



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

GUD NO. 10194

RATE CASE EXPENSES SEVERED FROM GAS UTILITIES DOCKET NO. 10170, CONSOLIDATED

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PROCEDURAL HISTORY:

Docket Established:	July 17, 2012
Heard By:	Cecile Hanna, Hearings Examiner Rose Ruiz, Technical Examiner
Settlement Agreement:	November 20, 2013
Record Closed:	February 28, 2014
PFD Circulation:	February 28, 2014

STATEMENT OF THE CASE

The specific issue before the Commission in this docket is whether the Railroad Commission of Texas ("Commission") should approve the *Unopposed Settlement Agreement* of the parties regarding Rate Case Expenses severed from the underlying docket, GUD No. 10170 and consolidated cases. The Railroad Commission of Texas approved a Final Order on December 4, 2012, authorizing a rate increase for the Atmos Mid-Tex Division. The original *Statement of Intent* proceeding was docketed as GUD No. 10170. Atmos also filed its rate request with all municipalities served by the Atmos Mid-Tex Division. All proceedings, the various appeals and the original proceeding were consolidated. The consolidated docket numbers include: 10171, 10176, 10177, 10184, and 10179.

Review of the related rate case expense issues were severed into this proceeding GUD No. 10194. On November 20, 2013, the parties filed an *Unopposed Settlement Agreement* resolving all issues in dispute related to rate case expenses. The following entities are parties to this case: Atmos Energy Mid-Tex Division ("Atmos" or "company"), Atmos Texas Municipalities ("ATM"), Atmos Cities Steering Committee ("ACSC"), the City of Dallas ("Dallas") and Staff of the Railroad Commission of Texas ("Staff"). The State of Texas Agencies and Institutions of Higher Education ("State Agencies") are not a signatory to the settlement agreement, however, they do not oppose the settlement agreement.

The *Unopposed Settlement Agreement* seeks recovery of \$2,514,757.61, which the parties and Examiners have adjusted to \$2,514,709.63. The rate case expense recovery is to be collected by a fixed-price surcharge from ratepayers over a 12-month period based on test-year bills. The Examiners find that the rate case expense request of \$2,514,709.63 is necessary and reasonable and recommend the adoption of the *Unopposed Settlement Agreement* as adjusted by the parties and Examiners.

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PROPOSAL FOR DECISION

1. Procedural History

The specific issue in this docket is whether the Railroad Commission of Texas ("Commission") should approve the *Unopposed Settlement Agreement* of the parties regarding Rate Case Expenses severed from the underlying *Statement of Intent* proceeding, which is GUD No. 10170 Consolidated.

The Atmos Mid-Tex Division operates in over 440 cities, towns, and unincorporated areas. The *Statement of Intent* for the environs was docketed as GUD No. 10170. Atmos also filed its rate request with all municipalities served by the Atmos Mid-Tex Division. All proceedings, the various appeals and the original proceeding were consolidated. The consolidated docket numbers include: 10171, 10176, 10177, 10184 and 10179.¹ The underlying case did not result in a settlement. Instead, the case went through a five-day hearing on the merits with the Commission issuing the Final Order for GUD No. 10170 Consolidated, on December 4, 2012, approving a system-wide revenue increase of approximately \$23,492,932 for the Atmos Mid-Tex Division. A copy of the Final Order for GUD No. 10170, the underlying rate proceeding, is attached as Exhibit A.

Review of the related rate case expenses were severed into this proceeding GUD No. 10194. On November 20, 2013, the parties in the rate case expense docket filed an *Unopposed Settlement Agreement* resolving all issues in dispute related to rate case expenses. The following entities are signatories to the settlement: Atmos Energy Mid-Tex Division ("Atmos" or "company"), Atmos Texas Municipalities ("ATM"), Atmos Cities Steering Committee ("ACSC"), the City of Dallas ("Dallas") and Staff of the Railroad Commission of Texas ("Staff"). The State of Texas Agencies and Institutions of Higher Education ("State Agencies") were a party to the underlying case, however, not a signatory to the proposed *Unopposed Settlement Agreement*. The State Agencies do not oppose the settlement agreement.

2. Jurisdiction and Evidentiary Record

The Commission has jurisdiction over the applicant, associated affiliates and over the matters at issue in this proceeding pursuant to TEX. UTIL. CODE ANN. §§ 102.001, 103.003, 103.051, 104.001, 121.051, 121.052, and 121.151 (Vernon 2007 and Supp. 2013). The statutes and rules involved in this proceeding include, but are not limited to TEX. UTIL. CODE ANN. §§ 104.101, 104.102, 104.103, 104.105, 104.106, 104.107, 104.110, 104.301, and 16 TEX. ADMIN. CODE Chapter 7.

The supporting documents and affidavits attesting to expenses and future estimated expenses were submitted by Atmos, ATM, ACSC and Dallas, as Attachments C and D to the

¹ An Application of Atmos Energy Corporation to Revise Certain Depreciation Rates was filed with the Commission on March 13, 2012, which was docketed as GUD No. 10147. Subsequently, on June 19, 2012, Atmos filed a *Motion to Consolidate and Motion to Dismiss*. As a result, the depreciation issues related to Atmos Mid-Tex from GUD No. 10147 were severed into GUD No. 10179. GUD No. 10179 was then consolidated with GUD No. 10170.

Unopposed Settlement Agreement, which are admitted into the evidentiary record in this case with the issuance of this proposal for decision. In addition, the responses of the parties to Examiners' RFIs are admitted into the evidentiary record of this case.²

3. Analysis of the Proposed *Unopposed Settlement Agreement*

a. Introduction

Rule 7.5530 provides that in any rate proceeding, any utility and/or municipality claiming reimbursement for its rate case expenses pursuant to Texas Utilities Code, § 103.022(b), shall have the burden to prove the reasonableness of such rate case expenses by a preponderance of the evidence. Each gas utility and/or municipality shall detail and itemize all rate case expenses and allocations. Each entity seeking recovery of rate case expenses must provide evidence showing the reasonableness of the cost of all professional services, including but not limited to:

- (1) the amount of work done;
- (2) the time and labor required to accomplish the work;
- (3) the nature, extent, and difficulty of the work done;
- (4) the originality of the work;
- (5) the charges by others for work of the same or similar nature; and
- (6) any other factors taken into account in setting the amount of the compensation.

Furthermore, Commission rules mandate that in determining the reasonableness of the rate case expenses, the Commission shall consider all relevant factors including but not limited to those set out previously, and shall also consider whether the request for a rate change was warranted, whether there was duplication of services or testimony, whether the work was relevant and reasonably necessary to the proceeding, and whether the complexity and expense of the work was commensurate with both the complexity of the issues in the proceeding and the amount of the increase sought, as well as, the amount of any increase granted.

b. Overall Request

The total actual and estimated rate case expenses of the parties in the proposed *Unopposed Settlement Agreement* are \$2,514,757.61. This amount reflects a request by Atmos of \$1,373,536.73 in actual expenses plus \$20,000.00 in estimated rate case expenses. ATM proposes to recover \$537,204.36 in actual expenses and \$7,000.00 in estimated rate case expenses. ACSC requests \$458,430.86³ in actual expenses and \$2,500.00 in estimated rate case expenses. Dallas limited its participation in the underlying docket to the depreciation issues as

² These exhibits include: (1) Atmos Energy Corp., Mid-Tex Division Responses to Examiners' RFIs 1.1 through 1.9 and RFIs 2.1 through 2.15; (2) Atmos Cities Steering Committee Responses to Examiners' RFIs 1.1 and 1.2; (3) City of Dallas' Responses to Examiners' RFIs 1.1 and 1.2; and (4) Atmos Texas Municipalities Responses to Examiners' RFIs 1.1 through 1.4 and 2.1.

³ ACSC's Response to Examiners' RFI 1.2 requests a reduction for legal expenses in the amount of \$2.58 due to a calculation error. This results in a total amount for legal expenses of \$15,583.70 and an overall total request of \$460,928.28.

they are applicable to Dallas' Annual Rate Review ("DARR"). In the *Unopposed Settlement Agreement* and first Affidavit Dallas originally requested \$112,585.66 in actual rate case expenses and \$3,500.00 in estimated rate case expenses.⁴ Moreover, Dallas updated its filing to reduce legal fees and expenses by \$42.40.⁵ After corrections, Dallas' rate case expenses total \$116,085.66. The amounts proposed in the *Unopposed Settlement Agreement* and the corrected totals are set forth in Table 3.1 below.

Table 3.1
Proposed Rate Case Expense Request

Party	Actual	Estimated	Total/Party
Atmos	\$1,373,536.73	\$20,000.00	\$1,393,536.73
ATM	\$537,204.36	\$7,000.00	\$544,204.36
ACSC	\$458,430.86	\$2,500.00	\$460,930.86
Dallas	\$112,585.66	\$3,500.00	\$116,085.66
Settlement Agreement Totals	\$2,481,757.61	\$33,000.00	\$2,514,757.61
Corrected Totals⁶	\$2,481,709.63	\$33,000.00	\$2,514,709.63

(i) *Atmos Energy Corporation, Mid-Tex Division's Rate Case Expenses*

Christopher A. Felan, Vice-President of Rates and Regulatory Affairs for Atmos Mid-Tex Division, filed an affidavit regarding the company's rate case expenses. Mr. Felan attests that he supervised the work of the attorneys and consultants hired to work on the case. The law firm of Parsley Coffin Renner LLP was retained as outside legal counsel. The outside consultants providing services in this case on behalf of Atmos include: Frontier Associates, Alliance Consulting Group, Paul Raab, Towers Watson, and Concentric Energy Advisors. These consultants prepared testimony and analysis related to revenue requirement, cost of service, rate base, capital investment, depreciation, rate of return, allocation, rate design, and tariffs.

Mr. Felan states further in his affidavit that the legal fees were reasonable and necessary for the presentation and defense of Atmos' rate filing. Expert witnesses and consultants were engaged to prepare reasonably and necessary testimony and exhibits to support Atmos' positions in the rate filing. The related expenses of public notice, transcripts, shipping case documents, employee travel, meals and lodging related to the docket were also reasonable and necessary according to Mr. Felan.

⁴ The Examiners, however, calculate an immaterial mathematical error in Dallas' affidavit and invoices to equal \$112,582.66, which is \$3.00 less than requested by the City. [\$44,897.50 + \$4,566.23 + \$62,800.00 + \$318.93 = \$112,582.66]

⁵ The Revised Affidavit filed on February 19, 2014, by the City of Dallas requests a reduction in rate case expense recovery in the amount of \$42.40, representing \$18.93 in legal expenses and \$23.47 in consulting expenses.

⁶ These figures reflect the adjustments of \$47.98 [\$3.00 + \$42.40 + \$2.58] (Dallas error, Dallas reduction, and ACSC error, respectively).

Mr. Felan attests that the work related to the company's filing by the attorneys and consultants in this case consisted of the following: advise the company with respect to its filing, conduct legal analysis and briefing, attend to prehearing matters, attend Commission meetings, review and analyze discovery propounded by Intervenor and Commission Staff, prepare for hearing, draft attendant motions, participate in settlement discussions and prepare post hearing briefs, and other duties. Based upon Mr. Felan's experience, the rate case expenses of \$1,373,536.73 are reasonable and necessary expenses.

Mr. Felan also attests that the charges and rates of the company's outside counsel and consultants are reasonable and consistent with those billed by others for similar work, and the rates are comparable to rates charged by other professionals with the same level of expertise and experience. The amounts charged were also reasonable and commensurate with the complexity of the issues in the proceeding. The calculation of the charges is correct and there has been no double billing of charges. Furthermore, Mr. Felan attests there was no duplication of effort with other counsel or consultants.

The following attorneys with Parsley Coffin Renner LLP performed work on behalf of Atmos in this case. They are listed with their hourly fee and the corresponding number of years licensed to practice law: Ann Coffin - \$475 (20 years), Mark Santos - \$335 (11 years), Dane McKaughan - \$380 (15 years), Evan Johnson - \$250 (5 years), Kate Norman - \$300 (8 years), Scott Shepherd - \$350 (14 years) and Julie Parsley - \$500 (23 years).

Mr. Felan attests that no portion of the expenses submitted by Atmos are related to luxury items, such as limousine service, sporting events, alcoholic beverages, hotel movies, or other entertainment. Additionally all meals have been limited to \$25 per person per meal, lodging has been limited to \$150 per person per night, and no first class travel.⁷ Detailed receipts have been included for all expenses. The charges for copies, printing, overnight courier service, transcripts, and other expenses and costs were necessary for the presentation of the case and are reasonable.

Ann M. Coffin, Partner, with Parsley Coffin Renner LLP, filed an affidavit stating that based upon her experience in proceedings of this type and her knowledge of the issues that she estimates that future estimated rate case expenses will be \$20,000. Ms. Coffin states that she worked on the underlying docket and also supervised other attorneys from her firm who work on the underlying case.

Atmos requests reasonable actual rate case expenses in the amount of \$1,373,536.73, as follows: (1) \$628,279.91 in legal fees and \$12,139.97 in legal expenses, with \$214.23 in company recommended adjustments, for a total legal fees and expenses of \$640,205.65 through June 30, 2013; (2) \$286,933.63 in consulting fees, \$9,600.09 in consulting expenses, with \$641.09 in company recommended adjustments, for a total consulting fees and expenses through June 30, 2013 of \$295,892.63; and (3) \$437,438.45 for total other expenses, which includes the delivery of the *Statement of Intent* to approximately 441 cities and environs, travel expenses for

⁷ Atmos' Response to Examiners' RFI 2.9 and 2.12 indicates that some of the lodging rates are billed at \$169.00 per night but that negotiated rate includes breakfast, Internet and parking. The company elected to leave the negotiated rate as it was lower than if billed individually at \$9.95 for Internet, \$20.00 for parking and \$8.00 - \$15.00 for breakfast.

company representatives and other expenses related to the statement of intent proceeding. Atmos anticipates an additional \$20,000.00 in future estimated rate case expenses for completion of the case.

Table 3.2
Atmos Energy's Rate Case Expenses

Legal Fees Parsley Coffin Renner LLP through 6/30/13	\$ 628,279.91
Legal Expenses Parsley Coffin Renner LLP through 6/30/13	\$ 12,139.97
Consultants Fees Through 6/30/13	\$ 286,933.63
Consultants Expenses	\$ 9,600.09
Other Expenses	\$ 437,438.45
Company recommended adjustments to legal and consulting fees and expenses	\$ (855.32)
Estimated Future Fees and Expenses	\$ 20,000.00
Atmos Rate Case Expenses	\$ 1,393,536.73

Ms. Coffin attests that she has reviewed the expenses and there are no expenses charged for any luxury items. There are no first-class airfare or charges for use of non-commercial aircraft, no luxury hotel charges, no limousine service, no meals charged in excess of \$25 per person, no charges for sporting events, alcoholic drinks, or other entertainment. Ms. Coffin attests further that the charges for telephone, copies, printing, overnight courier service, transcripts, and other expenses and costs were necessary for the prosecution of the case. Ms. Coffin also filed an affidavit related to future estimated rate case expenses in the amount of \$20,000.00.

(ii) Atmos Texas Municipalities' Rate Case Expenses

In the proposed *Unopposed Settlement Agreement*, Intervenor, Atmos Texas Municipalities ("ATM"), proposes to recover a total of \$544,204.36 in actually incurred and estimated rate case expenses. Alfred R. Herrera, on behalf of ATM filed an affidavit and supporting documents related to ATM's rate case expenses. Mr. Herrera affirms that Herrera and Boyle incurred \$349,180.75 in legal fees and expenses through July 31, 2013. In addition, ATM anticipates an additional \$7,000.00 in reasonable future estimated rate case expenses to the conclusion of the case. ATM also incurred \$188,023.61 in consultant fees and expenses. The total rate case expenses proposed by ATM are \$544,204.36.

Table 3.3
ATM's Rate Case Expenses

Legal Fees Herrera & Boyle, PLLC through 7/31/13	\$ 334,118.75
Legal Expenses Herrera & Boyle, PLLC through 7/31/13	\$ 15,062.00
TAI Consultants – Consulting Fees and Expenses	\$ 22,600.00
Utilitech, Inc. Consulting Fees	\$ 97,102.50
Utilitech, Inc. Consulting Expenses	\$ 1,594.71
GDS Associates, Inc. Consulting Fees	\$ 65,075.00
GDS Associates, Inc. Consulting Expenses	\$ 1,651.40
Estimated Future Fees and Expenses	\$ 7,000.00
ATM Total Rate Case Expenses	\$ 544,204.36

Mr. Herrera attests that the rate case expenses were reasonably incurred for the development of the record and advocacy of ATM's position. Mr. Herrera states that his firm has documented all charges with time sheets, invoices and records. The firm performed the following work: review the statement of intent, identify issues, coordinate activities, retain and work with consultants, engage in discovery, draft pleadings, and prepare for and participate in the hearing on the merits, draft post-hearing briefs, exceptions and replies, and participate in the open meetings of the Commission.

Any duplication of effort was avoided. As for the legal fees and expenses, Mr. Herrera states that the rates charged are reasonable and consistent with the rates billed to others for similar work and comparable to rates charged by other professionals with the same level of expertise and experience. There was no double billing or charges, no meal expense has been billed by any attorney in his firm. No charges were incurred for luxury items, first-class airfare, limousines, alcohol, sporting events, or entertainment.

Mr. Herrera attested further that the attorney hourly rates charged ranging from \$285 to \$325 per hour are comparable to hourly rates charged to other clients for comparable services during the same timeframe. The other attorneys from his firm working on this case have experience ranging from six years up to 16 years. According to Mr. Herrera, these rates are at the lower end of the range of reasonable hourly rates compared to the rates charged by other lawyers with similar experience providing similar services. As for legal expenses, Mr. Herrera attested that reimbursable items include courier services, express mail, postage and shipping, and photocopying. Internal copying charges were limited to \$0.15 per page.

ATM engaged several consultants that were necessary to evaluate the company's filing and present evidence on behalf of ATM. Consultant David C. Parcell is an economist who provided cost of capital testimony. He has participated in 460 utility proceedings over the U.S. and Canada. He is currently President and Senior Economist of Technical Associates, Inc. (TAI). Mr. Parcell's fees and expenses of \$22,600.00 were reasonably necessary to the case.

Furthermore, ATM hired Michael L. Brosch, President of Utilitech, Inc. Mr. Brosch has appeared in utility hearings for over 34 years. Mr. Brosch testified regarding the company's proposed modifications to the Rider RRM and several revenue requirement adjustments. Steven C. Carver, Principal of Utilitech, has worked on utility matters for 35 years, and testified in GUD No. 10170 to the company's proposed revenue requirement and recommended adjustments. Mr. Herrera attested that Mr. Brosch and Mr. Carver worked very efficiently due to their years of experience and the associated fees and expenses of \$98,697.21 are reasonable and necessary.⁸

ATM engaged James W. Daniel, Vice President of GDS Associates, Inc. and Richard E. Lain, Project Manager for GDS Associates, Inc., who each have 30 years and 13 years of utility experience, respectively. These witnesses testified revenue requirement, cost of service and rate design. Mr. Herrera attested that Mr. Daniel and Mr. Lain worked very efficiently due to their years of experience and the associated fees and expenses of \$66,726.40 are reasonable and necessary.

(iii) Atmos Cities Steering Committee's Rate Case Expenses

In the proposed *Unopposed Settlement Agreement*, Intervenor, Atmos Cities Steering Committee ("ACSC"), proposes to recover a total of \$460,930.86 in actually incurred and estimated rate case expenses. Geoffrey M. Gay, on behalf of ACSC filed an affidavit and supporting documents related to ACSC's rate case expenses. In the affidavit, Mr. Gay states that Lloyd Gosselink Rochelle & Townsend, P.C. incurred \$283,775.91 in legal fees and expenses through June 30, 2013. This amount includes \$268,189.63 in legal fees and \$15,586.28 in legal expenses. Subsequently, ACSC's Response to Examiners' RFI 1.2 requests a reduction for legal expenses in the amount of \$2.58 due to an invoice calculation error. This results in a total amount for legal expenses of \$15,583.70 and an overall total request of \$460,928.28.

In addition, ACSC anticipates an additional \$2,500.00 in reasonable future estimated rate case expenses to the conclusion of the case. ACSC also incurred \$174,654.95 in consultant fees and expenses. This amount includes \$173,702.50 in consulting fees and \$952.45 in consulting expenses. The total rate case expenses proposed by ACSC are \$460,928.28. Mr. Gay attests that these amounts are reasonable given the complexity, importance, and magnitude of the case, the comprehensive nature of ACSC's case, and the number of issues.

⁸ ATM's Responses to Examiner's RFI 1.4 states that the October 11, 2012 expense report, contains an invoice from Utilitech for September 2012. The lowest available downtown hotel rate for consultant Mr. Brosch was \$189.00. Mr. Brosch was scheduled to testify the next day. ATM requests reimbursement for this hotel expense in excess of \$150.00 as reasonable and necessary because Mr. Brosch avoided incurring additional costs for a rental car and downtown parking by staying downtown.

Table 3.4
ACSC's Rate Case Expenses

Legal Fees Lloyd Gosselink Rochelle & Townsend, P.C. through 6/30/13	\$ 268,189.63
Legal Expenses Lloyd Gosselink Rochelle & Townsend, P.C. through 6/30/13	\$ 15,586.28
Stowe & Co. – Consulting Fees	\$ 60,760.00
Hill Associates Consulting Fees	\$ 15,120.00
Hill Associates Consulting Expenses	\$ 416.19
ReSolved Energy Consulting Consulting Fees	\$ 97,822.50
ReSolved Energy Consulting Consulting Expenses	\$ 536.26
Estimated Future Fees and Expenses	\$ 2,500.00
Total Fees and Expenses before adjustment	\$ 460,930.86
ACSC Corrected Fees and Expenses	\$ 460,928.28⁹

Mr. Gay attests that he has reviewed the invoices from his firm and the consultants on behalf of ACSC. The legal services provided by his firm to ACSC included propounding discovery requests, negotiating discovery disputes, motions practice, legal research, providing legal advice and strategy, coordination with consultants, client consultations, preparation of testimony, preparation for hearing, participation in settlement negotiations on revenue requirements and rate case expenses, and preparation and review of settlement documents.

