

Exhibit No.:  
Issue: Minimum Filing Requirements,  
Recovery of Uncollectible Expense  
through PGA, Consolidation of Base  
Rates and PGAs  
Witness: Patricia J. Childers  
Type of Exhibit: Direct Testimony  
Sponsoring Party: Atmos Energy Corporation  
Case No.: GR-2006-\_\_\_\_  
Date Testimony Prepared: April 6, 2006

**MISSOURI PUBLIC SERVICE COMMISSION**

**CASE NO. GR-2006-\_\_\_\_**

**DIRECT TESTIMONY**

**OF**

**PATRICIA J. CHILDERS**

**ON BEHALF OF**

**ATMOS ENERGY CORPORATION**

**April 2006**

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

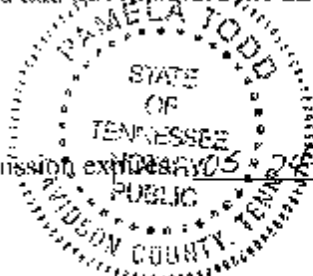
**STATE OF TENNESSEE                 )**  
**) ss**  
**COUNTY OF WILLIAMSON             )**

1. My name is Patricia J. Childers. I work in Franklin, Tennessee, and I am employed by Atmos Energy Corporation, as the Vice President – Rates and Regulatory Affairs for the Mid-States Division of Atmos Energy Corporation.

3. I have knowledge of the matters set forth therein. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, including any attachments thereto, are true and accurate to the best of my knowledge, information and belief.

Subscribed and sworn before me this 6th day of April 2006.

My commission expires 05-26-08



Authority Expires 05-28-08

**BEFORE THE  
MISSOURI PUBLIC SERVICE COMMISSION  
CASE NO. \_\_\_\_\_  
PREPARED DIRECT TESTIMONY  
OF  
PATRICIA J. CHILDERS**

**On Behalf of  
ATMOS ENERGY CORPORATION**

**I. POSITION AND QUALIFICATIONS**

**Q. Please state your name, position and business address.**

A. My name is Patricia J. Childers. I am Vice President – Rates & Regulatory Affairs for Atmos Energy Corporation’s Mid-States operations which includes Missouri operations. My business address is 810 Crescent Centre Drive, Suite 600, Franklin, Tennessee 37067-6226.

**Q. Please briefly describe your current responsibilities, and professional and educational background.**

A. I am responsible for Rates and Regulatory Affairs matters in the states of Illinois, Iowa, Missouri, Tennessee, Georgia and Virginia. I graduated from Middle Tennessee State University in 1972 with a degree in Business Administration. I have been with United Cities Gas Company and subsequently Atmos Energy Corporation since November 1979. I have served in a variety of positions in both Gas Supply and Rates prior to assuming my current responsibility.

**Q. Have you previously testified before this Commission?**

1 A. No. However I have testified before the Regulatory Agencies in Illinois,  
2 Tennessee, Virginia, Georgia and Kentucky in numerous proceedings.

3 **II. PURPOSE OF TESTIMONY**

4 **Q. What is the purpose of your testimony in this proceeding?**

5 A. The purpose of my testimony is to explain how Atmos has satisfied the  
6 Commission's minimum filing requirements ("MFR"); to support the Company's  
7 request to recover the gas cost portion of uncollectibles through the purchased gas  
8 adjustment clause; support the rate design and rates proposed in this filing; and  
9 support the Company's request to partially consolidate the base rates and fully  
10 consolidate purchased gas adjustments for the six Missouri areas served by  
11 Atmos.

12 **Q. Are you sponsoring any Schedules in this proceeding?**

13 A. Yes. I am sponsoring Schedules PJC-1 pertaining to rate design, PJC-2 pertaining  
14 to base rate consolidation and PJC-3 pertaining to PGA consolidation.

15 **III. MINIMUM FILING REQUIREMENTS**

16 **Q. What is the purpose of this part of your testimony?**

17 A. My purpose is to confirm that Atmos has satisfied the Commission's MFR, as set  
18 forth in 4 CSR 240-3.030 and 4 CSR 240-3.235.

19 **Q. How did Atmos satisfy the MFR?**

20 A. The following information was prepared addressing the specific requirements of  
21 the MFR as outlined in 4 CSR 240-3.030(3):

22 A. Letter of transmittal

23 B. General information, including:

1. the amount of dollars of the aggregate annual increase and percentage over current revenues;
2. names of counties and communities affected;
3. the number of customers to be affected;
4. the average change requested in dollars and percentage change from current rates;
5. the proposed annual aggregate change by general categories of service and by rate classification;
6. press releases relative to the filing; and
7. a summary of reasons for the proposed changes.

