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MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

CORRECTED DIRECT TESTIMONY

OF

MICHAEL J. ENSRUD

ATMOS ENERGY CORPORATION

CASE NO. GR-2006-0387

**Jefferson City, Missouri
November 2006**

Staff Exhibit No. 117
Case No(s). GR-2006-0387
Date 11-30-07 Rptr PF

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OF
MICHAEL J. ENSRUD
ATMOS ENERGY CORPORATION
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CORRECTED DIRECT TESTIMONY

OF

MICHAEL J. ENSRUD

ATMOS ENERGY CORPORATION

CASE NO. GR-2006-0387

13 Q. Please state your name and business address.

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

15 Q. Are you the same Michael J. Ensrud who filed Direct Testimony in this case?

16 A. Yes. I am.

17 Q. What issues do you plan to correct in Corrected Direct Testimony?

18 A. The issues I plan to correct in my Direct Testimony are summarized in the
19 Executive Summary.

EXECUTIVE SUMMARY

20 Issues that I will address are as follows:

21 Atmos initially proposed to raise its non-sufficient funds charge (NSF charge) to
22 \$30.00 for all the Company's service area. Staff supports a \$15.00 NSF charge.
23 Simultaneously to Staff filing Direct Testimony, Atmos supplied a Revised Response to DR
24 No. 151 that contradicted figures presently in Staff's Direct Testimony. Staff lacked the
25 opportunity to incorporate the revision into its Direct Testimony.

26 Staff supports Atmos' attempt to change the current Gas Lost & Unaccounted (L&U)
27 adjustment applicable to transportation customers. The proposal is to initially use a flat 2%
28 adjustment. This was an interim recommendation, and should be revised after Atmos re-gains
29 the ability to measure actual gas loss. Atmos supplied additional information on October 11,

1 2006 that materially altered staff understanding of what was transpiring in relation to this
2 issue.

3 **Atmos' Returned Payment Charge Proposal**

4 Q. Is there any revision to your Direct Testimony that you want to make?

5 A. Yes. Atmos submitted revised figures for the number of NSF checks that they
6 experienced. The revised NSF counts came too late to be incorporated into Direct Testimony.

7 My Direct Testimony contains:

8 The reality of this particular situation, however, is that the vast
9 majority of Atmos customers have paid a \$15.00 NSF charge under the
10 current rate structure. The information Atmos provided in Staff DR No. 151
11 indicated that of the 1395 occurrences of NSF charges applied (between 2002
12 and 2004); there were 1393 occurrences where the \$15.00 NSF rate was
13 charged. There were only two occurrences where the \$10.00 NSF charges
14 were applied over the three-year period. For all practical purposes, Atmos
15 currently has a \$15.00 NSF charge today. The rate that I am proposing, for
16 the vast majority of customers, constitutes retention of the status quo. It is a
17 practical consideration which causes me to recommend retention of the
18 current \$15.00 NSF, even though underlying cost calculates out to \$12.14 per-
19 occurrence. (Ensrud Direct, p. 3, l. 15 to p. 4, l. 2)

20
21 The figures included in my Direct Testimony are being superseded. Atmos provided
22 updated figures as part of the revised version of Staff DR No. 151. The revised figures
23 change this paragraph to the following:

24 The reality of this particular situation, however, is that the majority of
25 Atmos customers have paid a \$15.00 NSF charge under the current rate
26 structure. The information Atmos provided in revised Staff DR No. 151
27 indicated that of the 3117 occurrences of NSF charges applied (between 2002
28 and 2005); there were 2340 occurrences where the \$15.00 NSF rate was
29 charged. There were only 777 occurrences where the \$10.00 NSF charges
30 were applied over the four-year period. Atmos currently has a \$15.00 NSF
31 charge today for the majority of its customers. The rate that I am proposing,
32 for the majority (75%) of customers, constitutes retention of the status quo. It
33 is a practical consideration which causes me to recommend retention of the
34 current \$15.00 NSF, even though underlying cost calculates out to \$12.14 per-
35 occurrence.

