

**BEFORE THE
RAILROAD COMMISSION OF TEXAS**

APPLICATION OF ATMOS ENERGY CORP. MID-TEX DIVISION FOR TEST YEAR 2006 ANNUAL INTERIM RATE ADJUSTMENT FOR THE ENVIRONS AREA OF THE CITIES IN THE WEST TEXAS RATE DIVISION.	§ § § § § § §	GAS UTILITIES DOCKET NO. 9740
--	---------------------------------	--

INTERIM RATE ADJUSTMENT ORDER

Notice of Open Meeting to consider this Order was duly posted with the Secretary of State within the time period provided by law pursuant to TEX. GOV'T CODE ANN. Chapter 551 (Vernon 2000 & Supp. 2007). The Railroad Commission of Texas adopts the following findings of fact and conclusions of law and orders as follows:

FINDINGS OF FACT

Background

1. Atmos Energy Corporation (Atmos) is a "gas utility," as that term is defined in the TEXAS UTILITY CODE, and is subject to the jurisdiction of the Railroad Commission of Texas (Commission).
2. Atmos Energy Corporation, West Texas Division (Atmos West Texas), a division of Atmos, owns and operates a gas distribution system.
3. On July 27, 2007, Atmos West Texas filed an application for an annual interim rate adjustment (IRA) applicable to customers located in the environs of its West Texas Rate area.
4. Atmos West Texas requested that the IRA for all customer classes become effective on September 25, 2007.
5. On July 30, 2007, the Commission suspended implementation of Atmos West Texas' proposed IRA until November 9, 2007, which is 45 days following the 60th day after the applications were to be complete.
6. No pleas to intervene were filed in the docket.

7. No comments were received in the docket.
8. On September 2, 2005, Atmos West Texas filed its first IRA, GUD No. 9608, using a test year ended December 31, 2004, for the West Texas Service Area environs. The order approved implementation of the IRA to be effective for bills rendered after December 13, 2005.
9. On September 1, 2006, Atmos West Texas filed its second IRA, GUD No. 9692, using a test year ended December 31, 2005. In that order, Atmos West Texas did not ask for an Interim Rate Adjustment. The filing under this docket was required by Statute and Commission rule as an annual filing regardless of a change in the rate. The order approved the application as a compliance filing on December 5, 2006.
10. This docket is the third annual IRA for the West Texas Rate area environs of Atmos West Texas subsequent to its most recent rate case for Distribution, GUD No. 9573, Statement of Intent Filed by Atmos Energy Corporation to increase Rates and change Tariffs in the Environs of the West Texas Service Area.
11. Until promulgation of TEX. UTIL. CODE ANN, §104.301 (Vernon Supp 2007), a utility could not increase its rates applicable to environs customers without filing with the Commission a formal statement of intent rate case, including a comprehensive cost of service rate review.
12. Atmos West Texas' proposed IRA will allow an opportunity to recover, subject to refund, a return on investment, depreciation expense, and related taxes on the incremental cost of infrastructure investment since its last rate case, without the necessity of filing a formal statement of intent rate case and without review by the Commission of Atmos West Texas' comprehensive cost of service.

Applicability

13. This docket applies to only those rates over which the Commission has original jurisdiction, which includes all of Atmos West Texas' environs customers in the West Texas Service Area.
14. As of year-end 2006, the West Texas Service Area environs customers totaled approximately 1,611,775 Residential customers, 147,543 Commercial customers, and 2,560 Industrial customers, 18,183 Public Authority customers, and 808 State Institution customers.

Most Recent Comprehensive Rate Case

15. Atmos West Texas' most recent rate case for Distribution for the area in which the IRA will be implemented is GUD No. 9573, Statement of Intent Filed by Atmos Energy Corporation to increase Rates and change Tariffs in the Environs of the West Texas Service Area.

16. GUD No. 9573 was filed on February 25, 2005.
17. The data used in GUD No. 9573 was based on a test-year ending March 31, 2003.
18. The Commission signed the GUD No. 9573 initial Order on July 11, 2005; an Order Nunc Pro Tunc was signed on September 7, 2005.
19. The Commission in GUD No. 9573 set the rates currently charged by Atmos West Texas.
20. The following chart shows the factors that were established in GUD No. 9573 to calculate the return on investment, depreciation expense, incremental federal income tax, and ad valorem taxes

