

**BEFORE THE  
KENTUCKY PUBLIC SERVICE COMMISSION**

**APPLICATION FOR AN ADJUSTMENT )  
OF RATES AND TARIFF MODIFICATIONS ) CASE NO. 2013-00148  
OF ATMOS ENERGY CORPORATION, )  
KENTUCKY DIVISION )**

**SUPPLEMENTAL  
DIRECT TESTIMONY AND SCHEDULES**

**OF**

**GLENN A. WATKINS**

**ON BEHALF OF THE  
KENTUCKY OFFICE OF THE ATTORNEY GENERAL**

**DECEMBER 18, 2013**

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Glenn A. Watkins. My business address is 9030 Stony Point  
3 Parkway, Suite 580, Richmond, VA 23235.

4

5 **Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY IN THIS**  
6 **PROCEEDING?**

7 A. Yes. I have pre-filed direct testimony on October 9, 2013 on behalf of The  
8 Kentucky Office of the Attorney General (“OAG”).

9

10 **Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL DIRECT TESTIMONY?**

11 A. The purpose of this testimony is to supplement my original direct testimony based  
12 on Atmos Energy’s supplemental data response provided on November 18, 2013.  
13 Specifically, this testimony addresses additional information provided by the Company as  
14 it relates to its discounted rate customers.

15

16 **Q. WHAT ADDITIONAL DATA AND INFORMATION WAS PROVIDED IN THE**  
17 **COMPANY’S NOVEMBER 18, 2013 SUPPLEMENTAL RESPONSE TO THE**  
18 **OAG’S DATA REQUESTS?**

19 A. The Company provided service agreements (service contracts) for each of its  
20 discounted rate customers as well as various analyses conducted during 1999 that provide  
21 certain discounted rate customers’ contributions to fixed costs; i.e., margin analyses.

22

1 **Q. DID THE COMPANY'S SUPPLEMENTAL RESPONSE PROVIDE**  
2 **ADDITIONAL INSIGHT AS TO THE RATEMAKING IMPLICATIONS OF ITS**  
3 **DISCOUNTS OFFERED TO CERTAIN INDUSTRIAL CUSTOMERS?**

4 A. Yes, in at least two regards. First, as noted on page 39 of my original direct  
5 testimony, I was unable to determine the length of time that each discounted rate has been  
6 in effect. With the supplemental information provided, I have now been able to make  
7 this determination. Second, the Company's narrative response and cost analysis provided  
8 in its original response to OAG 1-212(e) indicates that discounted rate customers each  
9 receive service on an interruptible basis. However, the Company's November 18, 2013  
10 supplement indicates that 7 of the 17 contracts (16 individual customers) actually receive  
11 firm service for some or all of their natural gas distribution delivery requirements.

12  
13 **Q. HAVE YOU PROVIDED A SCHEDULE THAT SUMMARIZES THE TERMS OF**  
14 **EACH OF THESE DISCOUNTED RATE CONTRACTS?**

15 A. Yes. My Confidential Supplemental Schedule GAW-1 provides a summary of the  
16 key provisions of each discounted rate service contract.

17  
18 **Q. IN YOUR ORIGINAL DIRECT TESTIMONY YOU INDICATED THAT ALL**  
19 **BUT TWO OF THE NEGOTIATED RATES HAVE BEEN IN EFFECT SINCE**  
20 **JANUARY 2000. HAS ATMOS' NOVEMBER 18, 2013 SUPPLEMENTAL**  
21 **RESPONSE PROVIDED ADDITIONAL INFORMATION IN THIS REGARD?**

22 A. Yes. Of the 17 contracts, one contract has been in place for about three years  
23 (since June 2010); one contract has been in place for about 12 years (since April 2001);

1 13 contracts have been in place for about 13 years (since December 1999/January 2000);  
2 one contract has been in place for about 15 years (since November 1998); and, one  
3 contract has been in place for about 17 years (since March 1996). In other words, with  
4 the exception of one contract, the current discounted rates have been in effect for at least  
5 12 years, while the majority of contracts have been in place for 15+ years.

6  
7 **Q. PLEASE COMMENT ON THE 1999 MARGIN ANALYSES PROVIDED IN THE**  
8 **COMPANY’S NOVEMBER 18, 2013 SUPPLEMENTAL RESPONSE.**

9 A. Although these margin analyses (contributions to fixed costs) are quite dated, it is  
10 not surprising that each discounted rate at least recovers the Company’s variable costs of  
11 providing distribution service. This is because the vast preponderance of a natural gas  
12 distribution company’s costs is “fixed” in nature. However, it is most important to  
13 understand that contributions to fixed costs are not the issue in this proceeding, but rather,  
14 whether there is justification to offer a discount below the Commission-approved full  
15 tariff rates whether they be interruptible or firm service.

16  
17 **Q. DOES THIS COMPLETE YOUR SUPPLEMENTAL DIRECT**  
18 **TESTIMONY?**

19 A. Yes.