**Q. Are you sponsoring this information?**

A. Yes.

**Q. Was this information prepared under your direct supervision?**

A. Yes, it was.

**Q. Were the provisions of 4 CSR 240-3.235 also addressed, concerning a depreciation study, database and property unit catalog?**

A. Yes the provisions of 4 CSR 240-3.235 are also addressed. The Company is filing a depreciation study, database, and property unit catalog in this case. The depreciation study and database are sponsored by Company witness Donald Roff and the property unit catalog is sponsored by Company witness Daniel M. Meziere.

#### **IV. GAS COMPONENT OF UNCOLLECTIBLE EXPENSES**

1   **Q.     Please explain why the Company is proposing that the gas cost component of**  
2       **uncollectibles should be recovered through the PGA as opposed to base rates.**

3   A.     First, I think it is important to clarify that Atmos is requesting to recover only the  
4       actual amounts it pays for upstream transportation and storage services and to its  
5       suppliers for the gas delivered to its customers, no more and no less. Historically,  
6       gas prices have remained relatively flat. Therefore, in the context of a rate case,  
7       test period uncollectibles or an average of several years of uncollectibles were  
8       generally considered to be a representative level of the amount of uncollectibles  
9       that the Company would experience on a going-forward basis. However, with gas  
10       prices spiking in 1999-2000 and remaining extremely volatile since that time,  
11       averaging or projecting the appropriate level of uncollectibles to be included in  
12       the Company's base rates is certain to produce a result that is either too high or  
13       too low. Neither scenario benefits the consumer or the Company. For deficiency  
14       calculation purposes, the Company has included approximately \$1.1 million for  
15       recovery of uncollectible expense. The calculation of this amount is explained in  
16       the testimony of Company witness Rebecca Buchanan. If the Company's  
17       proposal is not accepted and actual uncollectibles are higher than calculated in  
18       this proceeding, then the Company will not have the opportunity to recover the  
19       excess uncollectible amount without filing another general rate case and including  
20       the higher amount in base rates. On the other hand, if uncollectibles are lower  
21       than calculated in this proceeding then customers will not have the opportunity to  
22       benefit from the lower amount because base rates are not set retroactively.

23   **Q.     Does the Company have this type of recovery in other jurisdictions?**

1 A. Yes. The Company is currently allowed recovery of the gas cost portion of bad  
2 debt in Tennessee, Virginia and Kansas. These authorizations for moving  
3 recovery of these costs from base rates to the PGA have all come in the past two  
4 years.

5 **Q. Does the definition of the “cost of gas” in Company’s PGA clause support its**  
6 **position that it should be allowed recovery of the gas cost component of**  
7 **uncollectibles?**

8 A. Yes. The intent and clear language of the Company’s PGA authorizes recovery  
9 of 100% of prudently incurred its gas costs, not just the portion which is paid for  
10 by customers. The definition of gas cost in our Purchased Gas Adjustment Clause  
11 states as follows:

12 “Sheet No. 24 “For purposes of this clause the term “cost of gas” shall  
13 include the cost paid to suppliers for the purchase, transportation and storage of  
14 gas.”

15 The amounts that Company has included in the calculated deficiency and is  
16 seeking approval to recover through the PGA clearly fall within the scope of the  
17 definition of “cost of gas” as that term is used in the PGA since such costs are  
18 “costs paid to suppliers for the purchase, transportation and storage of gas”. The  
19 PGA provides the Company with the authority to recover gas costs, not merely  
20 the right to bill those costs to its customers. Nowhere in this definition of “cost of  
21 gas” is there a limitation providing that the scope of gas costs should only include  
22 those costs for which Company is reimbursed by customers. Consequently, the  
23 costs that Atmos is requesting to recover through the PGA fall squarely within the  
24 definition of “cost of gas”.

1   **Q.    Can a reasonable argument be made that gas costs somehow become**  
2   **something other than gas costs if customers do not reimburse the Company**  
3   **for such costs?**

4   A.    Absolutely not. In fact, it defies logic to argue that such costs are gas costs at the  
5   time they are incurred but somehow become something different if the Company  
6   is not reimbursed for them by customers. There is no logical support for an  
7   argument that would define a cost on the basis of whether or not a customer pays  
8   their bill for such cost.

