

Exhibit No.:  
Issue: Operating and Maintenance  
Expense (O&M)  
Adjustments, Payroll Tax  
Adjustments and Interest on  
Customer Deposits  
  
Witness: Robert E. Hassen  
Type of Exhibit: Direct Testimony  
Sponsoring Party: Atmos Energy Corporation  
Case No.: GR-2010-  
Date Testimony Prepared: December 15, 2009

**MISSOURI PUBLIC SERVICE COMMISSION**

**CASE NO. GR-2010-**

**DIRECT TESTIMONY**

**OF**

**ROBERT E. HASSEN**

**ON BEHALF OF**

**ATMOS ENERGY CORPORATION**

**DECEMBER, 2009**  
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**OF ROBERT E. HASSEN**  
**WITNESS ON BEHALF OF**  
**ATMOS ENERGY CORPORATION**

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**BEFORE THE  
MISSOURI PUBLIC SERVICE COMMISSION  
CASE NO. GR-2010-\_\_\_\_\_  
PREPARED DIRECT TESTIMONY  
OF  
Robert E Hassen  
On Behalf of  
ATMOS ENERGY CORPORATION**

**I. POSITION AND QUALIFICATIONS**

1  
2     **Q.     Please state your name, job title and business address.**

3     A.     My name is Robert E Hassen. I am a Senior Rate Analyst for Atmos Energy  
4            Corporation ("Atmos" or "Company"). My business address is 5420 LBJ  
5            Freeway, Ste. 1600, Dallas, TX 75240.

6     **Q.     What is your educational background and professional experience?**

7     A.     I graduated from Grambling State University with a Bachelor of Science in  
8            Accounting. Prior to entering the gas industry, my professional experience  
9            included ten years of accounting, during which I held the positions of Staff  
10           Accountant, Financial Analyst and Advanced Analyst. In 2007, I accepted the  
11           position of Rate Analyst in the Rates & Regulatory Affairs group at Atmos  
12           Energy Corporation. In 2008, I was promoted to Senior Rate Analyst.

13    **Q.     What are your responsibilities as a Senior Rate Analyst?**

14    A.     As a Senior Rate Analyst, I am responsible for preparing general rate applications  
15            and periodic filings, which typically include the rate base, revenue requirement  
16            and capital structure exhibits. I prepare responses to data requests and facilitate

1 the audit and discovery process. I also research and analyze financial and  
2 operating data for both internal and external reporting.

3 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION**  
4 **OR OTHER REGULATORY ENTITIES?**

5 A. I have not testified before this commission; however, I have filed testimony with  
6 the Colorado PUC docket 09AL-507G.

7 **II. PURPOSE OF TESTIMONY**

8 **Q. What is the purpose of your testimony?**

9 A. The purpose of my testimony is to support the adjustments to Operations and  
10 Maintenance Expense ("O&M") shown on Schedule COS-4, the Taxes Other  
11 adjustment shown on Schedule COS-5 and, Interest On Customer Deposits shown  
12 on Schedule COS-10 of the cost of service study. These schedules are included in  
13 the filing behind the tab labeled Cost of Service (COS).

14 **III. O & M ADJUSTMENTS**

15 **Q. Please describe the Company's adjustments to labor expense.**

16 A. The Company's adjustments to labor expense are shown on WP 4-2. The labor  
17 expense adjustment is comprised of test year per book labor expenses for both  
18 union and non-union employees. The adjustment to these expenses includes  
19 known and measurable changes to labor expenses that were not included in the  
20 test year per book numbers.