Mr. Gay states in his affidavit that the number of attorneys working on the underlying docket was minimized, the attorneys performed their work in an efficient manner, and there was no duplication of services. The hourly rates charged are appropriate for the level of experience and responsibilities assigned each attorney. Mr. Gay attested further that he has 35 years of experience in utility ratemaking proceedings and bills \$410.00 per hour. Firm partner, Georgia N. Crump, bills \$325.00 per hour and associate Eileen L. McPhee bills \$220.00 per hour. Mr. Gay attests further that he is familiar with the hourly rates charged for regulatory work and the rates charged are consistent with or below rates charged by comparably experienced attorneys. All of the services provided were necessary to complete the assigned tasks in a professional

⁹ ACSC's Response to Examiners' RFI 1.2 requests a reduction for legal expenses in the amount of \$2.58 due to an invoice calculation error.

manner and on a timely basis. Mr. Gay attests that the rate case expenses were reasonable for the work performed compared to similar work.

ACSC hired consultants on behalf of ACSC whose fees and expenses were reasonable for the work performed compared to similar work, according to Mr. Gay. The affidavit states that the consultants performed their work in a professional, efficient and timely manner. Consultant Constance T. Cannady, with J. Stowe & Co., prepared testimony regarding rate base, operating expenses, allocation of expenses from the company's shared services unit, taxes other than income, pension benefits and federal income tax. J. Stowe & Co. incurred \$60,760.00 in consulting fees and expenses.

Stephen G. Hill, of Hill and Associates prepared testimony regarding the rate of return. Hill and Associates incurred \$15,536.19 in consulting fees and expenses. Karl J. Nalepa, of ReSolved Energy Consulting, LLC prepared testimony regarding the company's cost of service and cost recovery. ReSolved Energy Consulting incurred \$98,358.76 in consulting fees and expenses.

Mr. Gay states in his affidavit that he reviewed the invoices and charges by the attorneys and consultants and he concludes the following: (1) the hourly rates charged by ACSC's consultants and attorneys are within the range of reasonable rates; (2) the number of individuals working on this matter at any given time was minimized; (3) consultants and attorneys accurately documented hours worked and services provided on their invoices; (4) there were no time entries by any individual that exceeding 12 hours per day on any single matter or on a combined basis when work was performed on this case; and (5) there were no expenses for luxury hotels, valet parking, designer coffee, first-class airfare, non-commercial aircraft, limousine service, alcoholic beverages, sporting events, or entertainment.

(iv) City of Dallas' Rate Case Expenses

Dallas limited its participation in the underlying docket to litigation of depreciation rates as they were to be applied to all plant for Dallas' Annual Rate Review, DARR. The *Unopposed Settlement Agreement*, reflects that Dallas requested \$112,585.66 in actual rate case expenses and \$3,500.00 in future estimated rate case expenses for a rate case expense total of \$116,085.66.

Norman J. Gordon, Shareholder, in the El Paso firm Mounce, Green, Myers, Safi, Paxson and Galatzan, P.C., filed an affidavit stating that his firm billed \$44,897.50 in legal fees plus \$4,566.23 in legal expenses. Mr. Gordon filed a Revised Affidavit requesting a reduction of \$42.40, representing a reduction of \$18.93 in legal expenses and \$23.47 in consulting expenses. Mr. Gordon reviewed the supporting documents and attests to their accuracy. Mr. Gordon bills at a rate of \$275.00 per hour and the time of attorney, Steven Hughes, also a shareholder in the firm billed at a rate of \$250.00 per hour.

The legal expenses and fees incurred relate to travel to Austin for the prehearing conference, depositions, the hearing on the merits, and the Commission Open Meeting. Legal expenses included transcripts of the deposition and hearing on depreciation issues, along with overnight deliveries and copying. Mr. Gordon attested that his travel expenses did not include

any luxury items such as first class travel, individual meals over \$25.00 or hotel costs over \$150.00 per night. Additionally, copy expenses were billed a \$0.10 per page.

Mr. Gordon attested further that all of the work done by his firm was necessary and reasonable with respect to both time and the amount considering the nature, extent, and difficulty of the work, the originality of the issues presented including the nature of the issues raised and addressed by the City of Dallas in the case, and the amount of time spent by and charges by others for work of a similar nature in this and other proceedings. The expenses incurred were all reasonable and necessary for the presentation and prosecution of the City's case.

Dallas engaged Diversified Utility Consultants, Inc. ("DUCI") to provide consulting services and direct testimony for the City on the depreciation issues in the case. Jacob Pous prepared testimony related to depreciation life and salvage parameters, as well as, the allocation of depreciation reserves on an account basis. DUCI billed \$62,800.00 in consulting fees and \$318.93 in expenses. Mr. Gordon attests that he has reviewed and analyzed the work of many consultants in rate setting proceedings and in his opinion the rates, time and totals for the work and expenses of DUCI on depreciation rate issues were reasonable.

Table 3.5
City of Dallas' Rate Case Expenses

Legal Fees - Mounce, Green, Myers, Safi, Paxson & Galatzan, P.C. through 6/30/13	\$ 44,897.50
Legal Expenses - Mounce, Green, Myers, Safi, Paxson & Galatzan, P.C. through 6/30/13	\$ 4,566.23
Diversified Utility Consultants, Inc. Consulting Fees through 6/30/13	\$ 62,800.00
Diversified Utility Consultants, Inc. Consulting Expenses through 6/30/13	\$ 318.93
Estimated Future Fees and Expenses	\$ 3,500.00
Total Fees and Expenses before adjustment	\$ 116,082.66 ¹⁰
Corrected Total Fees and Expenses	\$ 116,040.26 ¹¹

4. Recovery of Rate Case Expenses

The signatories to the *Unopposed Settlement Agreement* agree that the total reimbursable rate case expense of \$2,514,709.63 will be recovered over an approximate 12-month period by a

¹⁰ Dallas' Affidavit and the settlement document totals reflect an amount of \$116,085.66. The Examiners, however, calculate an immaterial mathematical error of \$3.00. The corrected total is reflected in this amount.

¹¹ The "Corrected Total Fees and Expenses" amount reflects Dallas' corrected reduction of \$42.40 from the Revised Affidavit.

fixed-price surcharge on the customer's bill commencing within a reasonable period from the date the final order for this case becomes effective, or in the case of Dallas, concurrently with the implementation of the June 1, 2014, Dallas Annual Rate Review ("DARR").

The proposed settlement allocation of rate case expenses is based on the parties' agreement that Dallas pay their pro-rata share of depreciation expenses and that all other parties would be charged the same surcharge for a one-year period based on all remaining expenses incurred. As a result, Dallas' surcharge is lower than the rest of the Mid-Tex service area.

The surcharge amounts are calculated using annual bill counts and allocated to the customer classes consistent with the allocation in the Final Order for GUD No. 10170. Dallas' expenses were calculated on a per customer basis to be recovered over a one year period. The remaining groups, Unincorporated areas, ATM Cities, ACSC Cities and Non Coalition Cities, amounts were then combined and calculated on a per customer basis to be recovered over a one year period, based on the annual bill count (less Dallas). This methodology reflects the agreement between the parties that all groups (other than Dallas) pay the same surcharge amount.¹² The following tables show the proof of recovery and bill counts by party:

Table 4.1
Proof of Recovery by Party and Customer Class

	Residential	Commercial	Industrial and Transportation	Total
Dallas	\$37,090	\$9,231	\$1,261	\$47,582
Unincorporated	\$69,399	\$9,814	\$3,092	\$82,305
ATM Cities	\$294,947	\$69,218	\$10,514	\$374,679
ACSC Cities	\$1,430,835	\$353,631	\$48,505	\$1,832,971
Non Coalition Cities	\$127,982	\$45,968	\$3,269	\$177,219
Total by Class	\$1,960,253	\$487,862	\$66,641	\$2,514,756
Class Cost Allocation ¹³	77.95%	19.40%	2.65%	

Table 4.2
Annual Bill Count by Party and Customer Class

	Annual Bill Count	Residential	Commercial	Industrial and Transportation
City of Dallas	2,680,644	2,438,100	241,044	1,500
Unincorporated	562,492	536,843	25,229	420
ATM Cities	2,460,965	2,281,595	177,942	1,428
ACSC Cities	11,984,056	11,068,376	909,092	6,588
Non-Coalition Cities	1,108,635	990,019	118,172	444
TOTAL Bill Count ¹⁴	18,796,792	17,314,933	1,471,479	10,380

¹² Atmos' Responses to Examiners' RFI 1.5 and 1.9.

¹³ Class Cost Allocation in accordance with the Final Order of GUD No. 10170, CCS1-(c) Allocated Total Cost of Service

¹⁴ Bill Count from GUD No. 10170 Final Order, J-4.1, 4.2 and 4.3 Schedules – Proposed Revenues

The signatories agree that reimbursement of future estimated expenses will be reimbursed upon presentation of invoices evidencing that the amounts were actually incurred and that those amounts will not exceed each parties' estimated expenses stated in the *Unopposed Settlement Agreement*.¹⁵

The *Unopposed Settlement Agreement* contains a 12-month surcharge recovery mechanism. Total reimbursable rate-case expenses shall be recovered over an approximate 12-month period by application of a fixed-price surcharge on the customers' bill commencing within a reasonable period from the date a final order in GUD No. 10194 becomes effective. The recovery mechanism is consistent with Commission precedent. The surcharge amounts are set forth in Table 4.3, below:

Table 4.3
Surcharge per bill

	Residential	Commercial	Industrial and Transportation
City of Dallas	0.0152	0.0383	0.8406
Unincorporated	0.1293	0.3890	7.3626
ATM Cities	0.1293	0.3890	7.3626
ACSC Cities	0.1293	0.3890	7.3626
Non-Coalition Cities	0.1293	0.3890	7.3626

In order to ensure compliance, the Examiners find that it is reasonable that the Atmos Mid-Texas Division file a reconciliation report at the completion of collection. The report should establish that the amount collected has not exceeded \$2,514,709.63. The parties have agreed that within 60 days of the conclusion of any appeals related to GUD No. 10194 or GUD No. 10170, Atmos shall file a report, including invoices, which reconciles the estimated expense approved to the total actual and final rate-case expense amount. Any amounts that have not been disbursed to the parties shall be refunded. Atmos shall file the report with the Commission, Addressed to the Director of Gas Services Division and referencing Gas Utilities Docket No. 10194, Rate Case Expense Recovery Report. The report shall include:

- The customer count by month by customer class during the applicable period
- The amount of rate-case expense recovered, by month
- The outstanding balance, by month

5. Examiners' Recommendation and Conclusion

The Examiners reviewed all billings, invoices and supporting documents submitted by the company and Intervenor. The Examiners have found no evidence of double-billing, excess charges, inappropriate documentation of work, excessive entertainment and dining expenses, or

¹⁵ The future estimated expenses are shown in Table 3.1 to the Proposal for Decision and verified in Atmos' Response to Examiners' RFI 1-7.

other charges that were not incurred as a direct result of prosecuting GUD No. 10194 and the underlying consolidated proceeding.

The hourly rates for the attorneys range are within the range of hourly rates for comparable services. The invoices accurately document hours worked and services provided and that they were necessary to complete those tasks in a professional manner on a timely basis. The complexity of this case required work by the attorneys and consultants on many issues. The supporting documents show that there were no time entries exceeding 12.0 hours per day, no expenses charged for first-class airfare, non-commercial aircraft, luxury hotels, limousine service, alcoholic beverages, sporting events or other entertainment, and no duplication of services or testimony.

Further, the Examiners did not identify any specific amounts, expenditures, fees, and expenses actually incurred in these proceedings that are different from the types of fees and expenses approved by the Commission in prior rate cases. The Examiners find that the work involved in these proceedings was not disproportionate to the complexity of the issues or the amount of revenue increase sought. Accordingly, the Examiners find that the evidence indicates that the amount of work required to adjudicate GUD Nos. 10194 and 10170 Consolidated justifies the work performed by the company's and the Intervenor's attorneys and consultants pursuant to the requirements of 16 TAC §§7.5530(a) and (b).¹⁶

The parties propose that the expenses be collected by a fixed-price surcharge from ratepayers over a 12-month period based on test-year bills. The Examiners find that the proposed surcharge is consistent with Commission precedent. Thus, the Examiners recommend that the Atmos Mid-Tex Division be allowed to recover the parties' rate case expenses with an approximate 12-month fixed-price surcharge to ratepayers. It is further recommended that the fixed monthly surcharge be a separate line item on each customer's bill clearly identifying the rate case expense recovery charge.

The Examiners recommend that the Commission issue an order approving the *Unopposed Settlement Agreement* of the parties, with the adjustments recommended by the parties and Examiners as shown in Table 5.1 below:

¹⁶ 16 TEX. ADMIN. CODE § 7.5530(a)(2010). In any rate proceeding, any utility and/or municipality claiming reimbursement for its rate case expenses pursuant to TEX. UTIL. CODE ANN., §103.022(b), shall have the burden to prove the reasonableness of such rate case expenses by a preponderance of the evidence. Each gas utility and/or municipality shall detail and itemize all rate case expenses and allocations and shall provide evidence showing the reasonableness of the cost of all professional services, including but not limited to: (1) the amount of work done; (2) the time and labor required to accomplish the work; (3) the nature, extent, and difficulty of the work done; (4) the originality of the work; (5) the charges by others for work of the same or similar nature; and (6) any other factors taken into account in setting the amount of the compensation; and

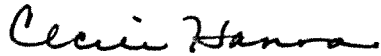
16 TEX. ADMIN. CODE § 7.5530(b) (2010). In determining the reasonableness of the rate case expenses, the Commission shall consider all relevant factors including but not limited to those set out previously, and shall also consider whether the request for a rate change was warranted, whether there was duplication of services or testimony, whether the work was relevant and reasonably necessary to the proceeding, and whether the complexity and expense of the work was commensurate with both the complexity of the issues in the proceeding and the amount of the increase sought as well as the amount of any increase granted.

Table 5.1
Summary of Examiners' Recommendation

Party	Expense Category	Incurred Expenses	Estimated Expenses	Total/Party
Atmos	Legal fees and Expenses:			
	Parsley Coffin Renner LP	\$640,206	\$20,000.00	
	Consultant Fees and Expenses:			
	Frontier Associates LLC 53,186.77	\$295,893		
	Alliance Consulting Group 104,015.80			
	Paul H. Raab 24,072.70			
	Concentric 97,047.74			
Atmos	Towers Watson 17,569.61			
	Other	\$437,438		
	TOTAL - Atmos	\$1,373,537		\$1,393,536.72
ATM	Legal fees and Expenses:			
	Herrera & Boyle, PLLC	\$349,180.75	\$7,000.00	
	Consultant Fees and Expenses:			
	Technical Associates, Inc. \$22,600.00	\$188,023.61		
	Utilitech \$98,697.21			
	GDS Associates, Inc. \$66,726.40			
ATM	TOTAL - ATM	\$537,204.36		\$544,204.36
ACSC	Legal fees and Expenses:			
	Lloyd Gosselink \$283,775.91	\$283,773.33	\$2,500.00	
	Adjustments (\$2.58)			
	Consultant Fees and Expenses:			
	Resolved Energy \$98,358.76	\$174,654.95		
	J. Stowe & Co. \$60,760.00			
	Stephen Hill \$15,536.19			
ACSC	TOTAL - ACSC	\$458,428.28		\$460,928.28
Dallas	Legal fees and Expenses:			
	Mounce, Green, Myers, Safi,			
	Paxson and Galatzan \$49,463.73	\$49,421.33	\$3,500.00	
	Adjustments (\$42.40)			
	Consultant Fees and Expenses:			
	Diversified Utility Consultants \$63,118.93	\$63,118.93		
Dallas	TOTAL - Dallas	\$112,540.26		\$116,040.26
TOTAL		\$2,481,709.62	\$33,000.00	\$2,514,709.62

In sum, the Examiners find that the parties have established that the actually incurred and reasonably estimated rate case expenses of \$2,514,709.63 are necessary, just and reasonable. Likewise, the Examiners recommend approval of the recovery of the reasonably incurred actual and estimated rate case expenses in the amount of \$2,514,709.63.

Respectfully submitted,



Cecile Hanna
Hearings Examiner
Hearings Division



Rose Ruiz
Technical Examiner
Hearings Division

Exhibit A

to

Proposal for Decision

GUD No. 10194

**BEFORE THE
RAILROAD COMMISSION OF TEXAS**

**STATEMENT OF INTENT FILED BY §
ATMOS ENERGY CORP., TO §
INCREASE GAS UTILITY RATES § GAS UTILITIES DOCKET NO. 10170
WITHIN THE UNINCORPORATED § AND CONSOLIDATED CASES
AREAS SERVED BY THE ATMOS §
ENERGY CORP., MID-TEX DIVISION §**

FINAL 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, *et seq.* (Vernon 2008 & Supp. 2012). The Railroad Commission of Texas adopts the following findings of fact and conclusions of law and orders as follows:

FINDINGS OF FACT

1. Atmos Energy Corp., Mid-Tex Division, (Atmos Energy, Atmos, or company) 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. On May 31, 2012, Atmos filed a *Statement of Intent* to increase gas utility rates in the unincorporated areas of the Atmos Energy Corp., Mid-Tex Division. The filing was docketed as GUD No. 10170.
3. Atmos proposed that the increased rates become effective on July 5, 2012.
4. On June 26, 2012, the Commission suspended the implementation of Atmos' proposed rates for up to 150 days.
5. Atmos subsequently extended the proposed effective date of the proposed rates, thereby extending the statutory deadline to December 20, 2012.
6. Atmos filed a municipal rate proceeding with 441 cities (Affected Cities) served by Atmos Mid-Tex on January 31, 2012.
7. Atmos Mid-Tex filed the following *Petitions for De Novo Review* of the denial of the *Statement of Intent* by various municipalities that denied that rate request:
 - A. GUD No. 10171, Petition for De Novo Review of the Denial of the Statement of Intent Filed by Atmos Energy Corp., Mid-Tex Division by the Cities of Abilene,

Alba, Albany, et al. on May 31, 2012. These cities include the following: Abilene, Alba, Albany, Allen, Alvarado, Alvord, Angus, Anna, Anson, Arlington, Aubrey, Avery, Azle, Baird, Bangs, Barry, Bartonville, Bedford, Bellevue, Benbrook, Benjamin, Beverly Hills, Blanket, Blum, Bogata, Bonham, Bowie, Brazos Bend, Bridgeport, Bronte, Brownsboro, Brownwood, Bruceville-Eddy, Buckholts, Buffalo Gap, Burleson, Byers, Caddo Mills, Caldwell, Calvert, Cameron, Campbell, Canton, Cashion Community, Celina, Centerville, Childress, Chillicothe, Cisco, Clarksville, Cleburne, Clifton, Clyde, Coleman, Colleyville, Collinsville, Colorado City, Comanche, Commerce, Coolidge, Cooper, Copper Canyon, Copperas Cove, Corral City, Covington, Crawford, Crowley, Dalworthington Gardens, Decatur, DeLeon, Denison, Desoto, Dodd City, Double Oak, Duncanville, Dublin, Ector, Edgecliff Village, Edom, Emhouse, Emory, Ennis, Euless, Everman, Fairfield, Farmers Branch, Farmersville, Ferris, Forest Hill, Fort Worth, Franklin, Frankston, Frisco, Frost, Gainesville, Glen Rose, Glenn Heights, Godley, Goodlow, Gordon, Goree, Gorman, Grandview, Granger, Gunter, Gustine, Haltom City, Hamilton, Harker Heights, Haskell, Hawley, Henrietta, Hewitt, Hico, Highland Village, Holland, Holliday, Honey Grove, Howe, Hubbard, Hurst, Hutchins, Iowa Park, Iredell, Irving, Italy, Itasca, Jewitt, Josephine, Joshua, Justin, Kaufman, Keene, Kemp, Kennedale, Killeen, Knollwood, Ladonia, Lake Worth, Lakeport, Leona, Leonard, Lewisville, Lindsay, Lipan, Little Elm, Little River Academy, Lometa, Lone Oak, Longview, Lorena, Lott, Mabank, Madisonville, Malakoff, Malone, Mansfield, Marble Falls, Maypearl, McGregor, McKinney, Melissa, Meridian, Merkel, Mesquite, Mexia, Midlothian, Miles, Moran, Morgan, Murchison, Murphy, Newcastle, Nocona, Nolanville, Northlake, Novice, Oak Leaf, Oakwood, O'Brien, Oglesby, Olney, Ovilla, Palestine, Palmer, Paradise, Pecan Gap, Pecan Hill, Penelope, Petrolia, Pilot Point, Pleasant Valley, Ponder, Pottsboro, Poynor, Princeton, Putnam, Quanah, Quitman, Ranger, Ravenna, Red Oak, Reno (Lamar County), Retreat, Richland, Richland Hills, River Oaks, Roanoke, Robert Leek, Rochester, Rockwall, Roscoe, Rosebud, Ross, Rotan, Runaway Bay, Sachse, Saginaw, San Angelo, Sansom Park, Santa Anna, Savoy, Scurry, Seagoville, Sherman, Snyder, Suothmayd, Stamford, Stephenville, Strawn, Streetman, Sweetwater, Talty, Teague, Tehuacana, Thorndale, Thornton, Throckmorton, Tioga, Tom Bean, Trent, Trinidad, Troy, University Park, Valley View, Van Alstyne, Walnut Springs, Westlake, White Settlement, Whitesboro, Wichita Falls, Woodway, Wortham, Wylie, Venus and Yantis.