9   **Q.    What arguments have been raised by those skeptical of this approach to the**  
10   **recovery of the gas portion of uncollectibles?**

11   A.    One argument advanced is that uncollectibles have historically been treated as an  
12   expense just like any other expense, with the exception of the cost of gas  
13   recovered through the PGA, and that recovery of such costs should continue to be  
14   allowed through the setting of base rates. Another argument is that allowing  
15   100% recovery of one expense over another would result in lower risk to the  
16   utility and would create a disincentive for the utility to aggressively focus on  
17   collections

18   **Q.    What is your response to the argument that the uncollectible portion of gas**  
19   **costs should be treated the same as any other expense?**

20   A.    There is a clear distinction between the uncollectible portion of gas costs and  
21   other expenses included in a company's cost of service. The cost of gas is outside  
22   the control of the company and controlled entirely by market forces. The only  
23   exception would be purchases by the Company that were found to be imprudent.  
24   This Commission conducts exhaustive reviews annually of the utility's

1 purchasing practices to determine prudence. Nothing in the Company's proposal  
2 would limit the Commission's ability to conduct these annual reviews.

3 **Q. Would allowing recovery of these costs create a disincentive for Company to**  
4 **aggressively pursue the recovery of bad debts?**

5 A. No. Allowing recovery of the gas cost portion of bad debt does not create an  
6 incentive for the utility to deemphasize the collection of bad debts for two  
7 reasons. First, the Company would continue to have \$240,000 included in its base  
8 rates related to margin portion of uncollectible accounts. If the Company's  
9 collection efforts became lax and more write-offs were to occur, the non-gas  
10 portion of write-offs would exceed what has been included in our base rate  
11 design. Second, when less than 100% of a written-off account is subsequently  
12 collected, if priority is given to the gas cost portion, the Company will still  
13 experience the loss of margin. Therefore, the Company would retain every  
14 incentive to remain vigilant and maintain tight collection practices.

15 **Q. How does giving priority to the gas cost portion of bad debt impact the**  
16 **Company and the Customer?**

17 A. I will explain it with a brief example. Assume for purposes of the example that  
18 the Company has written off an account totaling \$1,000. Of this amount, \$200 is  
19 margin and \$800 is gas cost. Subsequent to the account being written off, the  
20 customer agrees to pay \$800 to have service restored. The Company would then  
21 put the customer on a payment plan for the remaining \$200. Pursuant to the  
22 Company's proposal, when the customer pays the \$800, priority would be given  
23 to the gas cost that had been written off, and thus this amount would be credited  
24 back to the PGA in its entirety for the PGA customer's benefit. The Company  
25 would still be at risk for the \$200 of associated margin.

26 **Q. Could the Commission monitor Atmos' collection efforts in order to ensure**  
27 **that collection practices don't change?**

1 A. Yes. Commission reporting is an integral part of the order from the Kansas  
2 Corporation Commission (KCC) allowing Kansas natural gas utilities to recover  
3 the gas cost portion of bad debt through the PGA. Atmos was required to file its  
4 existing collection procedures with the KCC and is required to notify the KCC  
5 any time these procedures change. In addition, the Company is also required to  
6 report its actual write-offs and recoveries of uncollectibles to the KCC. These  
7 reporting requirements provide the KCC with the means to carefully monitor the  
8 Company's collection efforts while also providing the Company with an incentive  
9 to maintain effective collection practices.

10 **Q. Please summarize your testimony on the issue of recovery of the gas**  
11 **component of bad debt through the PGA.**

12 A. The historical practice of addressing the gas cost component of uncollectibles in  
13 base rates no longer makes sense in this era of volatile gas costs. There is no  
14 reasonable mechanism to predict on a going forward basis what these  
15 uncollectibles will be based on past experience. Further, the clear language of the  
16 Company's PGA clause approved by the Commission is written to provide  
17 recovery of 100% of the costs it prudently incurs in procuring gas for its  
18 customers, no more, no less. Therefore, the Company believes that it should be  
19 authorized to recover the gas cost component of uncollectibles through its PGA  
20 clause. The Company would be willing to support this request with ongoing  
21 reporting concerning its uncollectibles, similar to what is currently in place for  
22 other jurisdictions, if the Commission approves our request.