Rate of Return	8.77 %
Depreciation Rate	3.03
Federal Income Tax Rate	35%

Interim Rate Adjustment

21. Atmos West Texas seeks approval from the Commission for an adjustment to its revenue, based on incremental net utility plant investment, with regard to the following components: return on investment; depreciation expense; ad valorem taxes; revenue related taxes; and federal income taxes.
22. The revenue amounts to be recovered through Atmos West Texas' proposed annual IRA are incremental to the revenue requirement established in Atmos West Texas' most recent rate case for the West Texas Service area in which the IRA is to be implemented, i.e., GUD No. 9573.
23. Atmos West Texas calculated and presented all incremental values for investment, accumulated depreciation, return on investment, depreciation expense, ad valorem taxes, and incremental federal income taxes on a full calendar-year basis.
24. For each IRA following a rate case, the amounts by which Atmos West Texas may adjust its rates are based on the difference between invested capital at the end of the most recent rate case test-year, or that last IRA, (December 31, 2005) and the invested capital at the end of the calendar-year following the end of the most recent rate case test-year (December 31, 2006).
25. This docket is the third IRA for Atmos West Texas. Therefore, to request its IRA in this docket, Atmos West Texas submitted data for the calendar year ending December 31, 2006.

26. The value of invested capital is equal to the original cost of the investment at the time the investment was first dedicated to public use minus the accumulated depreciation related to that investment for the IRA.
27. Atmos West Texas is required to use the same factors to calculate the interim return on investment, depreciation expense, and incremental federal income tax as those established or used in the final order setting rates in Atmos West Texas' most recent rate case for the area in which the IRA is to be implemented.
28. Atmos West Texas filed the Commission's Annual Earnings Monitoring Report (EMR) for Distribution as required by 16 TEXAS ADMINISTRATIVE CODE §7.7101(2004). The Company's rate of return is 6.40% as compared with the 8.77% allowed rate of return that was established in GUD No. 9573.
29. Atmos West Texas filed its Annual Project Report for Distribution as required by 16 TEXAS ADMINISTRATIVE CODE §7.7101(2004).
 - Atmos West Texas capital project additions totaled \$7,022,152, net of accumulated depreciation.
 - Safety-related improvements/infrastructure projects totaled \$7,102,551 before depreciation, or 72.98% of total additions.¹
 - Integrity testing projects totaled \$0.00, or 0.00% of total additions.²
30. Atmos West Texas is required to allocate the revenue to be collected through the IRA among its customer classes in the same manner as the cost of service was allocated among its customer classes in its most recent rate case for the area in which the IRA is to be implemented.
31. Atmos West Texas proposed the IRA as a flat rate to be applied to the monthly customer charges rather than as a volumetric rate to be applied to the initial block usage rates.
32. Atmos West Texas is required to show its annual IRA on its customers' monthly billing statements as a surcharge.
33. The proposed IRA by Atmos West Texas does not require an evidentiary proceeding; rather, TEX. UTIL. CODE ANN, §104.301 and 16 TEX. ADMIN. CODE, §7.7101(2004) require the regulatory authority to review a utility's method of calculating the IRA.
34. Due process protections are deferred until Atmos files its next full statement of intent rate case for Atmos West Texas.

Notice

1 Response to Staff's RFI #1-02.

2 Response to Staff's RFI #1-04.

35. Atmos West Texas' first notice to its customers was determined to be defective and was required to re-notice the customer.
36. Atmos West Texas completed its re-notice to the Residential, Commercial, Industrial, Public Authority and State Institution customers between October 1, 2007 and October 31, 2007, completing the application and making the suspension period end on December 17, 2007.
37. Atmos West Texas extended the statutory deadline to December 31, 2007 to accommodate the negotiation of a settlement with the Cities.
38. The agreed effective date, as a result of the extended negotiations with the Cities, is January 2, 2008.
39. The Cities City Ordinance contains a typographical error that stated the rate of return is 8.66% as opposed to the 8.77% in GUD No. 9573.
40. It is reasonable that the customer benefit from a reduced rate by calculating the Interim Rate Adjustment allocated to the customer using a rate of return of 8.66%

Comprehensive Rate Case Required

41. Atmos West Texas is not required to initiate a rate case supporting a statement of intent at the time it applies for an IRA.
42. A gas utility that implements an IRA and does not file a rate case before the fifth anniversary of the date its initial IRA became effective is required to file a rate case not later than the 180th day after that anniversary.