- B. GUD No. 10176, Petition for De Novo Review of the Denial of the Statement of Intent Filed by Atmos Energy Corp., Mid-Tex Division by the Cities of Deport, Detroit, and Lakeside on June 8, 2012.
- C. GUD No. 10177, Petition for De Novo Review of the Denial of the Statement of Intent Filed by Atmos Energy Corp., Mid-Tex Division by the Cities of Addison, Alma, Archer City, et al. on June 13, 2012. These cities include the following: The cities of Addison, Alma, Archer City, Argyle, Aurora, Ballinger, Bandera,

Bardwell, Bartlett, Bells, Bertram, Blackwell, Blooming Grove, Blossom, Blue Mound, Blue Ridge, Boyd, Bremond, Bryan, Buffalo, Burkburnett, Burnet, Carbon, Carrollton, Cedar Hill, Cedar Park, Chico, College Station, Como, Coppel, Corinth, Corsicana, Crandall, Cross Roads, Dawson, Denton, Early, Eastland, Eustace, Evant, Fairview, Fate, Flower Mound, Forney, Fredericksburg, Garland, Georgetown, Goldthwaite, Granbury, Grand Prairie, Grapevine, Hamlin, Haslet, Hearne, Heath, Hebron, Hickory Creek, Highland Park, Hillsboro, Hutto, Impact, Keller, Kerrville, Knox City, Kosse, Krum, Kurten, Lacy-Lakeview, Lake Dallas, Lampasas, Lancaster, Lavon, Lawn, Leander, Lincoln Park, Llano, Lorain, Lueders, Manor, Mart, McLendon-Chisholm, Megargel, Milford, Midway, Mobile City, Moody, Muenster, Newark, Nevada, New Chapel Hill, Normangee, North Richland Hills, Paris, Parker, Pflugerville, Plano, Powell, Prosper, Quinlan, Rhome, Robinson, Roby, Rogers, Round Rock, Rowlett, Roxton, Royse City, Rule, Sadler, Saint Jo, Sanctuary, Sanger, Seymour, Shady Shores, South Mountain, Southlake, Springtown, Sulphur Springs, Taylor, Temple, Terrell, The Colony, Thrall, Toco, Trenton, Trophy Club, Tye, Tyler, Valley Mills, Vernon, Waco, Watauga, Waxahachie, Weinert, West, Westworth Village, Whitehouse, Whitewright, Whitney, Wilmer, Windom, Winters, and Wolfe City.

- D. GUD No. 10184, Petition for De Novo Review of the Denial of the Statement of Intent Filed by Atmos Energy Corporation, West Texas Division by the Cities of Big Spring, Earth, Edmonson, et al. on July 5, 2012. These cities include the following: Abbott, Annona, Athens, Austin, Balch Springs, Bellmead, Belton, Celeste, Chandler, Cockrell Hill, Coyote Flats, Cumby, Electra Garrett, Gatesville, Greenville, Groesbeck, Kerens, Lexington, Marlin, Millsap, Munday, Pantego, Point, Reno (Parker County), Post Oak Bend, Rice, Richardson, Riesel, Rio Vista, Rockdale, San Saba, Somerville, Star Harbor, Sun Valley, Sunnyvale, Tuscola, Westover Hills, and Wixon Valley.
8. On March 13, 2012, Atmos filed an *Application of Atmos Energy Corp. to Revise Certain Depreciation Rates* and it was docketed as GUD No. 10147.
 9. On June 19, 2012, Atmos filed a *Motion to Consolidate* [depreciation issues for Atmos Mid-Tex from GUD No. 10147] and *Motion to Dismiss as to Atmos Pipeline-Texas*.
 10. On June 22, 2012, the depreciation issues for Atmos' Mid-Tex Division from GUD No. 10147 were severed into GUD No. 10179.
 11. On June 22, 2012, GUD No. 10179 was consolidated into GUD No. 10170.
 12. On June 14, 2012, Staff of the Railroad Commission of Texas (Staff) and the State of Texas Agencies and Institutions of Higher Education (State Agencies) intervened in this proceeding.
 13. On June 14, 2012, Atmos Texas Municipalities (ATM) intervened in this proceeding on behalf of the following cities: Austin, Balch Springs, Bandera, Bartlett, Belton, Blooming

Grove, Bryan, Cameron, Cedar Park, Celeste, Clifton, Commerce, Copperas Cove, Corsicana, Denton, Electra, Fredericksburg, Garrett, Gatesville, Georgetown, Goldthwaite, Granbury, Greenville, Groesbeck, Hamilton, Henrietta, Hickory Creek, Hico, Hillsboro, Hutto, Kerens, Lampasas, Leander, Lometa, Longview, Mart, Mexia, Olney, Pantego, Pflugerville, Ranger, Reno (Parker County), Rice, Richardson, Riesel, Round Rock, San Angelo, Sanger, Somerville, Star Harbor, Trinidad, Trophy Club, and Whitney.

14. On June 22, 2012, Atmos Cities Steering Committee (ACSC) intervened in this proceeding on behalf of the following cities: Abilene, Addison, Allen, Alvarado, Angus, Anna, Argyle, Arlington, Bedford, Bellevue, Benbrook, Beverly Hills, Blossom, Blue Ridge, Bowie, Bridgeport, Brownwood, Burkburnett, Burleson, Caddo Mills, Carrollton, Cedar Hill, Celina, Cisco, Cleburne, Clyde, College Station, Colleyville, Colorado City, Comanche, Coolidge, Coppell, Corinth, Corral City, Crandall, Crowley, Dalworthington Gardens, Denison, DeSoto, Duncanville, Eastland, Edgecliff Village, Emory, Ennis, Euless, Everman, Fairview, Farmers Branch, Farmersville, Fate, Flower Mound, Forest Hill, Fort Worth, Frisco, Frost, Gainsville, Garland, Grand Prairie, Grapevine, Gunter, Haltom City, Harker Heights, Haskell, Haslett, Hewitt, Highland Park, Highland Village, Honey Grove, Hurst, Iowa Park, Irving, Justin, Kaufman, Keene, Keller, Kemp, Kennedale, Kerrville, Killeen, Krum, Lakeside, Lake Worth, Lancaster, Lewisville, Lincoln Park, Little Elm, Lorena, Madisonville, Malakoff, Mansfield, McKinney, Melissa, Mesquite, Midlothian, Murphy, Newark, Nocona, North Richland Hills, Northlake, Oak Leaf, Ovilla, Palestine, Paris, Parker, Pecan Hill, Plano, Ponder, Pottsboro, Prosper, Quitman, Red Oak, Richland, Richland Hills, River Oaks, Roanoke, Robinson, Rockwall, Roscoe, Rowlett, Royse City, Sachse, Saginaw, Seagoville, Sherman, Snyder, Southlake, Springtown, Stamford, Stephenville, Sulphur Springs, Sweetwater, Temple, Terrell, The Colony, Trophy Club, Tyler, University Park, Venus, Waco, Watauga, Waxahachie, Westlake, Whitesboro, White Settlement, Wichita Falls, Woodway, and Wylie.
15. On July 27, 2012, The City of Dallas intervened in this proceeding and on July 31, 2012, CoServ Gas, Ltd., intervened in this docket.

Notice

16. Atmos Mid-Tex published notice of the proposed rate changes once a week for four or more consecutive weeks, beginning the week of February 6, 2012 and running through the week of March 5, 2012, in newspapers of general circulation in each city affected by the proposed increase.
17. Notice of the filing in this proceeding was accomplished for unincorporated area residential and commercial customers by bill insert beginning on July 20, 2012 and ending on August 20, 2012.

18. Notice to industrial and other non-residential and non-commercial customers was accomplished by mailing the notice to the billing addresses of each directly affected unincorporated customer on July 24, 2012.
19. The publication of notice meets the statutory and rule requirements of notice and provides sufficient information to ratepayers about the statement of intent.

Atmos Energy Corporation Mid-Tex Division

20. Atmos Energy delivers natural gas to approximately 3.2 million residential, commercial, industrial, and public authority customers in twelve states.
21. Atmos Energy has the following six unincorporated gas utility operating divisions located in the respective cities: Dallas, Texas (Mid-Tex Division); Denver, Colorado (Colorado/Kansas Division); Baton Rouge, Louisiana (Louisiana Division); Jackson, Mississippi (Mississippi Division); Lubbock, Texas (West Texas Division); and Franklin, Tennessee and Owensboro, Kentucky (Kentucky/Mid-States Division).
22. Atmos Energy has an operating division, Atmos Pipeline – Texas, which consists of a regulated intrastate pipeline that operates only within Texas.
23. Each of Atmos Energy's utility divisions has its own divisional office that is responsible for the day-to-day operations that are unique to that division.
24. The company's corporate office is located in Dallas, Texas, and provides services such as accounting, legal, human resources, rates administration, procurement, gas supply, information technology, and customer care.
25. Several functions that are shared among the divisions are handled by the company's Shared Services Unit (SSU).
26. These centralized services, or Shared Services, include customer support call centers and are located in Amarillo and Waco, Texas, which are shared by the company's distribution operating divisions.
27. The utility operations in the Mid-Tex Division operates in over 440 cities, towns, and unincorporated areas.
28. The Mid-Tex Division has approximately 350 employees and serves approximately 1.5 million customers in 442 incorporated and unincorporated areas in north and central Texas.

Test Year

29. The test year in this case was the 12-month period ending September 30, 2011.

Books and Records

30. Atmos Mid-Tex established that the utility maintains its books and records in accordance with the Federal Energy Regulatory Commission's (FERC) Uniform System of Accounts prescribed for Natural Gas Companies.
31. Atmos has established that the utility has fully complied with the books and records requirements of Rule 7.310 and the amounts included therein are therefore subject to the presumption encapsulated in Rule 7.503 that these amounts are reasonable and necessary.

Scope of Proceeding

32. Atmos Energy Corporation and Staff of the Railroad Commission each filed a motion to limit issues identifying nineteen issues ripe for issue preclusion due to prior review and determination of methodology.
33. Continued use of the following methodology was found to be reasonable in this case and therefore, precluded from further litigation:

Continued use of the three-year average uncollectibles expense as approved in GUD Nos. 9762 and 9869 (Mid-Tex).

Continued use of an income tax factor of 0.5385 to the dollar return on equity included in the revenue requirements computed based on the statutory income tax rate of 35 percent as approved in GUD Nos. 9670, 9762, and 9869 (Mid-Tex); GUD Nos. 10041, 10084, and 10085 (West Texas Division; and GUD No. 10000 (APT).

Continued use of the equal life group (ELG) method for calculating depreciation expenses as approved in GUD Nos. 9762 and 9670 (Mid-Tex); GUD Nos. 10041, 10084, and 10085 (West Texas Division); and GUD No. 10000 (APT).

Continued exclusion of sales, transfers of property, outliers and reimbursed retirements from the life and salvage analysis used to calculate depreciation as approved in GUD No. 9762 and 9670 (Mid-Tex).

Continued use of preferred customer sample methodology as discussed in GUD Nos. 9762 and 9869 (Mid-Tex) to determine collection lag in the lead-lag study.

Continued use of the four-factor formula approved by the Commission as part of the cost allocation methodology for Shared Service Unit expenses approved in GUD Nos. 9762 and 9869 (Mid-Tex); GUD Nos. 10041, 10084 and 10085 (West Texas Division); and GUD No. 10000 (APT).

(Excluding, calculation of the individual components used in the methodology.)

Continued use of 13-month averages for materials and supplies and prepayments as approved in GUD Nos. 9670, 9762, and 9869 (Mid-Tex); GUD Nos. 10041, 10084 and 10085 (West Texas Division), and GUD No. 10000 (APT). (Excluding the actual unadjusted amounts included in the calculation).

Continued use of a minimum distribution system of 2-inch pipe for allocation purposes. (Excluding issues related to the input values).

Continued use of system-wide rates for the Atmos Mid-Tex Division.

Continuing to cease accrual of depreciation expense once an account is fully accrued as in GUD Nos. 9762 and 9670 (Mid-Tex).

Inclusion of prepayment as an "other" rate base item in the lead-lag study as required in GUD Nos. 9869 and 9762.

The affiliate standard encompassed in Tex. Util. Code Ann § 104.055(b) shall not apply to intracompany transactions.

Elimination of certain shared services categories, or cost centers, the cost of service as required in GUD Nos. 9762 and 9869 (Mid-Tex); GUD Nos. 10041, 10084, and 10085 (West Texas Division); and GUD No. 10000 (APT). These include preclusion of the re-litigation of the following cost centers: 1132 (Investor Relations), 1350 (Dallas Non-Utility Operations), 1507 (Dallas Texas Lobbying), 1904 (Dallas Supplemental Executive Benefit Plan), and 1908 (Dallas Supplemental Employee Benefits). This limitation shall apply to any successor cost center in the event that one of the specifically identified cost center has been renamed or its function reassigned.

Rate Case Expenses

34. Rate case expenses were severed into a separate docket, GUD No. 10194, upon the request of the parties.

Hearing

35. A notice of hearing was issued on July 12, 2012.
36. The hearing on the merits in this matter was conducted from September 12, 2012 through September 21, 2012.

37. The evidentiary record was closed on November 13, 2012.

Shared Services Unit Allocation

38. Atmos Energy Corporation consists of seven distribution utilities, a regulated pipeline and various subsidiaries.
39. Technical and support services are provided to the operating divisions by centralized shared services departments primarily located at the Atmos headquarters in Dallas.
40. The collective shared services departments are referred to as the Shared Services Unit (SSU).
41. The centralized functions provided by the Shared Services Unit include, but are not limited to, accounting, gas supply, human resources, information, technology, legal, rates and customer support.
42. The Shared Services Unit is comprised of two divisions, as follows: (a) Shared Services – Customer Support (sometimes referred to as “SSU Customer Support”), which provides functions that include billing, customer call functions and customer support related functions; and (b) Shared Services – General Office (sometimes referred to as “SSU General Office”), which provides functions that include accounting, human resources, legal, rates, risk management and others.
43. The company’s Cost Allocation Manual establishes a reasoned methodology for the allocation of costs among the company’s divisions.
44. The company’s Cost Allocation Manual has been approved in several of the jurisdictions where Atmos Energy provides service and ensures a uniform allocation of costs.
45. The cost allocation manual requires that certain costs be allocated on the company’s general ledger utilizing the allocation methodologies described in detail in the manual.
46. Shared services that are not allocated on the company’s general ledger are allocated based upon a Composite Factor (Composite Factor) or Customer Factor (Customer Factor).
47. The Composite Factor was derived based upon a four-factor formula comprised of the simple average of the relative percentage of gross plant in service, the relative percentages of the average number of customers, the relative percentages of direct operating and maintenance expenses for each of the company’s operating divisions, and operating income.
48. The use of the four-factor formula was first required by the Commission in GUD No. 9670 and its use was affirmed in GUD Nos. 9762, 9869, and 10000.

49. The Customer Factor is derived based on the average number of customers in each operating division that receives allocable costs for services provided.
50. The Customer Factor was proposed by the company and subsequently approved by the Commission in GUD Nos. 9670, 9762, and 9869.
51. Prior to August 1, 2012, the Atmos Energy Kentucky/Mid-States Division was an operating division that operated in more than 420 communities across Georgia, Illinois, Iowa, Kentucky, Missouri, Tennessee and Virginia.
52. On May 12, 2011, Atmos entered into an agreement to sell all of its natural gas distribution assets located in Missouri, Illinois, and Iowa to Liberty Energy (Midstates) Corporation (Liberty Energy), an affiliate of Algonquin Power & Utilities Corp.
53. Any interim transactional agreement between the company and Liberty Energy is temporary.
54. The fact of this transaction was known by May 12, 2011, before the end of the test year in this case.
55. The transaction closed August 1, 2012.
56. The company has not eliminated a division, it has only reduced the service area of the affected division, the Kentucky/Mid-States Division.
57. There have been no changes to the Shared Service Unit attributable to the transaction, the staffing level of the Shared Services Unit has not changed, no changes to the staffing level of the Shared Services Unit are anticipated and future staffing level changes are not known and measurable.
58. The factors used in this case were calculated excluding data from the operations in Illinois, Iowa and Missouri that were sold.
59. The company applied the same methodology that was previously approved to calculate the composite allocation factors.

Operation and Maintenance Expenses

60. The overall operation and maintenance expense requested by Atmos in the *Statement of Intent* as filed was \$152,490,153.
61. Atmos has not established that the operation and maintenance request was just and reasonable.
62. The operation and maintenance request reflected in the attached Schedule F-1 is just and reasonable.

63. Several issues related to the calculation of the company's operation and maintenance expense have previously been considered by the Commission and judicial notice of the following Final Orders is hereby taken:

- A. Tex. R.R. Comm'n, *Petition for De Novo Review of the Reduction of the Gas Utility Rates of Atmos Energy Corp., Mid-Tex Division, by the Cities of Blue Ridge, Caddo Mills et al; Atmos Energy Corporation Statement of Intent to Change Rates in the Atmos Energy Corp., Mid-Tex Division Gas Utility System; Petition for Review from the Actions of Municipalities Denying Rate Request*, Docket No. 9670 (Gas Utils. Div. June 13, 2007) (Final Order) (GUD No. 9670).
- B. Tex. R.R. Comm'n, *Statement of Intent filed by Atmos Energy Corporation to Increase Utility Rates within the Unincorporated Areas Served by the Atmos Energy Corp., Mid-Tex Division and Petition for De Novo Review of the Denial of the Statement of Intent filed by Atmos in Various Municipalities*, Docket No. 9762 (Gas Utils. Div. June 24, 2008) (Final Order) (GUD No. 9762)
- C. Tex. R.R. Comm'n, *Petition for De Novo Review of the Denial of the Statement of Intent filed by Atmos Energy Corp., Mid-Tex Division by the City of Dallas; Statement of Intent to Increase Gas Utility Rates in the Unincorporated Areas Served by the Mid-Tex Division*, Docket No. 9869 (Gas Utils. Div. February 23, 2010) (Final Order Nunc Pro Tunc) (GUD No. 9869).
- D. Tex. R.R. Comm'n, *Statement of Intent to Change the Rate CGS and Rate PT of Atmos Pipeline – Texas*, Docket No. 10000 (Gas Utils. Div. April 18, 2011) (Final Order) (GUD No. 10000).

Base Payroll

- 64. The test-year level of base payroll was not contested by the parties.
- 65. Atmos proposed a post-test year adjustment to the test-year level of base payroll based upon the level of employee expense as of October 2011.
- 66. The base payroll adjustment was consistent with the methodology approved in GUD No. 9869.
- 67. Expenses for compensation to employees in SSU cost centers that are not allocable to Mid-Tex have been removed and salaries below the line have been removed.
- 68. The company's post-test-year adjustment to base labor is just and reasonable and the base labor amounts included in the attached schedules are reasonable.

69. The O&M expense factor applied to SSU Customer Support post-test-year base labor adjustment was 89.60% and the O&M factor applied to post-test-year base labor adjustment SSU General Services was 97.72%.
70. The factor was based upon the capitalization ratios experienced by the company during the test year.
71. The proposed O&M expense factors based upon the capitalization ratios experienced by the company are just and reasonable.
72. Atmos has established that its proposed base payroll is just and reasonable and the attached Schedule WP_F-2.1 is just and reasonable.

Medical and Dental Benefits

73. The company provided a post-test-year adjustment to medical and dental benefit expenses in order to align the benefits expense at the most current benefit rates available.
74. The company used the actuarial data prepared by Holmes Murphy to calculate the proposed adjustment and used employee data and claims information provided by health care providers.
75. Atmos has removed expenses for SSU employees in cost centers that are not allocable to the Atmos Mid-Tex Division.
76. Atmos has established that its proposed level of Medical and Dental benefits expenses are reasonable and the medical and dental benefits expenses included in the attached Schedules F-1 and WP_F-2.2 are just and reasonable.

Pension Expense

77. The company included an adjustment to the test-year level of pension expenses in its revenue requirement calculation.
78. The adjustment calculated the benefit expense at the most current benefit rates available.
79. The adjustment was calculated based upon the fiscal year 2012 Towers Watson (Towers Watson) actuarial data for the Atmos Mid-Tex Division and SSU.
80. The methodology employed was consistent with the methodology applied in GUD No. 9869 and GUD No. 10000.
81. Accounting standards require that the pension and OPEB asset value be calculated as of the fiscal year-end.

82. The fiscal year-end for Atmos is September 30th of each year.
83. The company moved to an account-based pension plan in that year and eliminated pension benefit accruals based on final average pay.
84. In 2010, the company evaluated alternatives to offering a Pension Account Plan to new employees and effective October 1, 2010, the company closed the plan to new employees.
85. This history of the company's management of its pension accounts established the prudent management of the pension account plans by the company.
86. The key factor determining the pension account expense is the discount rate.
87. The discount rate is a market factor outside the control of the company.
88. The calculation of the post-test-year adjustment for the pension account plan is consistent with the calculation applied in GUD No. 9869 and GUD No. 10000.
89. Atmos has established that its proposed level of pension expense is reasonable and the pension expense included in the attached Schedule F-1 and WP_F-2.3 is just and reasonable.

Supplemental Executive Pension and Benefits

90. The company calculated an adjustment to the test-year level of expenses for Supplemental Executive Benefit Plans (SEBP) and Supplemental Employee Retirement plans (SERP).
91. SEBP and SERP are nonqualified, deferred compensation plans which provide supplemental retirement income, death and disability benefits for certain executive employees of Atmos.
92. Atmos maintains three separate plans: (1) a Supplemental Executive Benefit Plan for officers, division presidents and certain other employees employed on or before August 12, 1998; (2) a supplemental Executive Retirement Plan for eligible employees who become officers or division presidents after August 12, 1998; and (3) a SERP effective August 4, 2009 for corporate officers, division presidents or other employees selected by the board of directors.
93. SERP and SEBP are necessary for the recruitment and retention of talented employees and provide a benefit to both shareholders and customers.
94. Removal of the SERP for employees of the Atmos Mid-Tex Division would disadvantage Atmos executives and will impact the company's recruitment and retention of talented employees.

95. It is reasonable to balance the burden of the recovery of the expense for SERP and SEBP among shareholders and customers.
96. Shared Services Unit corporate officers, division directors and other employees selected by the board of directors may be eligible for SEBP and SERP.
97. Atmos Mid-Tex corporate officers, division directors and other employees are selected by the board of directors.
98. The post-test-year adjustment was intended to calculate benefits expenses at the most current benefit rates available at the time the rates approved by this Final Order are effective.
99. The post-test-year adjustment was calculated based upon an actuarial report prepared by Towers Watson.
100. Atmos removed all expenses related for SEBP and SERP for the Shared Services Unit.
101. Atmos included expenses related to those plans for employees of the Atmos Mid-Tex Division.
102. The company's treatment of SEBP and SERP was consistent with the treatment approved in GUD No. 9762, GUD No. 9869 and GUD No. 10000.
103. The burden of the recovery of expenses related to SEBP and SERP is balanced by including Atmos Mid-Tex Direct employees in the calculation of rate base and excluding expenses for SEBP and SERP related to Shared Services Employees.
104. The company's proposal in this case is consistent with prior precedent.
105. Based upon the record in this case, the total adjusted expenses for SEBP and SERP by the Shared Services Unit was \$7,585,854 and the allocable portion of this expense, based upon a 45.23% composite allocation, was \$3,431,082 ($\$7,585,854 \times 45.23\%$).
106. The operation and maintenance expense factor of the Shared Services Unit SEBP and SERP plans is 41.51%.
107. The updated operation and maintenance expense portion for SEBP and SERP for the Shared Services Unit, based upon an operations and maintenance expense factor of 41.51% was \$1,424,242 ($\$3,431,082 \times 41.51\%$). Atmos has not included this amount in the revenue requirement calculation.
108. The SERP updated expense for the employees of the Atmos Mid-Tex Division is \$143,390.