## 23 24 **V. RATE DESIGN AND PROPOSED RATES**

25  
26 **Q. Please describe how the Company has designed rates in this proceeding.**

27 A. Included with my testimony is Schedule PJC-1. This Schedule utilizes Company  
28 witness Buchanan's Schedule RMB-2 and which I used as a starting point for  
29 designing rates in this proceeding. Ms. Buchanan's Schedule RMB-2 is the  
30 schedule that normalizes test period billing determinants and test period volumes.

1 This is the appropriate place to begin allocating the Company's requested increase  
2 and calculate the resulting rates.

3 **Q. Please continue.**

4 A. The first step, which is contained on pages 1-4 of Schedule PJC-1, is to multiply  
5 the billing determinants by the proposed statewide customer charges for each  
6 class of customers. The Company is proposing the following customer charges  
7 for each class of customer:

|    |                           |          |
|----|---------------------------|----------|
| 8  | Residential Firm          | \$ 9.00  |
| 9  | Small General Service     | \$ 22.00 |
| 10 | Large General Service     | \$120.00 |
| 11 | Lg. Interruptible Sales   | \$240.00 |
| 12 | Lg. Interruptible Transp. | \$265.00 |

13 A set of uniform statewide customer charges for each class will be a significantly  
14 important step in helping Atmos' customers throughout the state with bill  
15 comparability. I will further address the importance of bill comparability when I  
16 address the Company's reasons for moving from six to three rate areas.

17 Once the margin is calculated for each division/class, the overall deficiency is  
18 spread on a pro-rata basis to each of the division/classes.

19 **Q. How did you arrive at the recommended customer charges?**

20 A. I reviewed the resulting overall percentage margin collected through the customer  
21 charges of Atmos' existing rates, proposed rates, and compared the percentages to  
22 recent Commission orders that discussed this relationship. As a result of my  
23 review I noted that currently approximately 35% of the Company's margin under  
24 existing rates is derived from the customer charge portion of the rate. The  
25 proposed customer charges moves this percentage to 39% if the Company's full  
26 rate case is authorized by the Commission. As Company witness Gary Smith  
27 mentions in his testimony, the vast predominance of non-gas costs borne by a  
28 utility, and correspondingly its revenue requirements, are fixed and are basically  
29 unaffected by the volumes sold or transported. The Commission found in  
30 Missouri Gas Energy's ("MGE") last rate case that collecting 55% of the total  
31 margin through the customer charge was reasonable. The proposed customer

1 charges strike a reasonable balance between increasing the Company's overall  
2 percentage margin collected, while still remaining under an amount the  
3 Commission found reasonable in the recent MGE case.

4 **Q. If the Commission approves the Company's WNA proposal, isn't the amount**  
5 **of customer charge a moot issue?**

6 A. No. One benefit of a higher percentage of margin being collected through the  
7 customer charge is that it allows customers to spread a portion of their bill  
8 throughout the year, thus taking some pressure off of higher winter bills. While  
9 the Company's WNA proposal would help lower the customer's overall bill in  
10 colder-than-normal winter months, it would not address this issue of more evenly  
11 spreading of margin recovery over twelve months.

12 **Q. Are there any exceptions to this pro-rata approach to spreading the overall**  
13 **requested increase?**

14 A. Yes. Special contracts and 'other revenue' are not allocated any of the  
15 Company's proposed revenue increase. The special contracts, supported and  
16 described in Company witness Robert Kerley's testimony, are not tariff based  
17 charges, and thus are not included when determining how to allocate increases in  
18 revenue. Company witness Mike Ellis describes the Company's proposed  
19 revisions to its service charges in this case. If the Commission approves the  
20 requested service charges, a portion of the final approved increase can be  
21 allocated to these services charges which are also referred to as 'other revenue'.

22 **Q. What is the next step following the allocation of the increase among the**  
23 **classes?**

24 A. The next step taken, which is contained on pages 5-8 of Schedule PJC-1, is to  
25 calculate the new volumetric base rate with the proposed increase. Again, this is  
26 done at the existing division/class level and no consolidation has occurred. This  
27 step is necessary to determine the margin responsibility of each rate  
28 division/customer class of the proposed rate increase.

29 **Q. What was the next step taken to determine the final rates that the Company**  
30 **proposes be placed in effect if the Commission approves the Company's**  
31 **request?**

1 A. The next step, which is not included in Schedule PJC-1, was to analyze several  
2 different potential consolidation scenarios. As I explain later in my testimony, the  
3 Company currently has six sets of base rates and PGAs in Missouri. This is due  
4 primarily to the fact that the Company acquired its Missouri service territory in  
5 three separate acquisitions over a period of several years. The recommendation  
6 for consolidation of base rates from six rate divisions into three divisions is  
7 reflected on page 9 of Schedule PJC-1. The three rate areas would be three  
8 geographic areas, Northeastern, Southeastern, and Western. The next section of  
9 my testimony further expands on why this is the appropriate level of consolidation  
10 for volumetric base rates.