Review of Interim Rate Adjustment

43. Atmos West Texas' proposed IRA is \$1,130,929 after a negotiated 10% reduction based on an incremental net utility plant investment increase of \$7,022,152 using the property-related taxes (Ad Valorem) percentage of 1.997% and a 3.00% Franchise tax rate from GUD No. 9573.
44. Adjustments to the calculated IRA as a result of the Cities negotiation and city ordinance are shown in Exhibit B.
45. Atmos West Texas' proposed allocation methodology complies with TEXAS UTIL. CODE ANN, §104.301 (Vernon 2007), and with 16 TEX. ADMIN. CODE, §7.7101.

46. For allocation methodology, it is reasonable for the Commission to approve use overall cost of service (less other revenue, gas cost, and revenue related taxes) as determined in its most recent rate case. The following overall cost of service allocation factors for use in the calculation of Atmos West Texas' IRA are reasonable:

Customer Class	Allocation Factors
Residential	0.70389
Commercial	0.18597
Industrial	0.04854
Public Authority	.05655
State Authority	.00505

47. Atmos West Texas' proposed customer counts comply with TEXAS UTIL. CODE ANN, §104.301 (Vernon2007), and with 16 TEX. ADMIN. CODE, §7.7101.
48. For calculating the number of customer charges per year, it is reasonable for the Commission to approve use of Atmos West Texas' 2006 year-end number of customers multiplied by twelve. The following total numbers of customer and meter charges for use in the calculation of the IRA are reasonable:

Customer Class	Total Number of Customer Charges / Meters
Residential	1,611,775
Commercial	147,543
Industrial	2,560
Public Authority	18,183
State Authority	808

49. The corresponding amounts of IRA revenue and additional customer charges by customer class are as follows:

Customer Class	IRA Revenue	Additional Customer/Meter Charge	New Customer/Meter Charge
Residential	\$ 796,050	\$ 0.49	\$ 10.08
Commercial	\$ 210,319	\$ 1.43	\$ 18.52
Industrial	\$ 54,895	\$ 21.44	\$ 106.61
Public Authority	\$ 63,954	\$ 3.52	\$ 53.19
State Authority	\$ 5,711	\$ 7.07	\$ 59.72
Total	\$ 1,130,929		

Reimbursements of Expense

50. As provided for in the statute and the rule, a gas utility that implements an IRA is required to reimburse the Commission for the utility's proportionate share of the Commission's annual costs related to the administration of the IRA mechanism.
51. After the Commission has finally acted on Atmos West Texas' application for an IRA, the Director of the Gas Services Division will estimate Atmos West Texas' proportionate share of the Commission's annual costs related to the processing of such applications.
52. In making the estimate of Atmos West Texas' proportionate share of the Commission's annual costs related to the processing of such applications, the Director will take into account the number of utilities the Commission reasonably expects to file for IRAs during the fiscal year, and the costs expected to be incurred in processing such applications.
53. Atmos West Texas is required to reimburse the Commission for the amount determined by the Director of the Gas Services Division and approved by the Commission, within thirty days after receipt of notice of the amount of the reimbursement.

CONCLUSIONS OF LAW

1. Atmos Energy Corporation (Atmos) is a "gas utility" as defined in TEX. UTIL. CODE ANN. §101.003(7) (Vernon 2007) and §121.001 (Vernon 2007), and is therefore subject to the jurisdiction of the Railroad Commission of Texas (Commission).
2. The Commission has jurisdiction over Atmos West Texas, Atmos West Texas' application for IRAs for incremental changes in investment, and the subject matter of this case under TEX. UTIL. CODE ANN. §102.001, §104.001, §104.002, and §104.301 (Vernon 2007).
3. Under TEX. UTIL. CODE ANN. §102.001 (Vernon 2007), the Commission has exclusive original jurisdiction over the rates and services of a gas utility that distributes natural gas in areas outside of a municipality.
4. Under the provisions of the TEX. UTIL. CODE ANN. §104.301 (2007) and 16 TEX. ADMIN. CODE § 7.7101 (2004), Atmos West Texas is required to seek Commission approval before implementing an interim rate adjustment tariff for environs customers.
5. Atmos West Texas filed its application for interim rate adjustments for Distribution for changes in investment in accordance with the provisions of TEX. UTIL. CODE ANN. §104.301 (Vernon 2007) and 16 TEX. ADMIN. CODE §7.7101 (2004).