109. The updated operation and maintenance expense portion for SERP, based upon an expense factor of 33.42% was \$47,921 ($\$143,390 \times 33.42\%$). Atmos has included this amount in the revenue requirement calculation.
110. The total updated operation and maintenance expenses for SERP/SEBP was \$1,472,163.
111. The company has included only 3.25% of the SERP and SEBP expenses, totaling \$47,921, of this expense in the revenue requirement calculation.
112. The company's proposed treatment of SERP and SEBP is consistent with prior precedent that balances the burden of the recovery of this expense between shareholders and customers by allowing recovery of the Atmos Mid-Tex Division and disallowing recovery of the Shared Services Unit Expenses.
113. Atmos has established that its proposed level of SERP and SEBP is just and reasonable and the expenses included for SERP in the attached Schedule F-1 and WP_F-2.3 are just and reasonable.
114. Consistent treatment provides regulatory certainty and it is reasonable that SERP and SEBP be apportioned by applying the methodology approved in prior proceedings.
115. Continued balancing of this expense by allowing recovery of the Atmos Mid-Tex Division SERP and disallowing recovery of Shared Services Unit expense for SEBP and SERP may not be reasonable in future proceedings.
116. It is reasonable that the company not be bound by prior precedent in allocating the burden of SERP and SEBP expenses and it is reasonable that the company explore a more balanced and transparent apportionment of the burden of this expense in future proceedings.

FAS 106 Expense

117. Atmos provided a post-test-year adjustment to FAS 106 expenses intended to calculate benefits expenses at the most current benefit rates available.
118. The treatment of FAS 106 expenses and the proposed post-test-year adjustment is consistent with the treatment of this expense in GUD No. 9869 and GUD No. 10000.
119. The adjustment was calculated based upon the fiscal year 2012 Towers Watson actuarial data for Mid-Tex and the Shared Services Unit.
120. In GUD No. 10000 the Commission ordered that a division of Atmos Energy Corporation, the Atmos Pipeline Division, establish an external fund for FAS 106 expenses.

121. An external fund limits the use of those funds to the payment of benefits to or on behalf of retirees and the company does not have access to those funds for other purposes
122. The creation of an external fund was consistent with the treatment of that fund in other jurisdictions where Atmos provided service: Colorado, Iowa, Kansas, Mississippi, Missouri, Tennessee, and Virginia.
123. Pursuant to the requirements of the Final Order in GUD No. 10000 Atmos established an external fund for the Atmos Pipeline – Texas Division.
124. An external fund was subsequently established for the Atmos Mid-Tex Division and the first contribution made to the external fund for the Atmos Mid-Tex Division was on April 6, 2012.
125. In the past, the company's shareholders have had to fund the difference between the FAS 106 expense included in rates and the accrual on the company's books when there has been a shortfall in the amounts collected through rates.
126. The amount of any accumulated customer contribution that might be applicable to a fund is not readily known and measurable.
127. The Final Order in GUD No. 10000 was issued on June 27, 2011. The company established a separate fund for FAS 106 for the Atmos Mid-Tex Division in April 2012.
128. The payment made to that fund, \$1,474,249 related to the fiscal period from January 1, 2012 through March 31, 2012.
129. The record in this case does not establish that the timing of that payment, seven months after the issuance of the Final Order in GUD No. 10000, was unreasonable.
130. The record in this case does not establish that ratepayer-provided funds were available to make an earlier payment into the external fund.
131. Atmos has established that FAS 106 expense included in the attached Schedules F-2 and WP_F-2.3 are just and reasonable.

Incentive Compensation

132. The company provides incentive compensation packages to two broad categories of employees: (a) Executive and management employees, and (b) all other employees.
133. Management and executive employees are eligible to participate in a short term management incentive plan (MIP) and all other employees are eligible to participate in variable pay plans (VPP).

134. Management and executive employees are also eligible to participate in long-term incentive plans (LTIP).
135. MIP, VPP, and LTIP are available to employees in the Shared Services Unit and to direct employees of the Atmos Mid-Tex Division.
136. The MIP and VPP plans provide eligible employees an opportunity to earn a cash-based incentive reward.
137. The LTIP incentive has historically been in two forms: Time-lapse restricted shares and performance-based restricted share units.
138. The company has excluded from its cost of service calculation expenses related to VPP and MIP costs allocated to the Mid-Tex Division.
139. Atmos has included the Mid-Tex direct costs for VPP and MIP, as well as, the Mid-Tex direct and SSU allocated LTIP costs.
140. The company's filing is consistent with Commission precedent related to divisions of Atmos Energy Corporation that are subject to the jurisdiction of the Commission: GUD Nos., 9670, 9762, 9869, and 10000.
141. The company's incentive compensation plans have not changed since GUD No. 10000.
142. Removal of all incentive compensation programs will hamper the retention and requirement of qualified employees.
143. The company's incentive compensation program is compatible with industry standards.
144. The company's incentive compensation programs are directly tied to improvements in performance, productivity, service, expense management, and other performance factors that directly impact earnings per share.
145. The plans encourage top management to motivate, recognize, and reward employee performance.
146. The vast majority of investor-owned gas distribution utilities have adopted incentive compensation plans as an integral element of their compensation programs.
147. The record in this case established the incentive compensation plans of Atmos include metrics that are directly relevant to customer satisfaction.
148. The record in this case established that financial metrics in the incentive compensation plan provide a benefit to customers and shareholders.

149. Positive financial performance requires the achievement of rate-based revenues while at the same time controlling operating expense levels.
150. Positive financial performance requires increased employee productivity, customer retention and satisfaction, adherence to safety and environmental concerns, control of operations and maintenance expenses minimizing operating expense levels to maximize earnings per share.
151. In an effort to keep medical and dental benefit expenses in check the company instituted programs to improve the health of employees.
152. The company has experienced a declining level of medical and dental benefits expenses.
153. Evidence in the record established that Atmos' calculation of the billing lag has changed from 4.47 days in a prior proceeding to 1.74 days. This evidences an improvement that provides financial returns to the company, reduces the O&M expenses included in the cost of service calculation, and provides timely consumption information to consumers.
154. Atmos and the City of Dallas acknowledged that improved practices at Atmos extend the service life of the company's assets. This evidences that actions by all employees directly impact safety, reduce costs included in the cost of service by extending the service life of company assets, and improve the financial returns of the company.
155. The company's operations and maintenance expenses have remained stable since 2008.
156. The company's incentive compensation plan benefits all constituents of Atmos: customers, shareholders, and employees.
157. Atmos established that its treatment of incentive compensation is consistent with Commission precedent applicable to Atmos in general, and Atmos Mid-Tex, in particular.
158. The company's treatment of incentive compensation expenses is just and reasonable and Atmos has established that expenses for incentive compensation included in the attached Schedules F-1 are just and reasonable.
159. It is reasonable to balance the burden of the expenses related to incentive compensation between shareholders and customers as both benefit from incentive compensation programs.
160. Removal of all MIP, VPP, and LTIP expenses from the revenue requirement would require the shareholders to bear all expenses related to incentive compensation programs that benefit shareholders and customers.
161. Previous decisions balanced the burden of the expenses related to incentive compensation by including expenses related to Shared Services LTIP plans and expenses related to the

MIP, VPP, and LTIP plans of the Atmos Energy Corporation Divisions that are subject to the jurisdiction of the Commission.

162. MIP and VPP expenses related to the Shared Services totaled \$5,569,561 and 37.60% of those expenses, totaling \$2,094,154 ($\$5,569,561 \times 37.60\%$), would have been allocable to the operation of maintenance expenses of the Atmos Mid-Tex Division.
163. Pursuant to Commission precedent, the company excluded those amounts from the revenue requirement of the company.
164. LTIP expenses related to the Shared Services that were allocated to the Atmos Mid-Tex Division as part of the revenue requirement calculation totaled \$1,241,636.
165. MIP, VPP, and LTIP expenses for employees of the Atmos Mid-Tex Division totaled \$825,291.
166. MIP, VIP, and LTIP operation and maintenance expenses totaled \$4,161,081; Pursuant to precedent, the company has only included \$2,066,927 of those expenses in the revenue requirement or 49.67%.
167. The company's proposed treatment of incentive compensation is consistent with prior precedent that balances the burden of the recovery of this expense between shareholders and customers by allowing recovery of the Atmos Mid-Tex Division and disallowing recovery of the Shared Services Unit Expense.
168. Consistent treatment provides regulatory certainty and it is reasonable that the expenses be apportioned by applying the methodology approved in prior proceedings.
169. Continued balancing of this expense by allowing recovery of the Atmos Mid-Tex Division VPP, MIP, and LTIP expenses, Shared Services Unit LTIP expenses and disallowing recovery of Shared Services Unit expense VPP and MIP may not be reasonable in future proceedings.
170. It is reasonable that the company not be bound by prior precedent in allocating the burden of MIP, VPP, and LTIP expenses and it is reasonable that the company explore a balanced and transparent apportionment of the burden of this expense.

Amortized Injuries and Damages

171. Atmos seeks an adjustment to the cost of service in this case in the amount of \$600,000 in amortized costs for injuries and damages in excess of insurance coverage for damages and injuries associated with the three incidents in Wylie, Cleburne and Lutrell.
172. Atmos is responsible for a \$1 million insurance deductible per incident and the insurance generally covers the settlement and litigation costs of this type of loss.

173. The incidents in Cleburne and Wylie were included in the approved level of expense in GUD Nos. 9762 and 9869 and an adjustment allowed a five-year amortization of \$200,000 per incident per year to recover the \$1 million insurance deductibles.
174. The \$600,000 adjustment proposed by Atmos in this proceeding included (a) an amortization of the prior two incidents in the amount of \$200,000 per incident per year; and (b) a \$200,000 adjustment per year for five years for the incident in Lutrell.
175. A five (5) year amortization period for the Lutrell incident is the same period that was previously approved for the incidents in Cleburne and Wylie and is just and reasonable.
176. The recovery of the amortized amounts for the incidents in Wylie and Cleburne will end June 2013 and an over-recovery is likely as the rates in this case will not go into effect until December 2012.
177. It is just and reasonable for Atmos to reimburse ratepayers for any over-recovery of these amounts during the next IRA, RRM, or Statement of Intent proceeding, whichever occurs first.

Affiliate Expenses: Blueflame Insurance Expense

178. Insurance services required by Atmos Energy are acquired from Blueflame.
179. Blueflame is a wholly owned subsidiary of Atmos Energy that provides insurance for all of the company's divisions.
180. The day-to-day management of Blueflame is conducted by Aon Insurance Managers, Ltd., (Aon) a third-party captive manager.
181. Aon provides Atmos Energy with consultation services.
182. All of the Atmos Mid-Tex Division property, plant, and equipment are covered through property insurance provided by Blueflame.
183. Insurance services provided by Blueflame are at cost and without markup.
184. The cost of insurance coverage is allocated among the Atmos Energy divisions and subsidiaries based upon the annual plant balance.
185. The rate of rate of insurance was \$0.085 per \$100 of gross plant.
186. Atmos has established that the expenses for Blueflame are (a) reasonable and necessary and (b) the price charged to the Atmos Mid-Tex Division is not higher than the prices charged by the supplying affiliate to its other affiliates or division or to a non-affiliated person for the same item or class of items.

187. The services provided by Blueflame have been found to be reasonable and necessary in the following prior proceedings: GUD Nos. 9670, 9762, 9869, 10000, 10041, 10084 and 10085.
188. There have been no changes in the management of Blueflame since the approval of the expenses related to Blueflame in GUD Nos. 9670, 9762, 9869, 10000, 10041, 10084 and 10085.
189. The company also included an adjustment to include the amortization of a Cancellation Fee approved in GUD No. 9762.
190. Atmos is entitled to recovery of the Cancellation Fee expense, however, it expires in June 2013.
191. It is just and reasonable for Atmos to reimburse any over-recovery of the Cancellation Fee amounts during the next IRA, RRM or Statement of Intent proceeding, whichever occurs first.
192. The company has not established that insurance expenses for construction work in progress (CWIP) have been excluded from the revenue requirement calculation.
193. An adjustment totaling \$11,865 to remove insurance related expenses for CWIP is just and reasonable.

Rate Base

194. The company's test year in this proceeding is the twelve-month period ending September 31, 2011 and the company adjusted the plant balances through March 31, 2012.
195. The adjustment to plant was identified in the original *Statement of Intent* proceeding that was filed on May 31, 2012, and the adjustment was also reflected in the appeal filings.
196. All changes to net plant, including changes to accumulated deferred income taxes were known and measurable and the company provided a detailed listing of all plant additions through March 31, 2012.
197. A rate-base calculation founded upon a test year ending September 31, 2011, as adjusted for known and measurable changes through March 31, 2012, is just and reasonable.
198. The Commission has previously allowed an update to plant balances through a period that ended six months after the end of the test year.
199. A utility may establish a reserve for pensions paid to retirees and other post-employment benefits (OPEB) that related to retiree health care, dental care, and other post-employment health benefits.

200. Based upon an actuarial analysis of the pension costs, the Atmos Mid-Tex Division has established that that a shortage exists in the funding of pensions and OPEB and that a regulatory asset of \$1,954,911, in rate base is reasonable and a corresponding amortized amount, totaling \$195,491 to the company's operating and maintenance expense is also just and reasonable.
201. It is reasonable that the pension expense established in the last general rate case, GUD No. 9869, be applied to determine the appropriate baseline for the measure for calculating the regulatory account asset associated with pensions and OPEB.
202. The company's calculation of the reserve calculation mandated by Section 104.059 of the Texas Utilities Code was consistent because the allocation factors applied to determine the baseline were the same as the allocation factors applied to the updated expenses for purposes of calculating the regulatory asset.
203. It is reasonable to update the regulatory asset by applying and flowing through all corrections applicable to the calculation of the current pension expense.
204. The base year level of pension expense requested is just and reasonable and the expense level requested was calculated pursuant to GAAP and applicable statutes.
205. Accordingly, following pension expense, as reflected on the attached Examiners' Schedule 6, are hereby adopted:

Section 104.059 Benchmarks

	PAP (FAS 87)	Post-Retirement Medical Plans (FAS 106)	SERP
SSU Allocated to Mid-Tex	\$2,756,682	\$1,971,341	
Mid-Tex Direct	\$8,087,526	\$7,092,975	\$143,390
Total	\$10,844,208	\$9,064,316	\$143,390

Accumulated Deferred Income Taxes

206. Deferred taxes arise because of timing differences between recognition of certain items for book purposes versus tax purposes.
207. The company's calculation of ADIT related to NOL matches the ADIT liabilities to the ADIT NOL asset created by those deductions.
208. Inclusion of the consolidated ADIT asset for tax NOLs results in the inclusion of non-regulated tax matters in rates.

209. In order to ensure that rates reflect only the NOL attributable to the company's regulated utility operations, the effect of the non-regulated ADIT asset for income tax NOLs must be excluded.
210. Atmos has established that its calculation of the ADIT asset related to NOLs was just and reasonable.
211. Atmos is required to pay an Alternative Minimum Tax (AMT) amount if the company's regular tax is less than the calculated AMT.
212. The AMT credit reflects a cash disbursement to the government that will be realized in the future when the company reduces regular tax. Accordingly, it represents cash that the company has on deposit with the government that it is unable to use.
213. Atmos has established the AMT ADIT asset is just and reasonable.
214. Atmos has not included a component for construction work in progress (CWIP) accordingly it is reasonable to exclude the associated ADIT balance.
215. Atmos has included an ADIT asset, totaling \$1,390,603, associated with uncollectible accounts.
216. Atmos did not recognize the accrued reserve for uncollectible accounts in rate base and it is not reasonable to include the ADIT associated with this reserve in rate base.
217. Uncollectible expenses were included in the company's expenses for purposes of calculating the revenue requirement and it was included in the cash working capital analysis for purposes of calculating the cash working capital requirement of the company.
218. Accordingly, ratepayers provided funds are available to address any tax liability incurred from uncollectibles.
219. Atmos included ADIT amounts associated with a State Net Operating Loss (NOL) tax asset and related Federal Tax on the State NOL and the company has established that the ADIT amounts related to the State and Federal Tax NOL is just and reasonable.
220. The company calculates an annual effective tax rate for income tax expenses and in order to properly record income tax expenses, an ADIT entry is made to record the difference between actual expense and projected expense.
221. Atmos has established that its ADIT entry associated with this transaction is just and reasonable.

FAS 106 Liability

222. Atmos included an ADIT balance for FAS 106 Liability.

223. Atmos Mid-Tex established an external fund for its FAS 106 reserves and although FAS 106 is not included in rate base, the company has established a regulatory asset related to these expenses that is included in rate base.
224. The external fund was established before the creation and recognition of the regulatory asset authorized by Section 104.059, and it is reasonable that in future proceedings the company be allowed to reexamine the efficacy of an external fund.
225. The FAS 106 funds are governed by strict accounting standards (GAAP) and financial reporting requirements under Accounting Standards Codification (ASC) 960.
226. The evidence in this proceeding was insufficient to establish that the FAS 106 reserve represents a source of zero-cost capital.
227. Company shareholders have had to fund the FAS 106 account as well as customers.
228. Atmos has established that its treatment of the FAS 106 reserve is just and reasonable and the inclusion of an ADIT balance related to FAS 106 is just and reasonable.

Cash Working Capital

229. The Atmos Mid-Tex Division prepared a lead-lag study to determine the cash working capital needs of the division for the test year ending September 30, 2011.
230. Atmos has established that its proposed cash working capital is just and reasonable.
231. In GUD No. 9762, the Commission ordered the use of a one-day billing lag.
232. An average billing lag of one business day produces a 1.4 calendar day lag.
233. Detailed evidence was provided regarding the billing process and the evidence in this case supports a billing lag of 1.74 days.
234. The company has improved its billing process and reduced the billing lag from 4.47 days requested in GUD No. 9670 and 2.72 days requested in GUD No. 9762 to 1.74 days requested in this case.
235. The calculation of the O&M – Non-labor expense lag adjustment in the cash working capital study is consistent with Commission precedent for Atmos and its various divisions.
236. There is insufficient evidence to support segregating categories of O&M – Non-labor expense for individual treatment.

237. Grouping O&M – Non-labor expenses for purposes of calculating a cash working capital study is just and reasonable.
238. Atmos established that the data used in calculating the O&M – Non Labor Expense lag, as adjusted to dampen the effect of disproportionate units in the sample, is just and reasonable.
239. Uncollectible expenses impose a financial requirement on the utility and is properly included in the calculation.

Depreciation

240. The company prepared a depreciation study for its Atmos Mid-Tex Division and Shared Services Unit.
241. Functional level depreciation rates are being applied to determine the annual accrual for depreciation expense for the Atmos Mid-Tex Division.
242. Transition to an account-specific accounting based upon a theoretical reserve will achieve the most accurate depreciation rates.
243. The proposed reallocation methodology is consistent with GUD Nos. 9902, 10000, 10038, and 10041.
244. There is an insufficient evidentiary basis upon which to apply a book reserve depreciation methodology in this case.
245. The company has not established that the average service life calculation for Mid-Tex Account 374.02 is just and reasonable.
246. In the 100-year history of this account there has been less than 1%, \$17,000 out of \$23 million dollars that has been retired.
247. Land rights should not retire prior to the mains associated with the land right and an adjustment of the average service life for Account 374.02 is necessary to avoid this result.
248. An average service life for Account 374.02 of 100R4 is just and reasonable.
249. Atmos has established that the average service life for Mid-Tex Account 375, Structures, of 54R1.5 is just and reasonable.
250. Atmos has established that the average service life for Mid-Tex Account 376, Cathodic Protection Mains of 60R3 is just and reasonable.
251. Atmos has established that the average service life for Mid-Tex Account 376.01, Mains Steel, of 70R0.5 is just and reasonable.

252. Atmos has established that the net salvage calculation for Mid-Tex Account 376.01, of a negative 105% is just and reasonable.
253. Atmos has not established that the average service life for Mid-Tex Account 376.02, Mains Plastic, is just and reasonable.
254. Atmos has established that the net salvage calculation for Mid-Tex Account 376.02, Mains Plastic, of a negative 40% is just and reasonable.
255. The weight of the evidence in this case indicates that the placement bands used by Atmos in its analysis of this account requires an estimate of approximately 94% of the unknown balance of the survivor curve.
256. A 1962 placement band provides more credible statistical results upon which to determine the average service life for Mid-Tex Account 376.02.
257. Atmos has established that the average service life for Mid-Tex Account 378, Measuring and Regulating Station Equipment, Account 379, City Gate Equipment, and Account 385, Industrial Measuring and Regulating Equipment of 57R1 is just and reasonable.
258. Atmos has established that the average service life for Mid-Tex Account 380, Distribution Services, is just and reasonable.
259. Atmos has established that the average service life for Mid-Tex Account 381, Meters, Account 382, Meter Installations, and Account 383, House Regulators of 37R1 is just and reasonable.
260. Atmos has established that the average service life for Mid-Tex Account 390, General Plant Structures and Improvements of 45R2.5 is just and reasonable.
261. Atmos has established that the net salvage calculation for Mid-Tex Account 390, General Plant Structures and Improvements of a negative 5% is just and reasonable.
262. Atmos has established that the average service life for SSU Account 390, Structures and Improvements of 40R2 is just and reasonable.
263. Atmos has established that the net salvage calculation for SSU Account 390, Structures and Improvements of zero is just and reasonable.
264. Atmos has established that the proposed average service life for SSU Account 399.08, Application Software is just and reasonable.
265. Atmos has established that an increase from the current 10-year average service life to a 12-year average service life is just and reasonable.

