CCOS Study and other relevant factors to this case.

1 Q. What is Staff's position regarding the rate design issue?

2 A. Staff is proposing Atmos' continuation of the Straight Fixed Variable  
3 (SFV) rate for the Residential and Small General Service classes. The SFV collects all  
4 non-gas costs in a flat, fixed monthly delivery charge. The charge is the same for all  
5 customers in the class. Staff is recommending conservation measures that are to be used  
6 in concert with the SFV rate design proposal as outlined in the Staff's CCOS Report.

7 Staff recommends that each component of Medium, General Service, and Large  
8 customer classes' non-gas tariff rates increase by the same percentage as Atmos' non-gas  
9 revenue requirement percentage increase. Staff is not proposing the SFV rate design for  
10 these customer classes.

11 Q. What is Staff's position on allowing the Company to recover the portion  
12 of bad debts related to gas sales to the Company's customers through the purchased gas  
13 adjustment?

14 A. Staff opposes allowing the Company to recover bad debts with gas costs,  
15 and instead prefers the Company continue to recover bad debts as a margin cost.

16 Q. What is the Staff's position regarding allowing the Company the  
17 discretion to zero out a de minimus actual cost adjustment balance or let the currently  
18 effective factor remain?

19 A. Staff is opposed to allowing the Company this discretion.

20 Q. Does this conclude your Direct Testimony?

21 A. Yes it does.