21 **Q. Is there anything excluded from the per book labor expense?**

22 A. Yes. Expenses related to the Extended Illness Bank ("EIB") are not included in  
23 the calculation of the per book labor expenses. Atmos records a liability at the

1 end of each fiscal year that represents the unused paid time off ("PTO") earned by  
2 employees over that fiscal year. Employees may carry up to 40 hours of unused  
3 PTO into the next calendar year. If an employee's PTO balance at the end of the  
4 calendar year exceeds 40 hours, Atmos records the excess time in the employee's  
5 EIB account. The time recorded in an employee's EIB account may be accessed  
6 once their regular PTO has been exhausted, but prior to the Company's short-term  
7 disability plan becoming effective. The EIB does not have any dollar value if the  
8 employee retires or leaves the Company. The per book labor expense includes the  
9 impact of any PTO taken by employees during the test year. The EIB balance  
10 represents a potential liability to the Company since participating employees may  
11 be entitled to use these hours in the future under the terms of the EIB. The per  
12 book labor expense for EIB was excluded because the Company may not  
13 experience any expense related to this benefit.

14 **Q. Please explain the labor expense adjustment related to known and**  
15 **measurable changes.**

16 A. This adjustment to labor expense is for known and measurable merit increases  
17 that were not included in the test year. Atmos' non-union employees were  
18 awarded, on average, a merit increase of 3.5% effective October 1, 2008 and 3%  
19 effective October 1, 2009. Under the terms of a contract negotiated with the  
20 International Brotherhood of Electrical Workers ("IBEW"), Atmos' union  
21 employees in Missouri received a 2.5% wage increase effective June 1, 2009.  
22 The labor adjustment on WP 4-2 was calculated to annualize the noted merit  
23 increases.

1   **Q.    Please describe the Company's adjustments to benefits expense.**

2   A.    The Company's adjustments to per book benefits expense, are shown on WP 4-3.

3        These adjustments cover pension and insurance benefits. The pro-forma labor  
4        expense from WP 4-2 is multiplied by the benefits experience rates budgeted for  
5        fiscal year 2010. The Company has based these budgeted rates upon actuarial  
6        reports prepared by the Company's consulting firm, Towers Perrin. The actuarial  
7        reports are used to develop budgeted rates and will be used to book fiscal year  
8        2010 actual amounts. The benefits adjustment represents the difference between  
9        the test year per book pension and insurance expense and the expenses calculated  
10       using the proforma labor experience rates budgeted for pension and insurance  
11       benefits in 2010.

12   **Q.    Please describe the Company's adjustment for uncollectible expense.**

13   A.    The Company's adjustment for uncollectible expense is found on WP 4-4. The  
14        uncollectible expense adjustment represents the difference between the per book  
15        expenses for uncollectibles and the three year average of Missouri write-offs.

16   **Q.    Are there any more adjustments relative to uncollectible expense?**

17   A.    Yes, there is an adjustment to show the calculation of recoveries of bad debt  
18        through the purchase gas adjustment (PGA) as explained in Mr. Mark Martin's  
19        testimony. If the Commission approves the recovery of uncollectible expense  
20        through the PGA, then an additional adjustment to uncollectible expense is  
21        required. This adjustment is shown on WP 4-4.

22   **Q.    Please explain the calculation of this adjustment?**

1 A. The calculation of recoveries of bad debt through the PGA is shown on WP 4-  
2 4-2 and involves a three year average. The calculation involves dividing per book  
3 PGA by per book revenues the result of which would be percent of revenues  
4 minus PGA. This margin percent is multiplied by the Company's write-offs to  
5 arrive at the uncollectibles amount adjusted to PGA. The adjustment is an  
6 average of the three years experience. This calculation is for reference only and is  
7 not included in the revenue requirement.

8 **Q. Please explain the Company's adjustment to remove Hannibal manufactured**  
9 **gas plant ("MGP") environmental cost from test period O&M expense.**

10 A. This adjustment removes any expenses related to the clean up of the Hannibal  
11 MGP site as a non-recurring item. Since these expenses are expected to be non-  
12 recurring, an adjustment was made to remove any impact of these actual expenses  
13 for rate setting purposes. This adjustment is shown on WP 4-5.

14 **Q. Please explain the adjustment to remove items not related to promotional**  
15 **and advertising expense from O&M.**

16 A. An analysis was conducted on the accounts associated with promotional and  
17 advertising expenses. Those items that may not be viewed as promotional and  
18 advertising in nature were removed in this adjustment. This adjustment is shown  
19 on WP 4-6.