11 **Q. Do you have anything else to add regarding the customer charge or rate**  
12 **design?**

13 A. Yes. At the present time the old United Cities rate divisions [Missouri (U) 97  
14 Missouri (P) 97] larger classes have seasonal rates and “block rate design”. Lines  
15 87 – 95 of Page 3 on Schedule PJC-1 shows an example of the General Gas  
16 Service customers block rate design. As can be seen, a General Gas Service  
17 customer pays one rate for the first 600 Ccf, and then another rate for anything  
18 over 600 Ccf. In my proposed rates, I have eliminated the block rate design  
19 structure for Missouri (U) 97 and Missouri (P) 97 and aligned all rates for all  
20 classes into a single volumetric rate per class. I did this for three reasons. First,  
21 because this is how the remainder of the Company’s rates are structured; second,  
22 this type of structure is easier to administer and examine when doing margin  
23 analysis and; third, this type of structure is better suited to a Weather  
24 Normalization Adjustment.

25  
26 **VI. CONSOLIDATION OF CUSTOMER CHARGE AND PURCHASE GAS**  
27 **ADJUSTMENT RATES AND PARTIAL CONSOLIDATION OF THE**  
28 **VOLUMETRIC PORTION OF BASE RATES**  
29

30 **Q. Please explain the Company’s proposal to consolidate the Company’s base**  
31 **rates and purchased gas adjustments.**

1 A. As I testified earlier, Atmos currently has six sets of base tariffs and six purchased  
2 gas adjustments for its Missouri service areas. The areas are referred to as  
3 District B (Butler), District K (Kirksville), District S (Southeast Missouri, all of  
4 which are properties formerly operated by Associated Natural Gas Company) ,  
5 District G (Greeley) formerly operated Greeley Gas Company, District U  
6 (Hannibal/Canton/Palmyra/Neelyville) and District P (Palmyra) both formerly  
7 operated by United Cities Gas Company. As I stated earlier in my testimony, the  
8 six rate areas are a result of the fact that the Company acquired its Missouri  
9 service territory is three separate acquisitions. Each one of these acquisitions was  
10 approved by the Commission meaning that the Commission found that each of the  
11 transactions was not detrimental to the public interest. Further, in none of the  
12 orders approving the acquisitions did the Commission impose any conditions or  
13 requirements that would prohibit the consolidation of rates or that such  
14 consolidation would be detrimental to the public interest.

15 As I mentioned earlier, I examined several different scenarios for combining these  
16 disparate areas. Although the Company would prefer a full statewide  
17 consolidation of all base rates and PGA rates, as part of this case we are proposing  
18 to only consolidate the PGA rates into one statewide rate; to consolidate the  
19 customer charge portion of the base rates to one statewide rate in order to have a  
20 uniform set of customer charges; and to have a uniform set of service charges  
21 throughout the state. The volumetric non-gas portion of the customer's bill would  
22 vary depending on the geographic area the customer lives in. As I testified  
23 earlier, these geographic areas would be Northern, Southern, and Western. These  
24 geographic regions happen to align with the weather zones utilized in the  
25 Company's WNA proposal supported by Company witness Smith. Schedule  
26 PJC-2 shows the impact to customers of the Company's proposed rates under the  
27 consolidation scenario proposed by Company.

28 **Q. Please describe what Schedule PJC-2 is showing.**

29 A. Schedule PJC-2 first calculates the current average annual bill for each of the six  
30 rate areas utilizing the normalized consumption information, existing base rates  
31 and February 2006 PGA rates (exclusive of current ACA factors). This

1 information is then compared to average annual bill utilizing the Company's  
2 proposed uniform customer charge, PGA rates that have been calculated on a  
3 statewide basis (utilizing the same information that was utilized for the February  
4 2006 PGA rates) and the base rates developed as a result of our filing. I indicate  
5 the 'proposed' rate division alignment in column (b) of Page 2 in Schedule PJC-2.  
6 Finally, the percentage change in rates is calculated for each of the existing  
7 classes. The percentages in Schedule PJC-2 include the full amount of the  
8 deficiency filed in this case.