6. Atmos West Texas' application for an IRA was processed in accordance with the requirements of TEX. UTIL. CODE ANN. §104.301 (Vernon 2007) and 16 TEX. ADMIN. CODE §7.7101 (2004).
7. Neither TEX. UTIL. CODE ANN, §104.301 (Vernon 2007) nor 16 TEX. ADMIN. CODE, §7.7101 (2004) provide the opportunity for parties to intervene in the Commission's review of an application for an annual IRA.
8. 16 TEX. ADMIN. CODE, §7.7101 (2004) allows written comments or a protest concerning the proposed IRA to be filed with the Gas Services Division.
9. In accordance with 16 TEX. ADMIN. CODE §7.315 (2002), within thirty days of the effective date of any change to rates or services, Atmos West Texas is required to file with the Gas Services Division of the Commission its revised tariffs.
10. Atmos West Texas may not charge any rate that has not been successfully filed and accepted as a tariff filing electronically pursuant to TEX. UTIL. CODE ANN. §§102.151 and 104.002 (Vernon 2007) and 16 TEX. ADMIN. CODE §7.315 (2002).
11. In accordance with TEX. UTIL. CODE ANN. §104.301(a) (Vernon 2007) and 16 TEX. ADMIN. CODE §7.7101(a) (2004), the filing date of Atmos West Texas' most recent rate case for the West Texas Service Area, in which there is a final order setting rates for the area in which the IRA will apply, was no more than two years prior to the date Atmos West Texas filed its initial IRA.
12. Atmos West Texas is required, under TEX. UTIL. CODE ANN. §104.301(e) (Vernon 2007) and 16 TEX. ADMIN. CODE §7.7101(d) (2004), to file with the Commission an annual project report, including the cost, need, and customers benefited by the change in investment, and describing the investment projects completed and placed in service during the preceding calendar year and the investments retired or abandoned during the preceding calendar year.
13. Atmos West Texas shall include in all future annual IRA filings for Distribution, relocation project reports that provide additional information about relocation project costs included in investment projects, in the same format as required in this docket.
14. Atmos West Texas is required, under TEX. UTIL. CODE ANN. §104.301(f) (Vernon 2007) and 16 TEX. ADMIN. CODE §7.7101(e) (2004), to file with the Commission an annual earnings monitoring report demonstrating Atmos West Texas's earnings during the preceding calendar year.

15. Atmos West Texas is required, under 16 TEX. ADMIN. CODE §7.7101(h) (2004), to recalculate its approved IRA annually and is required to file an application for an annual adjustment no later than 60 days prior to the one-year anniversary of the proposed implementation date of the previous IRA application.
16. In accordance with 16 TEX. ADMIN. CODE §7.7101(i) (2004), all amounts collected from customers under Atmos West Texas's IRA tariffs or rate schedules are subject to refund. The issues of refund amounts, if any, and whether interest should be included on refunded amounts and, if so, the rate of interest, shall be addressed in the rate case a gas utility files or the Commission initiates after the implementation of an IRA and shall be the subjects of specific findings of fact in the Commission's final order setting rates.
17. In accordance with 16 TEX. ADMIN. CODE §7.7101(j) (2004), in the rate case that Atmos West Texas files or the Commission initiates after the implementation of an IRA, any change in investment and related expenses and revenues that have been included in any IRA shall be fully subject to review for reasonableness and prudence. Upon issuance of a final order setting rates in the rate case that Atmos West Texas files or the Commission initiates after the implementation of an IRA, any change in investment and related expenses and revenues that have been included in any IRA shall no longer be subject to review for reasonableness or prudence.
18. The Commission has authority to suspend the implementation of the IRA, under TEX. UTIL. CODE ANN. §104.301(a) (Vernon 2007) and 16 TEX. ADMIN. CODE §7.7101(e) (2004).
19. The Company provided adequate notice, in accordance with TEX. UTIL. CODE ANN. §104.301(a) (Vernon 2007) and 16 TEX. ADMIN. CODE §7.7101(b) (2004).
20. Atmos West Texas' application for an IRA, as proposed, complies with all provisions of TEX. UTIL. CODE ANN. §104.301 (Vernon 2007) and 16 TEX. ADMIN. CODE §7.7101 (2004).
21. Atmos West Texas' IRA set forth in the findings of fact and conclusions of law, in this Order comply with the provisions of TEX. UTIL. CODE ANN. §104.301 (Vernon 2007) and 16 TEX. ADMIN. CODE §7.7101 (2004).
22. In accordance with TEX. UTIL. CODE ANN. §104.301(h) (Vernon 2007) and 16 TEX. ADMIN. CODE §7.7101(l) (2004), Atmos West Texas shall file a comprehensive rate case for the areas in which the IRA is implemented, no later than the 180th day after the fifth anniversary of the date its initial IRA became effective.
23. The Commission has authority, under TEX. UTIL. CODE ANN. §104.301(j) (Vernon 2007) and 16 TEX. ADMIN. CODE §7.7101(m) (2004), to recover from Atmos West Texas' proportionate share of the Commission's annual costs related to the administration of the IRA mechanism.