1 Q. Do the revised figures that Atmos submitted change your opinion as expressed
2 in your Direct Testimony?

3 A. No. The revised figures do not change my already-filed position in Direct
4 Testimony.

5 **Atmos' Transportation Gas Lost & Unaccounted Proposal**

6 Q. What corrected testimony do you have concerning your recommendation about
7 Atmos' 2% loss proposal?

8 A. Atmos has supplied subsequent information (after Direct Testimony) to Staff
9 that raises further questions.

10 In response to Staff's DR No. 53, Atmos reports that L&U percentage for gas lost was
11 4.5% for 2004 and 5.00% for 2005. Staff can only read this very high loss figure as
12 attributable to one of two things. Either Atmos is losing gas through its facilities somewhere,
13 or Atmos is having a problem measuring the amount of gas loss that is actually occurring.

14 Atmos' tariff for Areas K, B and S contains a formula requiring that: "[t]he Company
15 shall retain a loss and unaccounted for (L&UG) percentage equivalent to the actual percentage
16 for the proceeding 24 month period, for the district in which the transportation service is
17 being provided".

18 The traditional tariff application of L&U gas would be to charge the transport
19 customer 4.75%, given what was reported in Atmos' response to Staff' DR No. 53 and the
20 aforementioned tariff language.

21 However, in Atmos' response to Staff's DR No. 223 indicates that Atmos has failed to
22 follow its tariffed practice concerning applying L&U gas adjustment to transport customer. It

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1 would appear Atmos has merely applied 1.43% ever since Atmos acquired Associated Natural
2 Gas (ANG) for some customers. Staff asked the following question:

3 Under the current method of calculating Gas Lost & Unaccounted
4 adjustment applicable to transport customers, 2006 transport customers will
5 pay 4.75% (average of 2004 loss (4.5%) & 2005 loss (5%)) for Gas Lost &
6 Unaccounted adjustment. If not a 4.75% assessment factor, what is Atmos
7 charging transport customers today? Where is that provision tariffed?
8

9 In its response to Staff DR No.223 Atmos states in part "... In areas S and K Atmos is
10 charging 1.43% loss to transportation customers. This was the amount being charged by
11 ANG at the time Atmos acquired ANG." **[Emphasis added]**

12 Atmos' application of this method is clearly at odds with its existing tariff. The Direct
13 Testimony language in question was as follows: "Currently, the adjustment is based upon
14 measured network loss that 'actually' occurred during the last 24-months for Atmos' entire
15 Missouri system". (Ensrud Direct, p. 11, ls. 7-9)

16 The record should now reflect that Atmos is charging some customers 2% for L&U
17 gas and is charging 1.43% for L&U to other customers, in lieu of following the provisions in
18 the tariff. The proposed policy is that the 2% L&U will be applied company-wide.

19 Q. How much of an increase does Atmos assert will result from increasing the
20 L&U gas from 1.43% to 2.0%?

21 A. In an e-mail, Atmos asserts that this change will generate \$60,527 annually.

22 Q. Is there any other relevant issue that came to light after the Direct Testimony?

23 A. Atmos also asserts (in a different E-mail) that L&U is flowed through the
24 Purchased Gas Adjustment (PGA). That means the Commission need not concern itself with
25 how much money is being generated, but this development emphasizes that there needs to be
26 a mechanism that matches what transport customers should pay for L&U gas and what the

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1 firm customers should pay for L&U gas. If equilibrium between classes is not achieved, one
2 class of customer will end up subsidizing the other.

3 Q. How does this development change your recommendation?

4 A. Staff's position remains the same.

5 Q. Does this subsequent development of tariff provisions being ignored change
6 your solution to the problem of no real measurement being available?

7 A. No. Staff's pre-filed direct recommended course of action remains the same.
8 As an interim solution, Staff still recommends the proposed 2% methodology initially be
9 adopted, as well as the other caveats and follow-up action addressed in Direct Testimony.

10 Q. Does this conclude your Corrected Direct Testimony?

11 A. Yes, it does.