266. The GAP guidance for software (AICPA-SOP 98-1) shows that the history of rapid changes in technology software often has relatively short useful life.
267. AICPA guidance provides the input of company personnel involved in retiring and replacing software dictates the average service life assessment.
268. An average service life for SSU Account 399.08, Application Software of 12R5 is just and reasonable.

Rate of Return

269. It is reasonable to use Atmos' actual, consolidated capital structure composed of 48.31 percent long-term debt and 51.69 percent common equity as reported on the company's quarterly Form 10-Q filed with the Securities and Exchange Commission, as of March 31, 2012.
270. Atmos' capital structure of 48.31 percent long-term debt and 51.69 percent common equity is within the range of the average calculated capital structure of the comparable, proxy groupings of companies selected by Atmos and Staff of the Railroad Commission of Texas.
271. Atmos' short-term debt is properly excluded from the capital structure of the company because it is utilized to finance seasonal gas costs and is not a permanent element of the company's capital structure.
272. It is not reasonable to include the company's goodwill, or acquisition adjustments in Atmos' capital structure because Atmos has removed goodwill from rate base in accordance with the principle that utility rates be set based on original cost.
273. A cost of debt of 6.50 percent for Atmos for purposes of determining Atmos' weighted average cost of capital and allowable rate of return is just and reasonable.
274. Atmos established that the treasury lock transaction is just and reasonable as the company updated its filing to differentiate between realized and unrealized treasury instruments in its ADIT calculation.
275. The gain from the treasury lock transaction is not related to the operations of the Atmos Mid-Tex Division and it would be inappropriate to include the effect of the transaction in the revenue requirement.
276. The preponderance of the credible evidence in this docket does not establish use of the Quarterly Dividend DCF model because it overstates the cost of equity.
277. In the Constant Growth DCF model, the preponderance of the credible evidence in this case demonstrates that use of a growth rate utilizing analyst estimates of future earnings

per share (EPS) for the individual companies in the proxy study are reliable, accurate and capable of forecasting the future earnings growth with accuracy and reliability.

278. The results of the CAPM model utilized by Staff of the Railroad Commission of Texas is reasonable, utilizing a 10-year Treasury bond average yield for the six-month period added to the product of the mean Beta value and calculated *ex-ante* risk premium, resulting in a range of values from 5.97 percent to 9.84 percent, with a mean Beta value cost of equity estimate of 7.87%.
279. It is reasonable to use a cost of equity of 10.50 percent for purposes of determining Atmos' weighted average cost of capital and allowable rate of return to reflect the recent precedent regarding this utility and the cost of equity range proposed by the applicant.
280. An overall rate of return of 8.57 percent based on Atmos' weighted average cost of capital is just and reasonable.

Interim Rate Adjustment Review

281. Atmos Mid-Tex has established that the interim rate adjustments made from 2010, 2011 and 2012 were just and reasonable.
282. Atmos Mid-Tex established that the interim rate adjustment requests made in 2010, 2011 and 2012 were carefully scrutinized to include only appropriate expenses.

Classification of Costs and Allocations Among Customer Classes

283. It is reasonable to allocate the overall cost of service to three classes of customers: (1) residential, (2) commercial, and (3) industrial and transportation.
284. Allocation of costs to the different customer classes in three steps: (1) functionalization, (2) classification, and (3) allocation.
285. In order to classify costs the company applied a minimum system study to classify costs as either customer related or capacity related.
286. The use of a minimum system study is just and reasonable.
287. Atmos filed with the U.S. Department of Transportation ("DOT") records established that Atmos had 153,690,240 feet of mains in the system.
288. The last three Mid-Tex minimum system studies reflect 147,761,265 feet of main, in GUD Nos. 9400, 9670 and 9869.
289. The company applied a new accounting methodology, based upon retirement units, to measure the number of feet of mains.

290. The company has not established that its revised accounting methodology produced a just and reasonable result.
291. The record in this case established that, for purposes of the minimum system study the appropriate measure is 153,690,240.
292. The most reliable evidence of the quantity of 2 inch main is the U.S. DOT records that Atmos had 153,690,240 feet of mains in the system for calendar year 2011.

Rate Design

293. Billing determinants are units of service to which the company's distribution rates are applied.
294. The company prepared a billing determinants study to establish its billing determinants.
295. The billing determinants proposed by the company were weather normalized.
296. The billing determinant study incorporated future changes in billing units beyond September 30, 2011.
297. Atmos has established that the proposed billing determinants are just and reasonable.
298. Atmos established that the test-year data was adjusted for future growth.
299. It is reasonable that rates are designed to balance the fixed and variable elements in the distribution rates to reflect the underlying cost characteristics of the service.
300. Atmos established the fixed and variable elements through a class cost of service study.
301. The fixed cost for residential customers was \$21.09 per month, the fixed costs for commercial customers was \$53.41 per month and the fixed cost for the industrial and transportation customers was \$907.93 per month.
302. Atmos proposed to dampen the effect of a rate design based exclusively upon the results of the class cost of service study.
303. Atmos proposed a customer charge of \$18.00 per month for residential customers, a customer charge of \$35.00 per month for commercial customers, and a customer charge of \$600 per month for industrial and transportation customers.
304. No evidence was presented that the company's calculation or methodology for determining its fixed costs was flawed.
305. The company's proposed rate design is consistent with Commission precedent in GUD Nos. 9762, 9869, and 10000.
306. The proposed customer charges were not modified to reflect changes to the cost of service in updated filings.

307. It is reasonable to reduce (1) the customer charge to \$17.70 for residential customers and (2) the customer charge for commercial customers to \$34.72 to reflect adjustments made by the company after the case was filed and adjustments reflected in this Final Order.
308. Administrative costs of the Conservation Energy Efficiency (CEE) Program shall not exceed 15 percent of the total CEE program costs.
309. The proposed rates set out below are just and reasonable:

**Mid-Tex Rate Jurisdiction, Excluding Dallas
(Incorporated and Unincorporated Areas)**

Customer Class	Customer Charge	Consumption Charge
Residential	\$17.70	\$0.04172 per Ccf
Commercial	\$34.72	\$0.06589 per Ccf
Industrial & Transportation	\$600.00	Tier One \$0.2473 per MMBtu
		Tier Two \$0.1812 per MMBtu
		Tier Three \$0.0389 per MMBtu

CONCLUSIONS OF LAW

1. Atmos Energy Corp., Mid-Tex Division, (Atmos Energy, Atmos, or company) is a Gas Utility as defined in TEX. UTIL. CODE ANN. §101.003(7) (Vernon 2007 and Supp. 2012) and §121.001(Vernon 2007) and is therefore subject to the jurisdiction of the Railroad Commission (Commission) of Texas.
2. The Commission has jurisdiction over Atmos and Atmos' Statement of Intent under TEX. UTIL. CODE ANN. §§ 102.001, 103.022, 103.054, & 103.055, 104.001, 104.001 and 104.201 (Vernon 2007 and Supp. 2012).
3. Under TEX. UTIL. CODE ANN. §102.001 (Vernon 2007 and Supp. 2012), 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 and over the rates and services of a gas utility that transmits, transports, delivers, or sells natural gas to a gas utility that distributes the gas to the public.
4. This proceeding was conducted in accordance with the requirements of the Gas Utility Regulatory Act (GURA), and the Administrative Procedure Act, TEX. GOV'T CODE ANN. §§ 2001.001 *et seq.* (Vernon 2008 and Supp. 2012) (APA).
5. TEX. UTIL. CODE ANN. §104.107 (Vernon 2007 and Supp. 2012) provides the Commission's authority to suspend the operation of the schedule of proposed rates for 150 days from the date the schedule would otherwise go into effect.
6. The proposed rates constitute a major change as defined by TEX. UTIL. CODE ANN. §104.101 (Vernon 2007 and Supp. 2012).

7. In accordance with TEX. UTIL. CODE ANN. §104.103 (Vernon 2007 and Supp. 2012), 16 TEX. ADMIN. CODE ANN. §§ 7.230 and 7.235, adequate notice was properly provided.
8. In accordance with TEX. UTIL. CODE ANN. §104.102 (Vernon 2007 and Supp. 2012), 16 TEX. ADMIN. CODE ANN. §§ 7.205 and 7.210, Atmos filed its Statement of Intent to change gas distribution rates.
9. Atmos has established that the company's books and records conform with 16 TEX. ADMIN. CODE § 7.310 to utilize the Federal Energy Regulatory Commission's (FERC) Uniform System of Accounts (USOA) prescribed for natural gas companies and Atmos is thus entitled to the presumption that the amounts included therein are reasonable and necessary in accordance with Commission Rule 7.503.
10. In this proceeding, Atmos has the burden of proof under TEX. UTIL. CODE ANN. §104.008 (Vernon 2007 and Supp. 2012) to show that the proposed rate changes are just and reasonable.
11. Atmos failed to meet its burden of proof in accordance with the provisions of TEX. UTIL. CODE ANN. §104.008 (Vernon 2007 and Supp. 2012) on the elements of its requested rate increase identified in this order.
12. The revenue, rates, rate design, and service charges proposed by Atmos are not found to be just and reasonable, not unreasonably preferential, prejudicial, or discriminatory, and are not sufficient, equitable, and consistent in application to each class of consumer, as required by TEX. UTIL. CODE ANN. §104.003 (Vernon 2007 and Supp. 2012).
13. The revenue, rates, rate design, and service charges proposed by Atmos, as amended by the Commission and identified in the schedules attached to this order, are just and reasonable, are not unreasonably preferential, prejudicial, or discriminatory, and are sufficient, equitable, and consistent in application to each class of consumer, as required by TEX. UTIL. CODE ANN. (Vernon 2007 and Supp. 2012).
14. The Commission has assured that the rates, operations, and services established in this docket are just and reasonable to customers and to the utilities in accordance with the stated purpose of the Texas Utilities Code, Subtitle A, expressed under TEX. UTIL. CODE ANN. §101.002 (Vernon 2007).
15. The overall revenues as established by the findings of fact and attached schedules are reasonable; fix an overall level of revenues for Atmos that will permit the company a reasonable opportunity to earn a reasonable return on its invested capital used and useful in providing service to the public over and above its reasonable and necessary operating expenses, as required by TEX. UTIL. CODE ANN. § 104.051 (Vernon 2007 and Supp. 2012); and otherwise comply with Chapter 104 of the Texas Utilities Code Annotated.

16. The revenue, rates, rate design, and service charges proposed will not yield to Atmos more than a fair return on the adjusted value of the invested capital used and useful in rendering service to the public, as required by TEX. UTIL. CODE ANN. § 104.052 (Vernon 2007 and Supp. 2012).
17. The rates established in this docket comport with the requirements of TEX. UTIL. CODE ANN. §104.053 (Vernon 2007 and Supp. 2012) and are based upon the adjusted value of invested capital used and useful, where the adjusted value is a reasonable balance between the original cost, less depreciation, and current cost, less adjustment for present age and condition.
18. The rates established in this case comply with the affiliate transaction standard set out in TEX. UTIL. CODE ANN. § 104.055 (Vernon 2007 and Supp. 2012). Namely, in establishing a gas utility's rates, the regulatory authority may not allow a gas utility's payment to an affiliate for the cost of a service, property, right or other item or for an interest expense to be included as capital cost or an expense related to gas utility service except to the extent that the regulatory authority finds the payment is reasonable and necessary for each item or class of items as determined by the regulatory authority. That finding must include (1) a specific finding of reasonableness and necessity to each class of items allowed; and (2) a finding that the price to the gas utility is not higher than the prices charged by the supplying affiliate to its other affiliates or divisions or to a nonaffiliated person for the same item or class of items.
19. In accordance with TEX. UTIL. CODE ANN. §104.054 (Vernon 2007 and Supp. 2012) and TEX. ADMIN. CODE §7.5252, book depreciation and amortization was calculated on a straight line basis over the useful life expectancy of Atmos' property and facilities.
20. Rate case expenses for GUD Nos. 10170 and 10194 will be considered by the Commission in accordance with TEX. UTIL. CODE ANN. §104.008 (Vernon 2007 and Supp. 2012), and 16 TEX. ADMIN. CODE §7.5530 (2008), in a separate proceeding.
21. Atmos Mid-Tex established that the interim rate adjustments made from 2010, 2011 and 2012 were just and reasonable, in accordance with GURA §104.301 and TEX. ADMIN. CODE §7.7101.
22. Atmos Mid-Tex established that the interim rate adjustment requests made in 2010, 2011 and 2012 were carefully scrutinized to include only appropriate expenses, in accordance with GURA §104.301 and TEX. ADMIN. CODE § 7.7101.
23. It is reasonable for the Commission to allow Atmos to include a Purchased Gas Adjustment Clause in its rates to provide for the recovery of all of its gas costs, in accordance with 16 TEX. ADMIN. CODE § 7.5519.
24. Atmos is required by 16 TEX. ADMIN. CODE §7.315 to file electronic tariffs incorporating rates consistent with this Order within thirty days of the date of this Order.

IT IS THEREFORE ORDERED that Atmos' proposed schedule of rates is hereby **DENIED**.

IT IS FURTHER ORDERED that the rates, rate design, and service charges established in the findings of fact and conclusions of law and shown on the attached Schedules for Atmos are **APPROVED**.

IT IS FURTHER ORDERED that Atmos set up a reserve fund and reimburse ratepayers for any over-recovery of amounts from adjustments related to the Wylie and Cleburne incidents, during the next IRA, RRM, or Statement of Intent proceeding, whichever occurs first.

IT IS FURTHER ORDERED that Atmos set up a reserve fund and reimburse ratepayers for any over-recovery of amounts from adjustments related to the Cancellation Fee during the next IRA, RRM or Statement of Intent proceeding, whichever occurs first.

IT IS FURTHER ORDERED that, in accordance with 16 TEX. ADMIN. CODE §7.315, within 30 days of the date this Order is signed, Atmos shall electronically file tariffs and rate schedules with the Gas Services Division. The tariffs shall incorporate rates, rate design, and service charges consistent with this Order, as stated in the findings of fact and conclusions of law and shown on the attached Schedules.

IT IS FURTHER ORDERED that on or before June 1 of each year, the company posts on its website and also files a copy with the Gas Services Division Director of the Commission, the annual Weather Normalization Report (WNA) in spreadsheet format demonstrating how the company calculated the WNA as set out in the attached tariffs.

IT IS FURTHER ORDERED that on or before March 1 of each year, the company posts on its website and also files a copy with the Gas Services Division Director of the Commission, the annual Conservation and Energy Efficiency (CEE) report in spreadsheet format demonstrating how the company calculated the CEE as set out in the attached tariffs, including: detailed calculations of the CRC, Balancing Adjustments, total cost of the CEE Program, each individual rate program, and detailed tracking of reporting program administrative costs.

IT IS FURTHER ORDERED that administrative costs of the CEE Program shall not exceed 15 percent of the total CEE program costs.

IT IS FURTHER ORDERED that all proposed findings of fact and conclusions of law not specifically adopted in this Order are hereby **DENIED**.


IT IS ALSO ORDERED that all pending motions and requests for relief not previously granted or granted herein are hereby **DENIED**.

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 ANN. §2001.146(e), 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.

SIGNED this 4th day of December, 2012.

RAILROAD COMMISSION OF TEXAS


CHAIRMAN BARRY T. SMITHERMAN


COMMISSIONER BUDDY GARCIA

While I join in approving this order, I respectfully dissent on Finding of Fact No. 279, which approves a return on equity of 10.5%.


COMMISSIONER DAVID PORTER

ATTEST:


Kathy Way
SECRETARY



**MID-TEX DIVISION
ATMOS ENERGY CORPORATION**

RATE SCHEDULE:	R – RESIDENTIAL SALES	
APPLICABLE TO:	ALL CUSTOMERS IN THE MID-TEX DIVISION EXCEPT THE CITY OF DALLAS CUSTOMERS	
EFFECTIVE DATE:	Bills Rendered on or after 12/4/12	

Application

Applicable to Residential Customers for all natural gas provided at one Point of Delivery and measured through one meter.

Type of Service

Where service of the type desired by Customer is not already available at the Point of Delivery, additional charges and special contract arrangements between Company and Customer may be required prior to service being furnished.

Monthly Rate

Customer's monthly bill will be calculated by adding the following Customer and Ccf charges to the amounts due under the riders listed below:

Charge	Amount
Customer Charge per Bill	\$17.70 per month
Commodity Charge – All Ccf	\$ 0.04172 per Ccf

Gas Cost Recovery: Plus an amount for gas costs and upstream transportation costs calculated in accordance with Part (a) and Part (b), respectively, of Rider GCR.

Weather Normalization Adjustment: Plus or Minus an amount for weather normalization calculated in accordance with Rider WNA.

Franchise Fee Adjustment: Plus an amount for franchise fees calculated in accordance with Rider FF. Rider FF is only applicable to customers inside the corporate limits of any incorporated municipality.

Tax Adjustment: Plus an amount for tax calculated in accordance with Rider TAX.

Surcharges: Plus an amount for surcharges calculated in accordance with the applicable rider(s).

Agreement

An Agreement for Gas Service may be required.

Notice

Service hereunder and the rates for services provided are subject to the orders of regulatory bodies having jurisdiction and to the Company's Tariff for Gas Service.

**MID-TEX DIVISION
ATMOS ENERGY CORPORATION**

RATE SCHEDULE:	C – COMMERCIAL SALES	
APPLICABLE TO:	ALL CUSTOMERS IN THE MID-TEX DIVISION EXCEPT THE CITY OF DALLAS CUSTOMERS	
EFFECTIVE DATE:	Bills Rendered on or after 12/04/12	

Application

Applicable to Commercial Customers for all natural gas provided at one Point of Delivery and measured through one meter and to Industrial Customers with an average annual usage of less than 30,000 Ccf.

Type of Service

Where service of the type desired by Customer is not already available at the Point of Delivery, additional charges and special contract arrangements between Company and Customer may be required prior to service being furnished.

Monthly Rate

Customer's monthly bill will be calculated by adding the following Customer and Ccf charges to the amounts due under the riders listed below:

Charge	Amount
Customer Charge per Bill	\$ 34.72 per month
Commodity Charge - All Ccf	\$ 0.06589 per Ccf

Gas Cost Recovery: Plus an amount for gas costs and upstream transportation costs calculated in accordance with Part (a) and Part (b), respectively, of Rider GCR.

Weather Normalization Adjustment: Plus or Minus an amount for weather normalization calculated in accordance with Rider WNA.

Franchise Fee Adjustment: Plus an amount for franchise fees calculated in accordance with Rider FF. Rider FF is only applicable to customers inside the corporate limits of any incorporated municipality.

Tax Adjustment: Plus an amount for tax calculated in accordance with Rider TAX.

Surcharges: Plus an amount for surcharges calculated in accordance with the applicable rider(s).

Agreement

An Agreement for Gas Service may be required.

Notice

Service hereunder and the rates for services provided are subject to the orders of regulatory bodies having jurisdiction and to the Company's Tariff for Gas Service.

**MID-TEX DIVISION
ATMOS ENERGY CORPORATION**

RATE SCHEDULE:	I – INDUSTRIAL SALES	
APPLICABLE TO:	ALL CUSTOMERS IN THE MID-TEX DIVISION EXCEPT THE CITY OF DALLAS CUSTOMERS	
EFFECTIVE DATE:	Bills Rendered on or after 12/4/12	

Application

Applicable to Industrial Customers with a maximum daily usage (MDU) of less than 3,500 MMBtu per day for all natural gas provided at one Point of Delivery and measured through one meter. Service for Industrial Customers with an MDU equal to or greater than 3,500 MMBtu per day will be provided at Company's sole option and will require special contract arrangements between Company and Customer.

Type of Service

Where service of the type desired by Customer is not already available at the Point of Delivery, additional charges and special contract arrangements between Company and Customer may be required prior to service being furnished.

Monthly Rate

Customer's monthly bill will be calculated by adding the following Customer and MMBtu charges to the amounts due under the riders listed below:

Charge	Amount
Customer Charge per Meter	\$ 600.00 per month
First 0 MMBtu to 1,500 MMBtu	\$ 0.2473 per MMBtu
Next 3,500 MMBtu	\$ 0.1812 per MMBtu
All MMBtu over 5,000 MMBtu	\$ 0.0389 per MMBtu

Gas Cost Recovery: Plus an amount for gas costs and upstream transportation costs calculated in accordance with Part (a) and Part (b), respectively, of Rider GCR.

Franchise Fee Adjustment: Plus an amount for franchise fees calculated in accordance with Rider FF. Rider FF is only applicable to customers inside the corporate limits of any incorporated municipality.

Tax Adjustment: Plus an amount for tax calculated in accordance with Rider TAX.

Surcharges: Plus an amount for surcharges calculated in accordance with the applicable rider(s).

Curtailment Overpull Fee

Upon notification by Company of an event of curtailment or interruption of Customer's deliveries, Customer will, for each MMBtu delivered in excess of the stated level of curtailment or interruption, pay Company 200% of the midpoint price for the Katy point listed in *Platts Gas Daily* published for the applicable Gas Day in the table entitled "Daily Price Survey."

Replacement Index

In the event the "midpoint" or "common" price for the Katy point listed in *Platts Gas Daily* in the table entitled "Daily Price Survey" is no longer published, Company will calculate the applicable imbalance fees utilizing a daily price index recognized as authoritative by the natural gas industry and most closely approximating the applicable index.

Agreement

An Agreement for Gas Service may be required.

**MID-TEX DIVISION
ATMOS ENERGY CORPORATION**

RATE SCHEDULE:	I – INDUSTRIAL SALES	
APPLICABLE TO:	ALL CUSTOMERS IN THE MID-TEX DIVISION EXCEPT THE CITY OF DALLAS CUSTOMERS	
EFFECTIVE DATE:	Bills Rendered on or after 12/4/12	

Notice

Service hereunder and the rates for services provided are subject to the orders of regulatory bodies having jurisdiction and to the Company's Tariff for Gas Service.

Special Conditions

In order to receive service under Rate I, Customer must have the type of meter required by Company. Customer must pay Company all costs associated with the acquisition and installation of the meter.

**MID-TEX DIVISION
ATMOS ENERGY CORPORATION**

RATE SCHEDULE:	T – TRANSPORTATION	
APPLICABLE TO:	ALL CUSTOMERS IN THE MID-TEX DIVISION EXCEPT THE CITY OF DALLAS CUSTOMERS	
EFFECTIVE DATE:	Bills Rendered on or after 12/4/12	

Application

Applicable, in the event that Company has entered into a Transportation Agreement, to a customer directly connected to the Atmos Energy Corp., Mid-Tex Division Distribution System (Customer) for the transportation of all natural gas supplied by Customer or Customer's agent at one Point of Delivery for use in Customer's facility.