IT IS THEREFORE ORDERED BY THE RAILROAD COMMISSION OF TEXAS THAT Atmos West Texas' IRA, as requested, and to the extent recommended to be approved in the findings of fact and conclusions of law, are **HEREBY APPROVED**, subject to refund, to be effective for bills rendered on or after January 2, 2008.

IT IS FURTHER ORDERED THAT Atmos West Texas **SHALL** file with the Commission no later than September 4, 2008, an annual project report, including the cost, need, and customers benefited by the change in investment, and describing the investment projects completed and placed in service during the preceding calendar year and the investments retired or abandoned during the preceding calendar year.

IT IS FURTHER ORDERED THAT Atmos West Texas **SHALL** file with the Commission no later than September 4, 2008, a relocation project report, which provides additional information about relocation costs included in investment projects, in the format provided in this docket.

IT IS FURTHER ORDERED THAT Atmos West Texas **SHALL** file with the Commission no later than September 4, 2008, an annual earnings monitoring report demonstrating Atmos West Texas' earnings during the preceding calendar year.

IT IS FURTHER ORDERED THAT Atmos West Texas **SHALL** file with the Commission no later than September 4, 2008, recalculations of its approved IRA and applications for annual IRA for the preceding calendar year.

IT IS FURTHER ORDERED THAT within 30 days of this order Atmos West Texas **SHALL** electronically file its IRA tariffs in proper form that accurately reflect the rates, as expressed in Exhibit A, approved by the Commission in this Order.

IT IS FURTHER ORDERED THAT Atmos West Texas **SHALL** not charge any rate that has not been successfully electronically filed and accepted by the Commission as a tariff.

IT IS FURTHER ORDERED THAT Atmos West Texas **SHALL** reimburse the expenses incurred by the Commission in reviewing this application. The amount of this reimbursement shall be determined by the Director of the Gas Services Division and must be approved by the Commission. This Order will not be final and effective until 20 days after a party is notified of the Commission's order. A party is presumed to have been notified of the Commission's order three days after the date on which the notice is actually mailed. If a timely motion for rehearing is filed by any party at interest, this order shall not become final and effective until such motion is overruled, or if such motion is granted, this order shall be subject to further action by the Commission. Pursuant to TEX. GOV'T CODE §2001.146(e)(Vernon 2000 & Supp. 2007), the time allotted for Commission action on a motion for rehearing in this case prior to its being overruled by operation of law, is hereby extended until 90 days from the date the order is served on the parties.

Any portion of Atmos West Texas' application not expressly granted herein is overruled. All requested findings of fact and conclusions of law, which are not expressly adopted herein, are

denied. All pending motions and requests for relief not previously granted or granted herein are denied.


SIGNED this 18th day of December, 2007.

RAILROAD COMMISSION OF TEXAS

MICHAEL L. WILLIAMS
CHAIRMAN



VICTOR G. CARRILLO
COMMISSIONER



ELIZABETH A. JONES
COMMISSIONER

ATTEST



SECRETARY



EXHIBIT A

RESIDENTIAL GAS SERVICE

AVAILABILITY

This schedule is applicable to general use by Residential customers for heating, cooking, refrigeration, water heating and other similar type uses. This schedule is not available for service to premises with an alternative supply of natural gas.

MONTHLY RATE

Customer Charge:	\$ 8.50
2004 GRIP Charge:	\$ 1.09
2005 GRIP Charge:	\$ 0.00
<u>2006 GRIP Charge</u>	<u>\$ 0.49</u>

Total Customer Charge: \$10.08

Commodity Charge:

All Consumption \$ 0.11035 per Ccf

The West Texas System Gas Cost Adjustment Rider applies to this schedule except for service inside City limits of Odessa.

The West Texas System Weather Normalization Adjustment Rider applies to this schedule

The West Texas Rate Division 2004, 2005 and 2006 GRIP Adjustments apply to this schedule.

EFFECTIVE: Proposed effective date September 25, 2007

ISSUED BY: C.W. Guy, Vice President -- Rates & Regulatory Affairs

COMMERCIAL GAS SERVICE

AVAILABILITY

This schedule is applicable to Commercial type customers, including hospitals and churches, for heating, cooking, refrigeration, water heating and other similar type uses. This schedule is not available for service to premises with an alternative supply of natural gas.