9 **Q. How did you arrive at three rate areas?**

10 A. One of the primary customer benefits of rate consolidation is bill comparability.  
11 For this reason I chose to consolidate customers in the same geographic proximity  
12 into the same rate area. Another consideration would be to align rate areas around  
13 upstream pipeline providers, but this still left some customers geographically  
14 close to one another on separate rates.

15 **Q. Please explain the reasons that support the partial consolidation of base rates**  
16 **into a more consolidated tariff structure.**

17 A. First, this proposal simplifies the administration of the tariffs and allows the  
18 Company's non-gas charges to be applied more uniformly to all customers within  
19 a customer class. At present, the Company's customer service representatives  
20 must identify the specific service area in which the customer resides to be able to  
21 respond to customer inquiries regarding the appropriate rates for each customer.  
22 Moving towards full consolidation of base rates, with an eye to full consolidation  
23 at some point in the future, alleviates this problem. Second, this three rate area  
24 proposal would eliminate most of the customer confusion resulting from multiple  
25 rate areas since all customers in a geographic area would have the same set of  
26 rates. Occasionally, customers will "look over the fence" to other areas and  
27 question why their rates differ from their neighbors in surrounding areas. Third,  
28 statewide average rates are more equitable since the Company's costs do not  
29 differ substantially throughout the state.

30

1 **Q. Please explain the reasons that support the consolidation of the Company's**  
2 **six PGAs into one PGA?**

3 A. Many of the reasons are the same as those that justify the partial consolidation of  
4 the base rates into three divisions. In addition, due to the higher cost of natural  
5 gas on the wholesale market, gas costs make up the largest portion of the  
6 customer's bill. Although separate upstream interconnecting pipelines serve the  
7 various geographic areas served by the Company within the state, my analysis of  
8 PGA consolidation indicates that a statewide PGA verses a consolidation based  
9 on upstream interconnecting pipeline is not appreciably different. Schedule PJC-  
10 3 shows the PGAs that would result if Atmos had calculated a statewide PGA and  
11 implemented the rates on February 1, 2006. As can be seen in the Schedule the  
12 majority of divisions (29, 70, 71, & 72) benefit from the consolidation while  
13 division 97 doesn't benefit. I would caution that this is a "snap-shot in time"  
14 analysis and it shouldn't imply that any one area will always benefit/not benefit.

15 **Q. What other reasons exist that support one statewide PGA?**

16 A. The consolidation of the various PGAs would make the administration of the  
17 Company purchased gas adjustment clause and its actual cost adjustment process  
18 much simpler. Currently, the Company (and Commission Staff) must deal with  
19 six separate PGAs and corresponding sets of rates. This is an overly complicated  
20 process which could be substantially simplified if the Company were permitted to  
21 consolidate its six PGAs into a single PGA. Secondly, the benefits of the  
22 Company's gas supply and hedging policies would be spread equally to all  
23 customers throughout the state. Thirdly, since gas commodity costs represent the  
24 largest portion of the customer's bill, consolidating the various PGAs into a single  
25 PGA would ensure that all customers paid the same rate throughout the state for  
26 the gas commodity costs. PGA rate variation among areas of the state can be a  
27 particularly sensitive issue when conditions similar to the Fall of 2005 exist and  
28 prices rise sharply in a short period of time. When extremely high wholesale  
29 prices are prevalent, no customer wants to pay the highest price for gas.  
30 Consolidating the divisions into one PGA would ensure that no area bears that  
31 burden.

1 **Q. Isn't it true that the Company's various service areas are served by different**  
2 **interstate pipelines that charge different transportation charges and obtained**  
3 **gas supplies from different production areas?**

4 A. Yes. However, the various pipeline transportation charges are not so substantially  
5 different that they justify separate PGAs to be maintained. Similarly, although the  
6 gas supplies emanate from various production areas, the commodity costs do not  
7 vary so widely so as to justify separate PGAs. The Company believes that the  
8 benefits of simplifying the PGA process will greatly outweigh any perceived  
9 benefits of separately maintaining the existing six PGAs.

10 **Q. Do you have an Schedule which identifies the customer impacts of**  
11 **consolidating the Company's six PGAs into a single PGA?**

12 A. Yes. As previously discussed, Schedule PJC-2 calculates and compares the total  
13 average customer bill for each of the existing rate areas to the total average  
14 customer bill with the statewide customer charge, statewide PGAs, and non-gas  
15 volumetric rate consolidated into three geographic areas.

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

17 A. Yes.  
18  
19  
20  
21