Type of Service

Where service of the type desired by Customer is not already available at the Point of Delivery, additional charges and special contract arrangements between Company and Customer may be required prior to service being furnished.

Monthly Rate

Customer's bill will be calculated by adding the following Customer and MMBtu charges to the amounts and quantities due under the riders listed below:

Charge	Amount
Customer Charge per Meter	\$ 600.00 per month
First 0 MMBtu to 1,500 MMBtu	\$ 0.2473 per MMBtu
Next 3,500 MMBtu	\$ 0.1812 per MMBtu
All MMBtu over 5,000 MMBtu	\$ 0.0389 per MMBtu

Upstream Transportation Cost Recovery: Plus an amount for upstream transportation costs in accordance with Part (b) of Rider GCR.

Retention Adjustment: Plus a quantity of gas as calculated in accordance with Rider RA.

Franchise Fee Adjustment: Plus an amount for franchise fees calculated in accordance with Rider FF. Rider FF is only applicable to customers inside the corporate limits of any incorporated municipality.

Tax Adjustment: Plus an amount for tax calculated in accordance with Rider TAX.

Surcharges: Plus an amount for surcharges calculated in accordance with the applicable rider(s).

Imbalance Fees

All fees charged to Customer under this Rate Schedule will be charged based on the quantities determined under the applicable Transportation Agreement and quantities will not be aggregated for any Customer with multiple Transportation Agreements for the purposes of such fees.

Monthly Imbalance Fees

Customer shall pay Company the greater of (i) \$0.10 per MMBtu, or (ii) 150% of the difference per MMBtu between the highest and lowest "midpoint" price for the Katy point listed in *Platts Gas Daily* in the table entitled "Daily Price Survey" during such month, for the MMBtu of Customer's monthly Cumulative Imbalance, as defined in the applicable Transportation Agreement, at the end of each month that exceeds 10% of Customer's receipt quantities for the month.

**MID-TEX DIVISION
ATMOS ENERGY CORPORATION**

RATE SCHEDULE:	T – TRANSPORTATION	
APPLICABLE TO:	ALL CUSTOMERS IN THE MID-TEX DIVISION EXCEPT THE CITY OF DALLAS CUSTOMERS	
EFFECTIVE DATE:	Bills Rendered on or after 12/4/12	

Curtailment Overpull Fee

Upon notification by Company of an event of curtailment or interruption of Customer's deliveries, Customer will, for each MMBtu delivered in excess of the stated level of curtailment or interruption, pay Company 200% of the midpoint price for the Katy point listed in *Platts Gas Daily* published for the applicable Gas Day in the table entitled "Daily Price Survey."

Replacement Index

In the event the "midpoint" or "common" price for the Katy point listed in *Platts Gas Daily* in the table entitled "Daily Price Survey" is no longer published, Company will calculate the applicable imbalance fees utilizing a daily price index recognized as authoritative by the natural gas industry and most closely approximating the applicable index.

Agreement

A transportation agreement is required.

Notice

Service hereunder and the rates for services provided are subject to the orders of regulatory bodies having jurisdiction and to the Company's Tariff for Gas Service.

Special Conditions

In order to receive service under Rate T, customer must have the type of meter required by Company. Customer must pay Company all costs associated with the acquisition and installation of the meter.

**MID-TEX DIVISION
ATMOS ENERGY CORPORATION**

RIDER:	WNA – WEATHER NORMALIZATION ADJUSTMENT	
APPLICABLE TO:	ALL CUSTOMERS IN THE MID-TEX DIVISION EXCEPT THE CITY OF DALLAS CUSTOMERS	
EFFECTIVE DATE:	Bills Rendered on or after 12/4/12	

Provisions for Adjustment

The Commodity Charge per Ccf (100 cubic feet) for gas service set forth in any Rate Schedules utilized by the cities of the Mid-Tex Division service area for determining normalized winter period revenues shall be adjusted by an amount hereinafter described, which amount is referred to as the "Weather Normalization Adjustment." The Weather Normalization Adjustment shall apply to all temperature sensitive residential and commercial bills based on meters read during the revenue months of November through April. The five regional weather stations are Abilene, Austin, Dallas, Waco, and Wichita Falls

Computation of Weather Normalization Adjustment

The Weather Normalization Adjustment Factor shall be computed to the nearest one-hundredth cent per Ccf by the following formula:

$$WNAF_i = R_i \frac{(HSF_i \times (NDD-ADD))}{(BL_i + (HSF_i \times ADD))}$$

Where

i = any particular Rate Schedule or billing classification within any such particular Rate Schedule that contains more than one billing classification

$WNAF_i$ = Weather Normalization Adjustment Factor for the i^{th} rate schedule or classification expressed in cents per Ccf

R_i = Commodity Charge rate of temperature sensitive sales for the i^{th} schedule or classification.

HSF_i = heat sensitive factor for the i^{th} schedule or classification divided by the average bill count in that class

NDD = billing cycle normal heating degree days calculated as the simple ten-year average of actual heating degree days.

ADD = billing cycle actual heating degree days.

BL_i = base load sales for the i^{th} schedule or classification divided by the average bill count in that class

The Weather Normalization Adjustment for the j^{th} customer in i^{th} rate schedule is computed as:

$$WNA_j = WNAF_i \times q_{ij}$$

**MID-TEX DIVISION
ATMOS ENERGY CORPORATION**

RIDER:	WNA – WEATHER NORMALIZATION ADJUSTMENT	
APPLICABLE TO:	ALL CUSTOMERS IN THE MID-TEX DIVISION EXCEPT THE CITY OF DALLAS CUSTOMERS	
EFFECTIVE DATE:	Bills Rendered on or after 12/4/12	

Where q_{ij} is the relevant sales quantity for the j^{th} customer in i^{th} rate schedule

Base Use/Heat Use Factors

Weather Station	<u>Residential</u>		<u>Commercial</u>	
	Base use <u>Ccf</u>	Heat use <u>Ccf/HDD</u>	Base use <u>Ccf</u>	Heat use <u>Ccf/HDD</u>
Abilene	9.45	0.1384	90.11	0.6237
Austin	10.54	0.1419	182.64	0.8023
Dallas	12.40	0.1968	168.45	0.9634
Waco	9.25	0.1497	109.69	0.7169
Wichita Falls	10.74	0.1431	99.04	0.5693

Weather Normalization Adjustment (WNA) Report

On or before June 1 of each year, the company posts on its website at (ENTER WEBSITE LINK), in Excel format, a *Weather Normalization Adjustment (WNA) Report* to show how the company calculated its WNAs factor during the preceding winter season. Additionally, on or before June 1 of each year, the company files one hard copy and an Excel version of the *WNA Report* with the Railroad Commission of Texas' Gas Services Division, addressed to the Director of that Division.

**MID-TEX DIVISION
ATMOS ENERGY CORPORATION**

RIDER:	GCR – GAS COST RECOVERY	
APPLICABLE TO:	ALL CUSTOMERS IN THE MID-TEX DIVISION EXCEPT THE CITY OF DALLAS CUSTOMERS	
EFFECTIVE DATE:	12/04/12	

Applicable to Rate R, Rate C, and Rate I for all gas sales made by Company, and applicable to Rate R, Rate C, Rate I, and Rate T for recovery of Pipeline System costs. The total gas cost recovery amount due is determined by adding the gas cost calculated in Section (a) below and the pipeline cost calculated in Section (b) below.

The amount due for gas cost (Section (a)) is determined by multiplying the Gas Cost Recovery Factor (GCRF) by the Customer's monthly volume. For Customers receiving service under Rate R and Rate C, monthly volume will be calculated on a Ccf basis (to calculate on a Mcf basis divide the monthly volume by 10). For Customers receiving service under Rate I, monthly volume will be calculated on an MMBtu basis and the quantities will be adjusted as necessary to recover actual gas costs.

The amount due for pipeline cost (Section (b)) is determined by multiplying the Pipeline Cost Factor (PCF) by the Customer's monthly volume. For Customers receiving service under Rate R and Rate C, monthly volume will be calculated on a Ccf basis. For Customers receiving service under Rate I and Rate T, monthly volume will be calculated on an MMBtu basis and the quantities will be adjusted as necessary to recover actual gas costs.

(a) Gas Cost

Method of Calculation

The monthly gas cost adjustment is calculated by the application of a Gas Cost Recovery Factor (GCRF), as determined with the following formula:

$$\text{GCRF} = \text{Estimated Gas Cost Factor (EGCF)} + \text{Reconciliation Factor (RF)} + \text{Taxes (TXS)}$$

EGCF = Estimated cost of gas, including lost and unaccounted for gas attributed to residential, commercial, and industrial sales, and any reconciliation balance of unrecovered gas costs, divided by the estimated total residential, commercial, and industrial sales. Lost and unaccounted for gas is limited to 5%.

RF = Calculated by dividing the difference between the Actual Gas Cost Incurred, inclusive of interest over the preceding twelve-month period ended June 30 and the Actual Gas Cost Billed over that same twelve-month period by the estimated total residential, commercial, and industrial sales for the succeeding October through June billing months. The interest rate to be used is the annual interest rate on overcharges and under charges by a utility as published by the Public Utility Commission each December.

Actual Gas Cost Incurred = The sum of the costs booked in Atmos Energy Corp., Mid-Tex Division account numbers 800 through 813 and 858 of the FERC Uniform System of Accounts, including the net impact of injecting and withdrawing gas from storage. Also includes a credit or debit for any out-of-period adjustments or unusual or nonrecurring costs typically considered gas costs and a credit for amounts received as Imbalance Fees or Curtailment Overpull Fees.

Actual Gas Cost Billed = EGCF multiplied by the monthly volumes billed to Residential, Commercial and Industrial Sales customers, less the total amount of gas cost determined to have been uncollectible and written off which remain unpaid for each month of the reconciliation period.

**MID-TEX DIVISION
ATMOS ENERGY CORPORATION**

RIDER:	GCR – GAS COST RECOVERY	
APPLICABLE TO:	ALL CUSTOMERS IN THE MID-TEX DIVISION EXCEPT THE CITY OF DALLAS CUSTOMERS	
EFFECTIVE DATE:	12/04/12	

Any amount remaining in the reconciliation balance after the conclusion of the period of amortization will be maintained in the reconciliation balance and included in the collection of the next RF.

Atmos Energy shall file annual reports with the Commission, providing by month the following amounts: Gas Cost Written Off, Margin Written Off, Tax and Other Written Off, Total Written Off, Gas Cost Collected and Margin Collected.

TXS = Any statutorily imposed assessments or taxes applicable to the purchase of gas divided by the estimated total residential, commercial, and industrial sales.

ADJ = Any surcharge or refund ordered by a regulatory authority, inclusive of interest, divided by the estimated total residential, commercial, and industrial sales is to be included as a separate line item surcharge.

(b) Pipeline Cost

Method of Calculation

Each month, a Pipeline Cost Factor (PCF) is calculated separately for each Pipeline Cost Rate Class listed below. The formula for the PCF is:

$PCF = PP / S$, where:

$PP = (P - A) \times D$, where:

P = Estimated annual cost of pipeline service calculated pursuant to Rate CGS

D = Pipeline service allocation factor for the rate class as approved in the Company's most recent rate case, as follows:

Pipeline Cost Rate Class	Allocation Factor (D)
Rate R - Residential Service	.643027
Rate C - Commercial Service	.305476
Rate I - Industrial Service and Rate T - Transportation Service	.051497

A = Adjustment applied in the current month to correct for the difference between the actual and estimated pipeline cost revenue balance, inclusive of interest, for the most recent 12 months ending June 30, calculated by the formula:

$A = R - (C - A2)$, where:

R = Actual revenue received from the application of the PP component for the most recent 12 months ending June 30.

C = Actual pipeline costs for the most recent 12 months ending June 30.

**MID-TEX DIVISION
ATMOS ENERGY CORPORATION**

RIDER:	GCR – GAS COST RECOVERY	
APPLICABLE TO:	ALL CUSTOMERS IN THE MID-TEX DIVISION EXCEPT THE CITY OF DALLAS CUSTOMERS	
EFFECTIVE DATE:	12/04/12	

A2 = The adjustment (A) applied to the PP component for balances from the preceding 12 months ending June 30.

S = Estimated annual Ccf or MMBtu for the rate class for the current and ensuing billing months ending June 30.

The PCF is calculated to the nearest 0.0001 cent.

The Pipeline Cost to be billed is determined by multiplying the Ccf or MMBtu used by the appropriate PCF. The Pipeline Cost is determined to the nearest whole cent.

ATMOS ENERGY CORPORATION
MID-TEX DIVISION

RATE SCHEDULE:	CEE - CONSERVATION AND ENERGY EFFICIENCY	
APPLICABLE TO:	ALL CUSTOMERS IN THE MID-TEX DIVISION EXCEPT THE CITY OF DALLAS CUSTOMERS	
EFFECTIVE DATE:	Bills Rendered on and after 12/04/12	PAGE:

I. Purpose

Atmos Energy Corporation's Mid-Tex Division provides a Conservation and Energy Efficiency program which offers assistance to residential and commercial customers to encourage reductions in energy consumption and lower energy utility bills. The proposal is one where Atmos Energy shareholders will fund a half of the allowable expenses incurred annually, with a customer rate component providing the remainder of the funding. The programs offered under Rate Schedule CEE will be consistent with similar conservation and energy efficiency programs offered by other gas utilities and may include, but not limited to residential and commercial customer rebates for high efficiency appliances and equipment, as well as a low income customer weatherization assistance program.

II. Application

Applicable to Rate R Sales Service and Rate C Commercial Sales Service customers only.

The Customer Charges under Rate Schedule R-Residential Sales and Rate Schedule C-Commercial Sales, shall be increased or decreased annually beginning July 1, 2013 by the CEE Cost Recovery Component (CEE) at a rate per bill in accordance with the following formula:

$$\text{CEE} = (\text{CRC per class} + \text{BA per class}) / \text{Number of Annual Bills per class}$$

Where:

CRC = Cost Recovery-Current. The CRC shall include all expected costs attributable to the Company's CEE program for the twelve month period ending June 30th of each year, including, but not limited to rebates paid, material costs, the costs associated with installation and removal of replaced materials and/or equipment, the cost of educational and customer awareness materials related to conservation/efficiency and the planning, development, implementation and administration of the CEE program. CRC will be calculated in a manner that results in non-recurring costs being recovered only once. Direct program costs will be identified by class and common administrative costs will be allocated to each class pro-rata based upon the proportion of direct costs. Administrative costs shall not exceed 15% of total CEE program costs.

BA = Balance Adjustment. The BA shall compute differences between Rider CRC collections by class and expenditures by class, including the pro-rata share of common administrative costs for each class for the twelve month period ending the prior December 31 and collect the over/under recovery during the 12 month period beginning July 1 of the following year.

Class = Rate R Sales Service customers and Rate C Sales Service customers.

III. Administration

ATMOS ENERGY CORPORATION
MID-TEX DIVISION

RATE SCHEDULE:	CEE - CONSERVATION AND ENERGY EFFICIENCY	
APPLICABLE TO:	ALL CUSTOMERS IN THE MID-TEX DIVISION EXCEPT THE CITY OF DALLAS CUSTOMERS	
EFFECTIVE DATE:	Bills Rendered on and after 12/04/12	PAGE:

A third-party administrator (Program Administrator) may coordinate general program administration. Program administration expenses will be funded from the annual budget.

IV. Program Selection

Program selection will be determined on annual basis and a summary of programs selected for the upcoming twelve-month period will be provided to interested parties on or before March 1st of each calendar year. The portfolio of program offerings will be designed to be impactful and cost effective based on Atmos' knowledge of its customer base and experience administering various conservation and energy efficiency program initiatives. The regulators and Company shall agree prospectively of any changes to the program.

V. Report

The Company will file an annual report with the Director of the Gas Services Division of the Railroad Commission on or before March 1 of each calendar year. The annual report shall also be made available on the Company's website. The annual report will identify the portfolio of program offerings the Company will provide during the twelve-month period commencing July 1 of each year. This annual filing shall include detailed calculations of the CRC and the Balancing Adjustments, as well as data on the total cost of the CEE Program and by each individual rebate program. Detailed tracking and reporting of program administration costs is also required.

**MID-TEX DIVISION
ATMOS ENERGY CORPORATION**

RATE SCHEDULE:	M – MISCELLANEOUS CHARGES	
APPLICABLE TO:	Entire Division	
EFFECTIVE DATE:	Bills Rendered on or after 12/04/12	PAGE: 91

Application

The service charges on this tariff will be applied in accordance with Atmos Energy's Quality of Service Rules and Commission Rule 7.45.

The service charges listed below are in addition to any other charges made under Company's Tariff for Gas Service and will be applied for the condition described. Other services not covered by these standard conditions will be charged on the basis of an estimate for the job or the Company's cost plus appropriate adders. Business hours are Monday- Friday 8:00 a.m.- 5:00 p.m. and apply to services initiated during these time periods; After hours are Monday-Friday 5:00 p.m.- 8:00 a.m. and all day Saturday and Sunday. The Company may charge an after hours rate in accordance with service charges defined below for services initiated during these time periods.

Applicable Charges:

Charge No.	Name and Description						
1	<p>Connection Charge</p> <p>The following connection charges apply:</p> <table> <tr> <td><u>Schedule</u></td><td><u>Charge</u></td></tr> <tr> <td>business hours</td><td>\$ 65.00</td></tr> <tr> <td>after hours</td><td>\$ 97.00</td></tr> </table> <p>For each reconnection of gas service where service has been discontinued at the same premises for any reason, for the initial inauguration of service, and for each inauguration of service when the billable party has changed, with the following exceptions:</p> <p>(a) For a builder who uses gas temporarily during construction or for display purposes.</p> <p>Whenever gas service has been temporarily interrupted because of System outage or service work done by Company; or</p> <p>(c) For any reason deemed necessary for Company operations.</p>	<u>Schedule</u>	<u>Charge</u>	business hours	\$ 65.00	after hours	\$ 97.00
<u>Schedule</u>	<u>Charge</u>						
business hours	\$ 65.00						
after hours	\$ 97.00						
2	<p>Field Read of Meter</p> <p>A read for change charge of \$19.00 is made when it is necessary for the Company to read the meter at a currently served location because of a change in the billable party.</p>						
3	<p>Returned Check Charges</p> <p>A returned check handling charge of \$20.00 is made for each check returned to Company for any reason.</p>						

**MID-TEX DIVISION
ATMOS ENERGY CORPORATION**

RATE SCHEDULE:	M – MISCELLANEOUS CHARGES	
APPLICABLE TO:	Entire Division	
EFFECTIVE DATE:	Bills Rendered on or after 12/04/12	PAGE: 92

Charge No.	Name and Description
4	<p>Charge for Installing and Maintaining an Excess Flow Valve</p> <p>A customer may request the installation of an excess flow valve provided that the service line will serve a single residence and operate continuously throughout the year at a pressure of not less than 10 psig. The customer will pay the actual cost incurred to install the excess flow valve. That cost will include the cost of the excess flow valve, the labor cost required to install the excess flow valve, and other associated costs. The estimated total cost to install an excess flow valve is \$50.00. This cost is based on installing the excess flow valve at the same time a service line is installed or replaced. The excess flow valve will be installed on the service line upstream of the customer's meter and as near as practical to the main.</p> <p>A customer requiring maintenance, repair, or replacement of an excess flow valve will be required to pay the actual cost of locating and repairing or replacing the excess flow valve. The cost to perform this service will normally range from \$200.00 to \$2,000.00, depending on the amount of work required. This cost will be determined on an individual project basis.</p> <p>This tariff is being filed in accordance with the U.S. Department of Transportation rule requiring the installation of an excess flow valve, if requested by a customer, on new or replaced service lines that operate continuously throughout the year at a pressure of not less than 10 psig and that serve a single residence. The rule further states that the customer will bear all costs of installing and maintaining the excess flow valve.</p>
5	<p>Recovery of Connection Costs Associated with Certain Stand-By Gas Generators</p> <p>Commercial customers installing stand-by gas generators to provide service in the event of an interruption in electric service in facilities where gas service is not otherwise provided will reimburse the Company for the actual cost of acquiring and installing the regulator, service line, and meter required to provide gas service for the stand-by generators. Gas service provided for the stand-by generators will be billed at the applicable commercial rate.</p>
6	<p>Charge for Temporary Discontinuance of Service - Residential</p> <p>Whenever service under this rate schedule has been temporarily disconnected at the request of the customer, a charge of \$65.00 plus the appropriate Connection Charge will be made to reestablish such service for that customer at the same address.</p>
7	Charge for Temporary

**MID-TEX DIVISION
ATMOS ENERGY CORPORATION**

RATE SCHEDULE:	M – MISCELLANEOUS CHARGES	
APPLICABLE TO:	Entire Division	
EFFECTIVE DATE:	Bills Rendered on or after 12/04/12	PAGE: 93

Charge No.	Name and Description
	<p>Discontinuance of Service - Non-Residential</p> <p>Whenever service under this rate schedule has been temporarily disconnected at the request of the customer, a charge of \$107.00 plus the appropriate Connection Charge will be made to reestablish such service for that customer at the same address.</p>
8	<p>Charge for Meter Testing</p> <p>The Company shall, upon request of a customer, make a test of the accuracy of the meter serving that customer. The Company shall inform the customer of the time and place of the test and permit the customer or his authorized representative to be present if the customer so desires. If no such test has been performed within the previous four (4) years for the same customer at the same location, the test shall be performed without charge. If such a test has been performed for the same customer at the same location within the previous four (4) years, the Company will charge a fee of \$15.00. The customer must be properly informed of the result of any test on a meter that serves him.</p>
9	<p>Charge for Service Calls</p> <p>A Service Call Charge is made for responding to a service call that is determined to be a customer related problem rather than a Company or Company facilities problem.</p> <p>\$26.00 business hours \$40.00 after hours</p>
10	<p>Tampering Charge</p> <p>No Company Meters, equipment, or other property, whether on Customer's premises or elsewhere, are to be tampered with or interfered with for any reason. A Tampering Charge is made for unauthorized reconnection or other tampering with Company metering facilities, or a theft of gas service by a person on the customer's premises or evidence by whomsoever at customer's premises. An additional cost for the cost of repairs and/or replacement of damaged facilities and the installation of protective facilities or relocation of meter are made at cost plus appropriate charges as detailed in Company's Service Rules and Regulations.</p> <p>\$125.00</p>

**GUD No. 10170
and consolidated cases**

**Examiners Schedules
Final Order**

Issued Tuesday, December 04, 2012

**ATMOS ENERGY CORP., MID-TEX DIVISION
STATEMENT OF INTENT TO CHANGE RATES
TEST YEAR ENDING SEPTEMBER 30, 2011**

Totals may vary due to rounding.