MONTHLY RATE

Customer Charge:	\$ 14.00
2004 GRIP Charge:	\$ 3.09
2005 GRIP Charge:	\$ 0.00
<u>2006 GRIP Charge</u>	<u>\$ 1.43</u>
Total Customer Charge:	\$ 18.52

Commodity Charge:

All Consumption	\$ 0.0970 per Ccf
-----------------	-------------------

The West Texas System Gas Cost Adjustment Rider applies to this schedule except for service inside city limits of Odessa.

The West Texas System Weather Normalization Adjustment Rider applies to this schedule.

The West Texas Rate Division 2004, 2005 and 2006 GRIP Adjustments apply to this schedule.

EFFECTIVE: Proposed effective date September 25, 2007

ISSUED BY: C.W. Guy, Vice President – Rates & Regulatory Affairs

SMALL INDUSTRIAL GAS SERVICE

AVAILABILITY

This schedule is applicable to the sales of any industrial or commercial customer whose predominant use of natural gas is other than space heating, cooking, water heating and other similar type uses. Service under this schedule is available to eligible customers following execution of a contract specifying the maximum hourly load. This schedule is not available for service to premises with an alternative supply of natural gas.

MONTHLY RATE

Customer Charge:	\$ 55.00
2004 GRIP Charge:	\$ 30.17
2005 GRIP Charge:	\$ 0.00
<u>2006 GRIP Charge:</u>	<u>\$ 21.44</u>
Total Customer Charge:	\$106.61

Commodity Charge:

Consumption:

0-1000 Ccf	\$ 0.0965 per Ccf
All over 1000 Ccf	\$ 0.0750 per Ccf

The West Texas System Gas Cost Adjustment Rider applies to this schedule except for service inside city limits of Odessa.

The West Texas Rate Division 2004, 2005 and 2006 GRIP Adjustments apply to this schedule.

EFFECTIVE: Proposed effective date September 25, 2007

ISSUED BY: C.W. Guy, Vice President – Rates & Regulatory Affairs

PUBLIC AUTHORITY GAS SERVICE

AVAILABILITY

This schedule is applicable to general use by Public Authority type customers, including public schools, for heating, cooking, refrigeration, water heating and other similar type uses. This schedule is not available for service to premises with an alternative supply of natural gas.

MONTHLY RATE

Customer Charge:	\$ 42.00
2004 GRIP Charge:	\$ 7.67
2005 GRIP Charge:	\$ 0.00
<u>2006 GRIP Charge</u>	<u>\$ 3.52</u>
Total Customer Charge:	\$ 53.19

Commodity Charge:

All Consumption \$ 0.083 per Ccf

The West Texas System Gas Cost Adjustment Rider applies to this schedule except for service inside city limits of Odessa.

The West Texas System Weather Normalization Adjustment Rider applies to this schedule.

The West Texas Rate Division 2004, 2005 and 2006 GRIP Adjustments apply to this schedule.

EFFECTIVE: Proposed effective date September 25, 2007

ISSUED BY: C.W. Guy, Vice President – Rates & Regulatory Affairs

STATE INSTITUTION GAS SERVICE

AVAILABILITY

This schedule is applicable to gas service to state agencies (as provided in Texas Utilities Code, Section 104.201) including, but not limited to, state college and universities, MHMR schools, agriculture, highway and public safety departments, prisons, and other facilities owned or operated by the State of Texas for the purpose of heating, cooking, refrigeration, water heating and other similar type uses.

MONTHLY RATE

Customer Charge:	\$ 40.74
2004 GRIP Charge:	\$ 11.91
2005 GRIP Charge:	\$ 0.00
<u>2006 GRIP Charge:</u>	<u>\$ 7.07</u>
Total Customer Charge:	\$ 59.72

Commodity Charge:

All Consumption \$ 0.08051 per Ccf

The West Texas System Gas Cost Adjustment Rider applies to this schedule except for service inside city limits of Odessa.

The West Texas System Weather Normalization Adjustment Rider applies to this schedule.

The West Texas Rate Division 2004, 2005 and 2006 GRIP Adjustments apply to this schedule.