20 **Q. Are there any adjustments related to Dues, Memberships and Miscellaneous**  
21 **employee expenses?**

22 A. Yes. An analysis was conducted on the accounts associated with dues,  
23 memberships and miscellaneous expenses and certain items were excluded if they

1 could be deemed as questionable expenses. Those adjustments are located  
2 in WPs 4-7 and 4-8.

3 **Q. Has the Company proposed any other type of adjustment regarding**  
4 **employee expenses?**

5 A. Yes. An adjustment was made regarding employee expense reports removing  
6 items that may be associated with social events, or for employee expenses that  
7 may include costs for alcoholic beverages, spousal travel or any other expenses  
8 that may be questionable in nature. In addition all Management Committee  
9 expenses were removed in this adjustment. This adjustment is shown on WP 4-9.

10 **Q. Has the Company made an adjustment for the postage rate increase?**

11 A. Yes. On May 11, 2009, a two cent United States Postal rate increase went into  
12 effect. The Company estimated the related increase to O&M expense by  
13 multiplying the test year annual customer bills by two cents and then multiplying  
14 by applicable months within the test year period. This adjustment is shown in WP  
15 4-10.

16 **Q. Has the Company made an adjustment for rate case expense?**

17 A. Yes. The Company has incurred or will incur certain expenses related to the  
18 preparation and filing of this particular rate case. These expenses have been  
19 estimated and calculated to amortize over a three-year period for recovery. This  
20 adjustment is shown on WP 4-11.

21  
22 **IV. TAXES OTHER THAN INCOME TAXES**

1   **Q.    What are the proposed adjustments related to Taxes Other Than Income**  
2       **Taxes?**

3   A.    There are two adjustments that relate to Taxes Other Than Income Taxes. One  
4       adjustment relates to Ad Valorem and the other to Payroll Related Taxes.

5   **Q.    Please explain what adjustment has been made to the Ad Valorem taxes?**

6   A.    The Company accrues expense over the year based upon estimates of the actual  
7       Ad Valorem taxes that will be assessed. Since these expenses are simply an  
8       estimate, it is necessary to adjust the accrued expenses to show the actual taxes  
9       paid to each taxing authority. This adjustment accomplishes this need by  
10      comparing the total taxes paid to the expenses accrued over the year and adjusting  
11      for any differences. This adjustment is shown on Schedule COS-5 with the detail  
12      being shown on WP 5-2.

13   **Q.    Please explain the adjustment for Payroll Related Taxes.**

14   A.    The Company has included an adjustment to Payroll Taxes associated with the  
15      adjustment to employee salaries for merit increases previously discussed in this  
16      testimony. This adjustment represents the Payroll Related Taxes that are  
17      associated with these changes. This adjustment is shown on Schedule COS-5  
18      with the detail being shown on WP 5-1.

19

20                                   **V. Other Adjustments**

21   **Q.    Please describe the adjustment pertaining to Interest on Customer Deposits.**

22   A.    This adjustment is derived by multiplying the per book 13 month average of  
23      customer deposits as shown on W-P 7-4-2 by the proposed interest rate of 4.25%

1 as shown of Schedule COS-10. The rate is determined by adding the prime  
2 lending rate of 3.25% plus 1%. Please refer to the testimony of Company witness  
3 Mr. Gary Smith for more information regarding the proposed interest rate on  
4 customer deposits.

5 **Q. Have you made any adjustments relative to the allocation factors in the**  
6 **filing?**

7 A. The cost of service study uses fiscal year 2010 factors rather than those recorded  
8 during the year. This known and measureable change represents the latest and  
9 most current allocation percentages on which the Company's rates will be based.  
10 The filing is consistent with Shared Services General Office using a composite  
11 factor and the Customer Service Center using a customer factor.

12 **Q. Does this conclude your testimony?**

13 A. Yes.