ATMOS ENERGY CORP., MID-TEX DIVISION
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3	COMPARISON OF CURRENT RATES TO PROPOSED CHANGE
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2	REVENUE REQUIREMENTS	<u>Schedule A Page 2</u>	Myers
3	REVENUE REQUIREMENTS BY SERVICE CLASS - APPEALS	<u>Schedule A (A) Page 1</u>	
4	REVENUE REQUIREMENTS - APPEALS	<u>Schedule A (A) Page 2</u>	
5	RATE BASE	<u>Schedule B</u>	Myers, Petersen
6	COMPONENTS OF RATE BASE- GROSS PLANT	<u>Schedule C</u>	Myers, Petersen
7	COMPONENTS OF RATE BASE- ACCUMULATED DEPRECIATION	<u>Schedule D</u>	Myers, Petersen
8	CASH WORKING CAPITAL	<u>Schedule E</u>	Petersen
9	OPERATION AND MAINTENANCE EXPENSES	<u>Schedule F-1</u>	Myers
10	ADJUSTMENTS TO OPERATION AND MAINTENANCE EXPENSES	<u>Schedule F-2</u>	Myers
11	DEPRECIATION AND AMORTIZATION EXPENSE	<u>Schedule F-3</u>	Petersen
12	DEPRECIATION RATE SUMMARY	<u>Schedule F-4</u>	Petersen
13	TAXES OTHER THAN INCOME TAX - ACCOUNT 408.1	<u>Schedule F-5</u>	Myers
14	FEDERAL INCOME TAX AND STATE FRANCHISE ("GROSS MARGIN") TAX	<u>Schedule F-6</u>	Myers
15	INTEREST EXPENSE - CUSTOMER DEPOSITS	<u>Schedule F-7</u>	Myers
16	SUMMARY OF RETURN	<u>Schedule G</u>	Meziers, Hevert
17	CALCULATION OF RIDER GCR PART A	<u>Schedule H</u>	Smith
18	CALCULATION OF RIDER GCR PART B	<u>Schedule I</u>	Smith
19	SUMMARY OF CURRENT AND PROPOSED RATE STRUCTURE - BASE RATES	<u>Schedule J</u>	Smith
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4	GUD 9868 RATE BASE ADJUSTMENTS - DEPRECIATION SCHEDULE	<u>WP B-1.3</u>	Myers
5	INJURIES AND DAMAGES AND WORKERS COMP RESERVES (1)	<u>WP B-2</u>	Petersen
6	MATERIALS & SUPPLIES-ACCOUNTS 154 & 163	<u>WP B-3</u>	Petersen
7	PREPAYMENTS-ACCOUNT 165	<u>WP B-4</u>	Petersen
8	CUSTOMER DEPOSITS AND CUSTOMER ADVANCES FOR CONSTRUCTION	<u>WP B-5</u>	Myers
9	ACCUMULATED DEFERRED INCOME TAXES-ACCOUNTS 192/282/283 (1)	<u>WP B-6</u>	Petersen
10	PENSION AND OTHER POSTEMPLOYMENT BENEFITS REGULATORY ASSET	<u>WP B-7</u>	Petersen
11	BEGINNING BALANCE ACCUMULATED DEFERRED INCOME TAXES-ACCOUNTS 192/282/283 (1)	<u>WP E-1</u>	Petersen
12	BASE LABOR ADJUSTMENT	<u>WP F-2.1</u>	Myers
13	MEDICAL AND DENTAL BENEFITS ADJUSTMENT	<u>WP F-2.2</u>	Myers
14	PENSIONS AND RETIREE MEDICAL BENEFITS ADJUSTMENT	<u>WP F-2.3</u>	Myers
15	PROPERTY INSURANCE ADJUSTMENT	<u>WP F-2.4</u>	Myers
16	INJURIES AND DAMAGES ADJUSTMENT	<u>WP F-2.5</u>	Myers
17	EMPLOYEE EXPENSE ADJUSTMENT	<u>WP F-2.6</u>	Myers
18	SHARED SERVICES ("SSU") SERVICE-LEVEL FACTORS ADJUSTMENT	<u>WP F-2.7</u>	Myers
19	SHARED SERVICES ("SSU") COST CENTER FUNCTIONS	<u>WP F-2.7.1</u>	Myers
20	MISCELLANEOUS ADJUSTMENTS	<u>WP F-2.8</u>	Myers
21	UNCOLLECTIBLE EXPENSE ADJUSTMENT	<u>WP F-2.9</u>	Myers
22	RULE COMPLIANCE ADJUSTMENT	<u>WP F-2.10</u>	Myers
23	CUSTOMER CONSERVATION PROGRAM ADJUSTMENT	<u>WP F-2.11</u>	Myers
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28	CALCULATION OF CURRENT REVENUES BY AREA - RATE C - BASE RATES	<u>WP J-1.2</u>	Smith
29	CALCULATION OF CURRENT REVENUES BY AREA - RATE I&T - BASE RATES	<u>WP J-1.3</u>	Smith
30	OTHER REVENUES	<u>WP J-2</u>	Myers, Smith
31	NON-STANDARD CONTRACT MARGINS	<u>WP J-2.1</u>	Smith
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50	PLANT ALLOCATION	<u>PLT-CCS3</u>	
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56	TAXES OTHER THAN INCOME ALLOCATION	<u>Tax-CCS9</u>	

Decision Summary - GUD No. 10170

Revenue Requirement Requested:	\$471,882,773	Revenue Requirement:	\$447,455,789
Adjustment to Original Request**:		Additional Adjustment:	\$16,221,321
Additional Adjustment:		Total Adjustment:	\$8,205,663
Total Increase in Revenues Requested:	\$47,709,349	Total Increase in Revenues Recommended:	\$24,426,984
			\$23,492,932

	Residential	Commercial	Industrial & Transportation
Proposed Customer Charge	18.00	35.00	600.00
Recommended	17.70	34.72	600.00
Initial Proposed Usage Charge	0.0709	0.0611	0.19400
Adjusted Proposed Usage Charge	0.0574	0.0507	0.14210
Recommended Usage Charge	0.0157	0.0417	0.03050
Net Change	0.0157	0.0417	0.16380
Net Change	-0.0152	0.0659	0.12000
Net Change	-0.0835	-0.0612	0.02580
Net Change	-0.0131	-0.0131	0.03890

PTD § ISSUE

	Recommendation Adopt = 1, Deny = 0	Schedule Impacted	Element Impacted	Revenue Requirement	Revenue Req Impact**
SSU Allocation					
1. Revise SSU Allocations for (IO, IL, KS) (ATM)		WP F-2.1 WP F-2.2 C C	Column I E78 E119	\$454,410,363	\$1,251,089
(adjustments mutually exclusive)					
2. Allocation Factor Adjustment (IO, IL, KS) (ACSC)		WP F-2.1 WP F-2.2 C C	Column I E78 E119	\$454,244,270	\$1,417,182
O&M Expense Adjustments					
1. Base Payroll					
(a) Payroll Base Labor Adjustment (adjust to December 2011 Level) (ACSC)		WP F-2.1	D9, E9 & G9	\$455,589,723	\$71,729
(b) Payroll Base Labor Adjustment (adjust O&M Expense Factors) (ACSC)		WP F-2.1	D19 & E19	\$455,380,362	\$281,090
2. Medical and Dental Benefits					
(a) Medical/Dental Benefits TY Expense Level (ACSC)		WP F-2.2	C9 & D9	\$454,368,024	\$1,293,428
(b) Medical/Dental Expense Employee Count (ACSC)		WP F-2.2	C11 & D11	\$455,610,842	\$50,609
3. Pension Expense & Return Med. Benefits Calculated Based Upon TY Level (ACSC)		WP F-2.3	G10	\$453,735,599	\$1,925,853
Cumulative effect with Pension and OPEB Asset Calculation		WP F-2.3	D13	\$453,404,788	\$2,256,664
4. Remove Mid-Ter SERP (ACSC & ATM)		WP F-2.3	G10	\$455,612,728	\$48,724
--- and corresponding adjustment to ADIT		WP B-6	D13	\$455,387,993	\$273,459
5. Adjusted FAS 106 post-test-year adjustment to prior year level of expense. (ACSC)		WP F-2.3	C10 - H10		

Decision Summary - GUD No. 10170

Revenue Requirement Requested:	\$471,882,773	Revenue Requirement:	\$	447,455,789
Adjustment to Original Request**:				\$16,221,321
Additional Adjustment:				\$8,205,663
Total Adjustment:				\$24,426,984
Total Increase in Revenues Requested:	\$47,709,349	Total Increase in Revenues Recommended:	\$	23,492,932

** Change to request due to depreciation rates update and Sept. 4 corrections filing

	Residential	Commercial	Industrial & Transportation
Proposed Customer Change Recommended	18.00	35.00	600.00
Initial Proposed Usage Change	17.70	34.72	600.00
Adjusted Proposed Usage Change	0.0709	0.0611	0.19400
Recommended Usage Change	0.0574	0.0507	0.14210
			0.03050
			0.16380
			0.12000
			0.02580
Net Change	0.0157	0.0417	Net Change
			-0.0835
			-0.0612
			-0.0131

6. Incentive Compensation:

(a) Remove all Incentive Compensation (ATM)
— and corresponding adjustment to ADIT
— O&M - labor expense lag adjustment CWC

4(a) is exclusive of 4(b), 4(c) and 4(d).

(b) Remove SSU LTIP expense (ACSC)

— and corresponding adjustment to add
— and corresponding adjustment to CWC

(c) Remove Mid-Tex LTIP expense (ACSC)
— and corresponding adjustment to add

(d) Adjust Mid-Tex Short Term Incentive Compensation to 2% of base pay (ACSC)
— and corresponding adjustment to ADIT

7. adjust FAS 106 post-test-year adjustment to prior year level of expense. (ACSC)

8. Injuries and Damages

(a) Remove expenses related to the Luttrell Incident (ACSC)

(b) Adjust recovery Wylie & Cleborne to 36 months (ACSC)
Evidentiary Record Insufficient

9. Property Insurance
(a) Remove Property Insurance Expense (ACSC).

(b) Property Insurance Adjust to Remove Ins. Expense for CWIP (ACSC)

(c) Amortization of Cancellation Expense over 36 months (ACSC)
Evidentiary Record Insufficient

(d) Revenue Sharing of Blueflame Income (ATM)

\$453,559,661
\$455,329,945
\$455,761,493

G16

\$1,424,021
\$346,053
\$8,261

Column E
F16

\$325,839
\$304,554
(\$24,337)

I53
F17
G53
F18

\$273,459

C10 - H10

(\$557,591)

F13

\$338,956

E10, E13, E14

\$688,873

C10, D10, E10

\$17,065

\$119,666

No change to revenue requirement calculation
Change to rates will generate a reduction in
Revenue recovered

Decision Summary - GUD No. 10170

Decision Summary - GUD No. 10170		
Revenue Requirement:	\$471,882,773	\$ 447,455,789
Adjustment to Original Request**:		\$16,221,321
Additional Adjustment:		\$8,205,663
Total Adjustment:		\$24,426,984
Total Increase in Revenues Recommended:	\$47,709,349	\$ 23,492,932

Revenue Requirement Requested:

Revenues Requested:

1. Date of deceleration rates update and Sept. 4 corrections filing

		Residential	Commercial	Industrial & Transportation
**	Change to request due to depreciation rates update and Sept. 4 corrections filing			600.00
				600.00
		18.00	35.00	\$
		17.70	34.72	\$
	Proposed Customer Charge Recommended			
	Initial Proposed Usage Charge	0.0709	0.0611	0.19400 0.14210 0.03050
	Adjusted Proposed Usage Charge	0.0574	0.0507	0.16380 0.12000 0.02580
	Recommended Usage Charge			
		Net Change 0.0157	Net Change 0.0639	Net Change 0.24730 -0.0835 0.18120 -0.0612 -0.0131

Depreciation Expense

1. Mid-Tex and SSU Depreciation Reserve:

3.1.1.1. A Joint Company's Theoretical Reserve Depreciation Approach

Book Review Announcements

Evidentiary Record Insufficient - Adjustment Extrapolated

- 2. Mid-Tex Depreciation:**

(a) Depreciation Service Life Adjustments:	
a.	Account 374.02, Land Rights (Atmos 80 R.5/Dallas 100R.4)
b.	Account 375, Structures (Atmos 54R1.5/Dallas 63R0.5)
c.	Account 376, Mainz-Catholic Protection (Atmos 60R3/Dallas 70R2.5)
d.	Account 376.01, Mainz-Steel (Atmos 70R0.5/Dallas 75R0.5)
e.	Account 376.02, Mainz-Plastic (Atmos 65R2.5/Dallas 70R2.5)
f.	Account 378, Measuring and Reg. Stat. Equip. (Atmos 57R1/Dallas 65R1.5)
g.	Account 379, City Gate Equipment (Atmos: 57R1, Dallas 65R1.5)
h.	Account 385, Ind. Measuring & Regulating Eq. (Atmos 57R1, Dallas: 65R1.5)
i.	Account 380, Distribution Mains (Atmos: 375S.5, Dallas:41L1)
j.	Account 381, Meters (Atmos 37R1, Dallas: 35R1)
k.	Account 382, Meter Installations (Atmos N/A, Dallas: 35R1)
l.	Account 383, House Regulators (Atmos 37R1.5, Dallas: 45R2.5)
	Account 383, House Structures & Inverrow (Atmos: 45R2.5, Dallas: 55R2.5)

- (b) Depreciation Net Salvage Adjustments:**

(b) Depreciation Net Salvage Adjustments.

a.	Account 376.01 Steel Mains (Atmos -105%/Dallas -80%)
b.	Account 376.02 Plastic Mains (Atmos -40%/Dallas -30%)
c.	Account 390 Structures and Improvements (Atmos -5%/Dallas +15%)

- 3. SSU Depreciation:**

(a) Depreciation Service Life Adjustments:

a. Account 390, Structures and Improvements (Atmos 40R2, Dallas 55R2.5)	
b. Account 399 08, Application Software (Atmos 12R5, Dallas: 15R5)	

- #### **h) Depreciation Net Salvage Adjustments:**

Depreciation Net Salvage Adjustments:

	Various Col. F	Assuming Theoretical Reserve
1	Schedule F-4	\$455,163,504
0		\$497,948
1	Schedule F-4	\$455,655,923
0	Schedule F-4	\$1,939
0	Schedule F-4	\$236,266
0	Schedule F-4	\$455,425,186
0	Schedule F-4	\$828,167
0	Schedule F-4	\$1,795,008
1	Schedule F-4	\$166,572
0	Schedule F-4	\$455,494,880
0	Schedule F-4	\$455,651,932
0	Schedule F-4	\$6,243
0	Schedule F-4	\$455,655,209
0	Schedule F-4	\$454,814,196
0	Schedule F-4	\$455,874,816
0	Schedule F-4	\$455,834,886
0	Schedule F-4	\$455,728,778
0	Schedule F-4	\$455,537,745
0	Schedule F-4	\$123,707
0		\$2,092,211
0	Schedule F-4	\$1,572,509
0	Schedule F-4	(\$78,448)
0	Schedule F-4	\$455,739,900
0		\$167,589
0	Schedule F-4	\$807,109
0		\$35,406
0	Schedule F-4	\$455,493,863
0	Schedule F-4	\$454,854,343
0		\$455,576,046

Decision Summary - GUD No. 10170

Decision Summary - GUD No. 10170		
Revenue Requirement Requested:	Revenue Requirement: \$471,882,773	\$ 447,455,789
	Adjustment to Original Request**:	\$16,221,321
	Additional Adjustment:	\$8,205,663
	Total Adjustment:	\$24,426,984
Increase Requested in Revenues Requested:	\$47,709,349	\$ 23,492,932
	Total Increase in Revenues Recommended:	

Increase Requested in Revenues Requested:

1. 1-20-2018 denunciation rates update and Sept. 4 corrections filing

	Residential	Commercial	Industrial & Transportation
** Change to request due to depreciation rates update and Sept. 4 corrections filing	18.00	35.00	600.00
	17.70	34.72	600.00
Proposed Customer Charge Recommended			
Initial Proposed Usage Charge	0.0709	0.0611	0.19400 0.14210 0.03050
Adjusted Proposed Usage Charge	0.0574	0.0507	0.16380 0.12000 0.02580
Recommended Usage Charge	Net Change 0.0157	Net Change -0.0152	Net Change -0.0835 -0.0612 -0.0131
	0.0417	0.0659	0.24730 0.18120 0.03890

RATE BASE

1. Plant in Service - Adjust all Plant in Service to December 31, 2011 (ACSC)
 - (a) Remove plant from Jan. 2012 to March 2012
 - (b) Remove Accumulated Depreciation from Jan. 2012 to March 2012
(Adjustment Required if Plant in Service Adjusted to December 31, 2011)
 - (c) ADIT Adjustment to remove Jan.-March 2012
Adjustment Required if Plant in Service Adjusted to December 31, 2011

- Depreciation and Amortization Expense (and amortization expense)

- (a) Disallow (ATM/ACSC)
(b) Use Updated 2011 RRM Amount for baseline not 9869 (ATM/ACSC)
(c) Calculated Pension and OPEB Overinflated

- Same as O&M Expense Adjustment Item 3

- (d) **Revise Pension/OPEB Regulatory Asset (ATM Primary)**
 Insufficient Evidentiary Basis - All elements not explained

- (c) Additional ATM Alternative**

- (f) Allow company update**

- ### Accumulated Deferred Income Taxes

- (a) Adjustment to disallow NOL carryforward (ATM & ACSC)
- (b) Exclude ADIT related to treasury lock (ATM)
- (c) AMT Tax Credit (ATM)
- (d) Restore CWIP related balances (ATM)
- (e) Adjustment to remove Allowance for Doubtful Accounts (ATM)
- (f) Adjustment to include State NOL - Mid-Tax only (ATM)
- (g) Adjustment for Inter Period Tax Allocation (ATM)

Decision Summary - GUD No. 10170

Revenue Requirement Requested:

\$471,882,773 Revenue Requirement:
Adjustment to Original Request**:

\$47,709,349 Additional Adjustment:

\$47,709,349 Total Adjustment:
Total Increase in Revenues Recommended:

Increase Requested in Revenues Requested:

** Change to request due to depreciation rates update and Sept. 4 corrections filing

	Residential	Commercial	Industrial & Transportation
Proposed Customer Charge Recommended	18.00	35.00	600.00
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Recommended Usage Charge	0.0574	0.0507	0.14210
			0.03050
			0.16380
			0.12000
			0.02580
Net Change	0.0157	0.0417	Net Change
			-0.0835
			-0.0612
			-0.0131

4. FAS 106 Liability:

- (a) FAS 106 Adjustment for unfunded liability Reserve (ACSC/ATM)
OR
(b) Remove FAS106 ADIT Adjustment: Unfunded liability Reserve (ACSC/ATM)

5. Cash Working Capital Analysis

- (a) Billing Lag Adjustment (ACSC)
(b) O&M - non labor expense lag adjustment (ATM)
(c) Other O&M - Non-Labor
1. Pension Contribution (ATM)
2. OPEB/FAS 106 Contribution (ATM)
3. SSU LTIP Costs (ATM)
adjustment not made if previously excluded from CWC (See Item 6(b))
4. Uncollectibles (ATM)
(d) Taxes other than income - payroll tax expense lag adjustment (ATM)
(e) Allocated taxes SSU - payroll tax expense lag adjustment (ATM)

Interim Rate Adjustments

- (b) RRC Staff - Removal of Segway projects 080.278652 and 080.27929

	WP B-1	F15	\$447,635,654	\$8,025,798
	WP B-6	F15	\$452,609,250	\$3,052,202
		F11 G17	\$455,426,891	\$234,561
			\$455,648,072	\$13,379
		Row 8a Row 8b Row 8c	\$455,488,912	\$172,540
			\$455,612,420	\$49,032
		Row 8d G26 G32	\$455,656,711	\$4,741
			\$455,665,961	(\$4,509)

Decision Summary - GUD No. 10170

Revenue Requirement Requested:	\$471,882,773	Revenue Requirement: Adjustment to Original Request**: Additional Adjustment: Total Adjustment: Total Increase in Revenues Recommended:	\$ 447,455,789 \$16,221,321 \$8,205,663 \$24,426,984 23,492,932
Increase Requested in Revenues Requested:	\$47,709,349		\$

** Change to request due to depreciation rates update and Sept. 4 corrections filing

	Residential	Commercial	Industrial & Transportation
Proposed Customer Charge Recommended	18.00 17.70	35.00 34.72	600.00 600.00
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Adjusted Proposed Usage Charge	0.0574	0.0507	0.16380 0.12000 0.02580
Recommended Usage Charge	Net Change 0.0157 0.0417	Net Change -0.0152 0.0659	Net Change -0.0835 -0.0612 -0.0131

RATE OF RETURN

a. Capital Structure	
Long-Term Debt	48.31%
Amos - 48.309893151376%	
ACSC - 58.21%	
ATM - 46.54% LTD AND 3.67% STD	
Staff - Actual of 48.31%	
State Agencies -	
Short-Term Debt	0.00%
ATM - 3.67%	
Amos and All Other Parties (except ATM) - 0%	
Cost of Debt	6.50%
Amos - 6.50163361152495%	
ACSC - 6.50%	
ATM - 6.5% Long-term, 2.02% Short-term	
RRC Staff - Actual at 6.5%	
State Agencies -	
Common Equity	51.69%
Amos - 51.6900106848624%	
ACSC - 41.79%	
ATM - 49.79%	
Staff - Actual of 51.69%	
State Agencies -	
b. Return on Equity	10.50%
Amos - 11.05%	
ACSC - 9%	
ATM - 9.1% - 9.75%	
RRC Staff - 10.10%	
State Agencies - no greater than 10.00%	
Resulting Rate of Return	8.57%