EFFECTIVE: Proposed effective date September 25, 2007

ISSUED BY: C.W. Guy, Vice President – Rates & Regulatory Affairs



EXHIBIT B

**ATMOS ENERGY CORP., WEST TEXAS DIVISION
INTERIM COST RECOVERY AND RATE ADJUSTMENT REPORT
AS OF DECEMBER 31, 2006**

Line No.	Description (a)	Total Approved Per GUD 9573 Adjusted At 12/31/05 (1)	Per Book As of 12/31/06 (2)	Adjustments (2)	Per Book Adjusted As of 12/31/06 (e)	Ref (f)	Change in Investment (Col. e - Col. b) (g)
1	Utility Plant Investment	\$ 183,434,460	\$ 193,167,220	\$ (130,357)	\$ 193,036,863		\$ 9,602,403
2	Accumulated Depreciation	63,221,766	65,802,017		65,802,017		2,580,251
3	Net Utility Plant Investment	\$ 120,212,694	\$ 127,365,203	\$ (130,357)	\$ 127,234,846		\$ 7,022,152
4							
5							
6	Calculation of the Interim Rate Adjustment Amount:						
7	Return at 8.77%						
8	Depreciation Expense					(Sch. A, Ln. 3, Col. g) times (Sch. B, Ln. 1, Col. b) \$	615,843
9	Property-related Taxes (Ad Valorem)					(Sch. A, Ln. 1, Col. g) times (Sch. B, Ln. 7, Col. b)	290,963
10	Revenue-related Taxes					(Sch. A, Ln. 3, Col. g) times (Sch. B, Ln. 12, Col. b)	82,159
11	Federal Income Tax					(Sch. C, Ln. 11, Col. b)	58,744
12	Change in Revenue Requirement before adjustment for decreased ROR						198,700
13	Adjusted to Return for 8.66% (3)					(Sch. A, Ln. 3, Col. g) times (Sch. B, Ln. 2, Col. b) less (Sch. A, Ln. 7, Col. g) \$	1,246,388
14	Federal Income Tax Adj for 8.66% ROR (3)					(Sch. C, Ln. 27, Col. b)	(7,724)
15	Change in Revenue Requirement						(4,348)
16	Negotiated Reduction in Revenue Requirement					(Line 16 minus Line 14)	1,234,326
17	Interim Rate Adjustment Amount (4)					(Original Request \$1,256,587 x 90%) \$	(103,397)
18							1,130,929
19	Interim Rate Adjustment Amount times the Allocation Factors:						
20	Residential					(Sch. A, Ln. 17, Col. g) times (Sch. B, Ln. 17, Col. b) \$	796,050
21	Commercial					(Sch. A, Ln. 17, Col. g) times (Sch. B, Ln. 18, Col. b)	210,319
22	Industrial					(Sch. A, Ln. 17, Col. g) times (Sch. B, Ln. 19, Col. b)	54,895
23	Public Authority					(Sch. A, Ln. 17, Col. g) times (Sch. B, Ln. 20, Col. b)	63,954
24	State Institutions					(Sch. A, Ln. 17, Col. g) times (Sch. B, Ln. 21, Col. b)	5,711
25	Total						\$ 1,130,929
26	Total Change in Customer/Meter Charge:						
27	Residential					(Sch. A, Ln. 20, Col. g) divided by (Sch. B, Ln. 25, Col. b) \$	0.49
28	Commercial					(Sch. A, Ln. 21, Col. g) divided by (Sch. B, Ln. 26, Col. b) \$	1.43
29	Industrial					(Sch. A, Ln. 22, Col. g) divided by (Sch. B, Ln. 27, Col. b) \$	21.44
30	Public Authority					(Sch. A, Ln. 23, Col. g) divided by (Sch. B, Ln. 28, Col. b) \$	3.52
31	State Institutions					(Sch. A, Ln. 24, Col. g) divided by (Sch. B, Ln. 29, Col. b) \$	7.07
32	Total						
33							
34							
35	Notes:						
36	1. Amounts are the approved amounts per GUD 9573 adjusted to include Net Utility Plant Investment included in the Company's 2005 and 2006 Interim Rate Adjustments.						
37	2. Amounts are the approved amounts per GUD 9573 adjusted to include Net Utility Plant Investment included in the Company's 2005 and 2006 Interim Rate Adjustments.						
38	3. Adjustments are made to reflect the net effect of a typographical error in the City's City Ordinances that reads the Rate of Return to be 8.66% as opposed to 8.77% set in GUD No. 9573. These adjustments are made to both the return in investment and the net effect to Federal income tax for rate uniformity for incorporated and unincorporated customers.						
39	4. The Cities negotiated a 90% reduction in the Interim Adjustment Amount calculated on the original filing of \$1,256,587. (\$1,256,587 * 90% = \$1,130,929)						
40							
41							

ATMOS ENERGY CORP., WEST TEXAS DIVISION
 INTERIM COST RECOVERY AND RATE ADJUSTMENT REPORT
 AS OF DECEMBER 31, 2006

Line No.	Description (a)	Total (b)	Reference (c)
1	Return Factor		
2	City's Return Factor	8.770%	GUD 9573, Schedule G, Line 24, Column (e)
3		<u>8.660%</u>	"Cities" City Ordinance
4	Depreciation Expense Factor Calculation:		
5	Total Depreciation Expense	\$ 5,032,831	GUD 9573, Schedule 6, Line 12, Column (b)
6	Invested Capital - Gross Plant	\$ 166,040,322	GUD 9573, WP 7.1, Line 33
7	Depreciation Expense Factor	<u>3.030%</u>	Line 5 divided by Line 6
8			
9	Property Tax Factor Calculation:		
10	Property-Related Taxes (Ad Valorem)	\$ 562,071	GUD 9573, Schedule 5
11	Total Net Plant	\$ 48,074,554	GUD 9573, Schedule 7
12	Property Tax Factor	<u>1.17%</u>	Line 10 divided by Line 11
13			
14	Federal Income Tax Factor Calculation (1 / .65) * (.35)	<u>53.84615%</u>	GUD 9573, Schedule 8, Line 9
15			
16	Allocation Factors		
17	Residential	0.703890	GUD 9573
18	Commercial	0.185970	GUD 9573
19	Industrial	0.048540	GUD 9573
20	Public Authority	0.056550	GUD 9573
21	State Institutions	0.005050	GUD 9573
22	Total	<u>1.000000</u>	Sum of Line 17 through Line 21
23			
24	2006 Year-end number of customers		
25	Residential	1,611,775	GUD 9573, Final Order, adjusted to current year
26	Commercial	147,543	GUD 9573, Final Order, adjusted to current year
27	Industrial	2,560	GUD 9573, Final Order, adjusted to current year
28	Public Authority	18,183	GUD 9573, Final Order, adjusted to current year
29	State Institutions	808	GUD 9573, Final Order, adjusted to current year
30		<u>1,780,869</u>	Sum of Line 25 through Line 29
31			
32			

**ATMOS ENERGY CORP., WEST TEXAS DIVISION
INTERIM COST RECOVERY AND RATE ADJUSTMENT REPORT
AS OF DECEMBER 31, 2006**

Line No.	Description	Factors (b)	Reference (c)
1	RATE OF RETURN CALCULATION AT 8.77%		
2	Return excluding debt, per GUD 9573	\$ 11,163,560	
3	Total Invested Capital	\$ 127,365,203	
4	Return rate excluding debt, per GUD 9573	8.77%	
5	Federal Income Tax Factor	53.84615%	Line 2 divided by Line 3
6	Federal Income Tax Adjustment Factor	4.725%	Schedule B, Line 14, Column (b)
7	Weighted Average Cost of Debt	3.520%	Line 4 times Line 5
8	Change in Invested Capital - Net Utility Plant	7,022,152	IRA-6
9	Interest Expense	4,483,255	Schedule A, Line 3, Column (g)
10	Weighted Tax Factor	2.83%	Line 3 times Line 7
11	Change in Federal Income Tax	\$ 198,700	Line 4 minus Line 7 times Line 5
12			Line 8 times Line 10
13			
14	RATE OF RETURN CALCULATION AT 8.66%		
15	Return excluding debt, per GUD 9573	\$ 11,018,538	
16	Total Invested Capital	\$ 127,234,846	GUD 9573
17	Return rate excluding debt, per City Ordinances	8.66%	Line 15 divided by Line 16
18	Federal Income Tax Factor	53.84615%	Schedule B, Line 14, Column (b)
19	Federal Income Tax Adjustment Factor	4.663%	Line 17 times Line 18
20	Weighted Average Cost of Debt	3.520%	IRA-6
21	Change in Invested Capital - Net Utility Plant	7,022,152	Schedule A, Line 3, Column (g)
22	Interest Expense	4,478,667	Line 16 times Line 20
23	Weighted Tax Factor	2.77%	Line 17 minus Line 20 times Line 18
24	Change in Federal Income Tax	\$ 194,352	Line 21 times Line 23
25			
26			
27	Net Difference between 8.77% and 8.66%	\$ (4,348)	Line 24 minus Line 11 transferred to Schedule A, Line 14, Column (g)
28			
29			

30 The City's City Ordinances contain a typographical error that reads 8.66% as opposed to 8.77%. The net difference in the change in Federal Income Tax is being
31 used to calculate the Interim Rate Adjustment for rate uniformity for incorporated and unincorporated customers.