The net effect of the Examiners ROE recommendation is a reduction totalling \$7,949,733

Decision Summary - GUD No. 10170

Revenue Requirement Requested:

\$471,882,773	Revenue Requirement:	\$ 447,455,789
	Adjustment to Original Request**:	\$16,221,321
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Increase Requested in Revenues Requested:

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Recommended Usage Charge	0.0574	0.0507	0.14210
			0.03050
			0.16380
			0.12000
			0.02580
	Net Change 0.0157	Net Change -0.0152	Net Change -0.0835
			-0.0612
			-0.0131

CLASS ALLOCATION
ACSC - Minimum System Study

G73

RATE DESIGN BILLING DETERMINANTS

Billing Unit Adjustment Commercial & Residential (ACSC)
Increase calculated residential volumes
-- from 766,043,261 Ccf to 777,726,790 Ccf
Increase calculated commercial volumes
-- from 502,902,414 Ccf to 510,519,363

WP J-1
I
I
WP J-1.1
F10-F14

CUSTOMER CHARGE

ACSC - Customer Charge Adjustment
Examiners' Recommendation
Alternative based upon customer cost calculation
ATM Customer Charge Adjustment

Rate Design

C19 and D19

Residential Rates	% Change	% Change Municipalities
% Change Environments	-6.14%	80.96%
	-6.07%	48.00%
	-6.02%	26.05%
	-5.96%	10.39%
	-5.94%	5.31%
	-5.90%	-1.36%
	-5.85%	-10.48%
	-5.80%	-17.79%
	-5.75%	-23.76%
	-5.71%	-28.73%

REVENUE ADJUSTMENTS:

ATM - Revenue Credit Treasury Lock Gain
(To be taken up only if Commission opts to make an adjustment and determines adjustment is not made to Cost of Debt)

WP J-2
D11

Decision Summary - GUD No. 10170

Revenue Requirement Requested:	\$471,882,773	Revenue Requirement:	\$447,455,789
		Adjustment to Original Request**:	\$16,221,321
		Additional Adjustment:	\$8,205,663
		Total Adjustment:	\$24,426,984
Increase Requested in Revenues Requested:	\$47,709,349	Total Increase in Revenues Recommended:	\$23,492,932

** Change to request due to depreciation rates update and Sept. 4 corrections filing

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Adjusted Proposed Usage Charge			0.14210
			0.03050
			0.16380
			0.12000
			0.02580
Recommended Usage Charge	0.0574	0.0507	
	Net Change 0.0157	Net Change -0.0152	Net Change -0.0835
	0.0417	0.0659	-0.0612
			-0.0131

NON COS ITEMS:

Staff Recommendation for CRIP Audit

TARIFFS:

CEE Tariff Changes:	No
ACSC - add formal review	Yes
ACSC - Modify reconciliation requirements	No
ACSC - Severe CEE into another dock	No
RRC Staff - Net with grants, tax credits, other govt. funding	Yes
RRC Staff - Allocate uniformly to residential and commercial customers	15%
RRC Staff - 10% (\$200,000 administrative cost cap)	0
Examiners - Approve revised CEE maintain funding as previously approved	
WNA Tariff Changes:	No
RRC Staff - Modify calculation language	Yes
RRC Staff - Change winter season to Nov., Dec., Jan., Feb., and March v. Nov-April	Yes
RRC Staff - Clarify Provision for Adjustment Section	Yes
RRC Staff - Annual reporting and publish online	
Miscellaneous Charges Rider:	Yes
RRC Staff - Clarify compliance with RRC Rule 7.45	No
RRC Staff - Additional language regarding restoration or disconnection fees after natural disaster	
Residential	
Commercial	
Industrial	
Transportation	
Gas Cost Adjustment	

RATE COMPARISON

Residential Bill (excluding gas cost)

	Customer Charge	Volumetric Charge	Ccf									
			20.00	30.00	40.00	44.20	50.00	60.00	70.00	80.00	90.00	
Current - Municipalities	\$7.50	\$0.25116	\$ 12.52	\$ 15.03	\$ 17.55	\$ 18.60	\$ 20.06	\$ 22.57	\$ 25.08	\$ 27.59	\$ 30.10	
Current - Environs	\$18.87	\$0.04315	\$ 19.73	\$ 20.16	\$ 20.60	\$ 20.78	\$ 21.03	\$ 21.46	\$ 21.89	\$ 22.32	\$ 22.75	
SOI Requested	\$18.00	\$0.07094	\$ 19.42	\$ 20.13	\$ 20.84	\$ 21.14	\$ 21.55	\$ 22.26	\$ 22.97	\$ 23.68	\$ 24.38	
Sept 4th Update	\$18.00	\$0.05738	\$ 19.15	\$ 19.72	\$ 20.30	\$ 20.54	\$ 20.87	\$ 21.44	\$ 22.02	\$ 22.59	\$ 23.16	
Recommended	\$17.70	\$0.04172	\$ 18.53	\$ 18.95	\$ 19.37	\$ 19.54	\$ 19.79	\$ 20.20	\$ 20.62	\$ 21.04	\$ 21.45	

Commercial (excluding gas cost)

	Customer Charge	Volumetric Charge	Ccf									
			100	200	300	343	400	500	600	700	800	
Current - Municipalities	\$16.75	\$0.10217	\$ 26.97	\$ 37.18	\$ 47.40	\$ 51.79	\$ 57.62	\$ 67.84	\$ 78.05	\$ 88.27	\$ 98.49	
Current - Environs	\$38.04	\$0.05748	\$ 43.79	\$ 49.54	\$ 55.28	\$ 57.76	\$ 61.03	\$ 66.78	\$ 72.53	\$ 78.28	\$ 84.02	
SOI Requested	\$35.00	\$0.06105	\$ 41.11	\$ 47.21	\$ 53.32	\$ 55.94	\$ 59.42	\$ 65.53	\$ 71.63	\$ 77.74	\$ 83.84	
Sept 4th Update	\$35.00	\$0.05072	\$ 40.07	\$ 45.14	\$ 50.22	\$ 52.40	\$ 55.29	\$ 60.36	\$ 65.43	\$ 70.50	\$ 75.58	
Recommended	\$34.72	\$0.06589	\$ 41.31	\$ 47.90	\$ 54.49	\$ 57.32	\$ 61.08	\$ 67.67	\$ 74.25	\$ 80.84	\$ 87.43	

Almost Mid-Tax
COMPARISON OF CURRENT RATES TO PROPOSED CHANGE
(WITHOUT GAS COSTS)

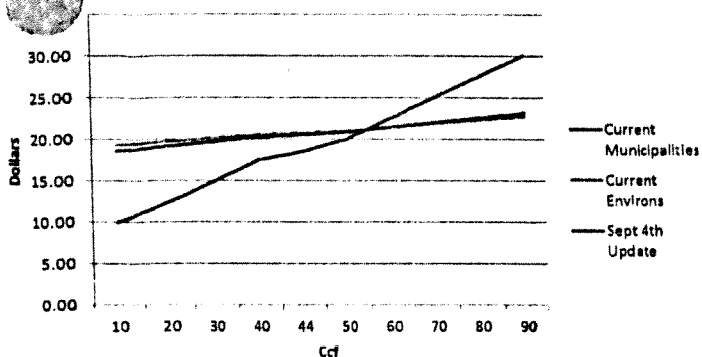
Residential

Ccf	Current Municipalities	Current Environ	SOI Requested	Sept 4th Update	Recommended	Change		% Change		Change		% Change		Change		% Change	
						Municipalities - SOI	Environ - SOI	Municipalities - SOI	Environ - SOI	Municipalities - SOI	Environ - SOI	Municipalities - SOI	Environ - SOI	Municipalities - SOI	Environ - SOI	Municipalities - SOI	Environ - SOI
10	10.01	19.30	18.71	18.57	18.12	8.70	-0.59	86.85%	-1.59%	8.56	-0.73	83.52%	-3.77%	8.11	-1.18	80.96%	-6.14%
20	12.52	19.73	19.42	19.15	18.53	6.90	-0.31	55.05%	-1.59%	6.62	-0.59	52.90%	-2.97%	6.01	-1.20	48.00%	-6.07%
30	15.03	20.16	20.13	19.72	18.95	5.09	-0.04	33.85%	-0.18%	4.69	-0.44	31.17%	-2.20%	3.92	-1.21	26.05%	-6.02%
40	17.55	20.60	20.84	20.30	19.37	3.29	0.24	18.76%	1.17%	2.75	-0.30	15.67%	-1.46%	1.82	-1.23	10.39%	-5.96%
50	20.06	21.03	21.12	20.52	19.54	2.57	0.35	13.65%	1.70%	1.97	-0.24	10.64%	-1.17%	0.98	-1.23	5.31%	-5.94%
60	22.57	21.46	22.26	21.44	20.20	1.49	0.80	7.42%	2.47%	0.81	-0.16	4.04%	-0.75%	-0.27	-1.24	-1.36%	-5.90%
70	25.08	21.89	22.97	22.02	20.62	-0.31	1.08	-1.39%	3.72%	-1.13	-0.02	-4.99%	-0.08%	-2.37	-1.26	-10.48%	-5.85%
80	27.59	22.32	23.68	22.59	21.04	-3.92	1.35	-14.20%	4.91%	-3.06	0.13	-12.22%	0.58%	-4.46	-1.27	-17.79%	-5.80%
90	30.10	22.75	24.38	23.16	21.45	-5.72	1.63	-19.00%	7.17%	-6.94	0.41	-21.05%	1.20%	-8.65	-1.30	-28.73%	-5.71%

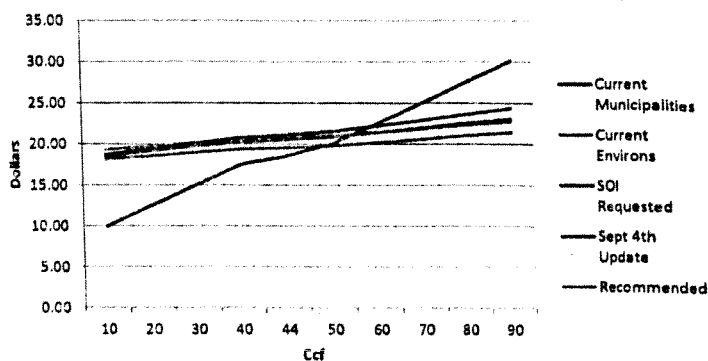
Commercial

Ccf	Current Municipalities	Current Environ	SOI Requested	Sept 4th Update	Recommended	Change		% Change		Change		% Change		Change		% Change	
						Municipalities - SOI	Environ - SOI	Municipalities - SOI	Environ - SOI	Municipalities - SOI	Environ - SOI	Municipalities - SOI	Environ - SOI	Municipalities - SOI	Environ - SOI	Municipalities - SOI	Environ - SOI
100	26.97	43.79	41.11	41.31	41.31	14.14	-2.68	52.43%	-6.13%	14.34	-2.48	53.18%	-5.66%	14.34	-2.48	53.18%	-5.66%
200	37.18	49.54	47.21	47.90	47.90	10.03	-2.33	26.96%	-4.70%	10.71	-1.64	28.81%	-3.31%	10.71	-1.64	28.81%	-3.31%
300	47.40	55.28	53.32	54.49	54.49	5.91	-1.97	12.48%	-3.56%	7.09	-0.80	14.95%	-1.44%	7.09	-0.80	14.95%	-1.44%
400	57.62	61.03	59.42	61.08	61.08	4.15	-1.82	8.00%	-3.14%	5.53	-0.44	10.67%	-0.75%	5.53	-0.44	10.67%	-0.75%
500	67.84	66.78	65.53	67.67	67.67	1.80	-1.61	3.13%	-2.64%	3.46	0.04	6.00%	0.07%	3.46	0.04	6.00%	0.07%
600	78.05	72.53	71.63	74.25	74.25	-6.42	-0.90	-8.23%	-1.88%	-0.17	0.88	-0.25%	1.33%	-0.17	0.88	-0.25%	1.33%
700	88.27	78.28	77.74	80.84	80.84	-10.53	-0.54	-11.93%	-0.69%	-3.80	1.73	-4.87%	3.28%	-3.80	1.73	-4.87%	3.28%
800	98.49	84.02	83.84	87.43	87.43	-14.65	-0.18	-14.87%	-0.22%	-7.43	3.41	-11.27%	4.06%	-7.43	3.41	-11.27%	4.06%
900	108.70	89.77	89.95	94.02	94.02	-18.76	0.17	-17.26%	0.19%	-14.68	4.25	-13.51%	4.73%	-14.68	4.25	-13.51%	4.73%

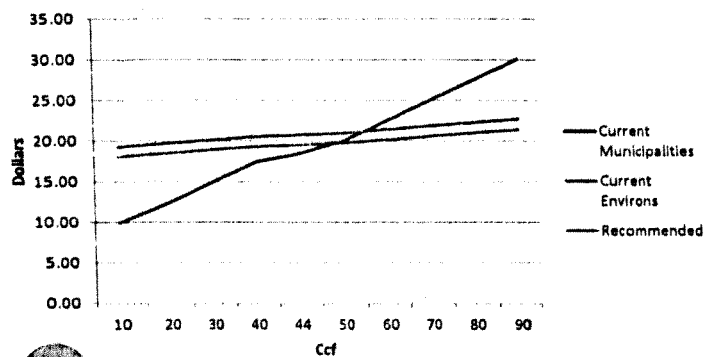
Comparison of Current Residential Rates and
September 4th Update Proposed Rates



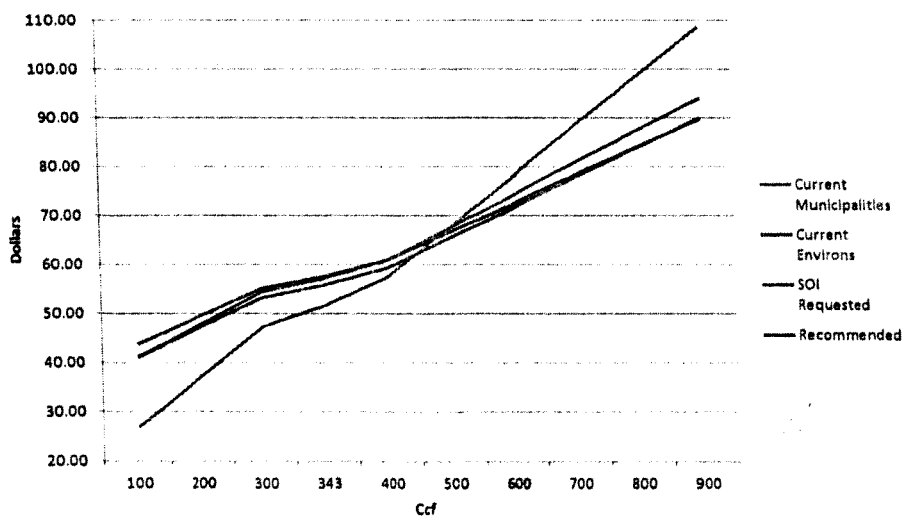
Comparison of Current Residential Rates,
September 4th Update Proposed Rates and Recommended Rates



Comparison of Current Residential Rates
and Recommended Rates



Comparison of Current Commercial Rates
to Proposed Rates and Recommended Rates



**BEFORE THE
RAILROAD COMMISSION OF TEXAS**

**RATE CASE EXPENSES SEVERED §
FROM GAS UTILITIES DOCKET § GAS UTILITIES DOCKET NO. 10194
NO. 10170 (and consolidated cases) §**

FINAL 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. Chap 551, *et seq.* (Vernon 2004 & Supp. 2013). The Railroad Commission of Texas adopts the following findings of fact and conclusions of law and orders as follows:

FINDINGS OF FACT

1. Atmos Energy Corp., Mid-Tex Division, ("Atmos") is a gas utility as that term is defined in the Texas Utility Code.
2. On May 31, 2012, the Atmos Mid-Tex Division filed a Statement of Intent proceeding that was docketed as GUD No. 10170, *Statement of Intent by Atmos Energy Corp., to Increase Gas Utility Rates within the Unincorporated Areas Served by the Atmos Energy Corp., Mid-Tex Division.*
3. Atmos filed a municipal rate proceeding with over 440 cities served by Atmos Mid-Tex on January 31, 2012.
4. Atmos Mid-Tex filed the *Petition for De Novo Review* of the denial of the *Statement of Intent* by the Cities of Abilene, Alba, Albany, et al. on May 31, 2012, which was docketed as GUD No. 10171.
5. Atmos Mid-Tex filed the *Petition for De Novo Review* of the denial of the *Statement of Intent* by the Cities of Deport, Detroit, and Lakeside on June 8, 2012, which was docketed as GUD No. 10176.
6. Atmos Mid-Tex filed the *Petition for De Novo Review* of the denial of the *Statement of Intent* by the Cities of Addison, Alma, Archer City, et al. June 13, 2012, which was docketed as GUD No. 10177.
7. Atmos Mid-Tex filed the *Petition for De Novo Review* of the denial of the *Statement of Intent* by the Cities of Abbott, Athens, Austin, et al. on July 5, 2012, which was docketed as GUD No. 10184.

8. On March 13, 2012, Atmos filed an *Application of Atmos Energy Corp. to Revise Certain Depreciation Rates* and it was docketed as GUD No. 10147.
9. On June 19, 2012, Atmos filed a *Motion to Consolidate* [depreciation issues for Atmos Mid-Tex from GUD No. 10147] and *Motion to Dismiss as to Atmos Pipeline-Texas*.
10. On June 22, 2012, the depreciation issues for Atmos' Mid-Tex Division from GUD No. 10147 were severed into GUD No. 10179.
11. The following dockets were consolidated with GUD No. 10170 Consolidated: 10171, 10176, 10177, 10184 and 10179.
12. The rate-case expenses of the consolidated proceedings were severed into GUD No. 10194.
13. The following entities intervened in GUD No. 10170 Consolidated: Atmos Energy Mid-Tex Division ("Atmos" or "company"), Atmos Texas Municipalities ("ATM"), Atmos Cities Steering Committee ("ACSC"), the City of Dallas ("Dallas"), Staff of the Railroad Commission of Texas ("Staff"), CoServ Gas, Ltd., and the State of Texas Agencies and Institutions of Higher Education ("State Agencies").
14. CoServ Gas, Ltd. is not a party to the rate case expense proceeding, GUD No. 10194.
15. The parties have reached an *Unopposed Settlement Agreement* and it is attached to this Final Order as, Exhibit 2.
16. The State Agencies are not a signatory to the proposed *Unopposed Settlement Agreement*, however, they do not oppose the agreement.
17. The Examiners reviewed all invoices supporting the rate case expenses incurred by the parties and did not find any duplication of services or testimony.
18. The evidence establishes that the hourly rates charged by the consultants and attorneys identified by each of the parties were reasonable.
19. The evidence establishes that the number of consultants and attorneys working on the underlying docket was minimized and the invoices accurately documented hours worked and services provided and there were no excess charges, inappropriate documentation of work, excessive entertainment and dining expenses, or other charges that were not incurred as a direct result of prosecuting GUD No. 10194 and the underlying consolidated proceeding.

20. The evidence demonstrates that the hours worked and services provided by the consultants and attorneys were necessary to complete their tasks in a professional manner on a timely basis and are in relation to the complexity and number of issues in this case.
21. The evidence establishes that there were no time entries exceeding 12.0 hours per day, no expenses charged for first-class airfare, non-commercial aircraft, luxury hotels, limousine service, alcoholic beverages, sporting events or other entertainment.
22. The evidence in the record establishes that all of the expenses set forth in the *Unopposed Settlement Agreement* were reasonably and necessarily incurred in the prosecution of the underlying rate case proceeding before the Commission with the exception of the \$47.98 adjustments by the parties and the Examiners, which include a \$3.00 correction to Dallas, a \$42.40 adjustment to Dallas and a \$2.58 adjustment to ACSC.
23. Atmos has established that its actual rate case expenses of \$1,373,536.73 and estimated rate case expenses of \$20,000.00 totaling \$1,393,536.73 are just and reasonable.
24. The total rate case expense recovery of Atmos, including estimated expenses shall not exceed \$1,393,536.73.
25. ATM has established that its actual rate case expenses of \$537,204.36 and estimated rate case expenses of \$7,000.00 totaling \$544,204.36 are just and reasonable.
26. The total rate case expense recovery of ATM, including estimated expenses shall not exceed \$544,204.36.
27. ACSC has established that its actual rate case expenses of \$458,428.28 and estimated rate case expenses of \$2,500.00 totaling \$460,928.28 are just and reasonable.
28. The total rate case expense recovery of ACSC, including estimated expenses shall not exceed \$460,928.28.
29. Dallas has established that its actual rate case expenses of \$112,540.26 and estimated rate case expenses of \$3,500.00 totaling \$116,040.26 are just and reasonable.
30. The total rate case expense recovery of Dallas, including estimated expenses shall not exceed \$116,040.26.
31. The parties propose that the rate case expenses be collected by a fixed-priced surcharge from ratepayers over an approximate 12 month period by application of a rate-case expense surcharge on each customer's bill commencing within a reasonable period from the effective date of the final order in this proceeding. The fixed-priced surcharge shall be in effect until rate-case expenses are recovered.

32. Dallas' implementation of the 12-month fixed-price surcharge is concurrent with the implementation of the June 1, 2014, Dallas Annual Rate Review ("DARR").
33. The Examiners find that the requested rate case expenses are necessary, just and reasonable as set forth in the Rate Case Expense Surcharge Tariff, which is "Exhibit 1" to the proposed Final Order.

CONCLUSIONS OF LAW

1. Atmos Energy Corp., Mid-Tex Division, ("Atmos") is a "Gas Utility" as defined in TEX. UTIL. CODE ANN. §101.003(7) and §121.001 (Vernon 2007 and Supp. 2013) and is therefore, subject to the jurisdiction of the Railroad Commission ("Commission") of Texas.
2. The Commission has jurisdiction over Atmos and Atmos' *Statement of Intent*, and related rate case expense docket under TEX. UTIL. CODE ANN. §§ 102.001, 103.022, 103.054, & 103.055, 104.001, 104.001 and 104.201 (Vernon 2007 and Supp. 2013).
3. Under TEX. UTIL. CODE ANN. §102.001 (Vernon 2007 and Supp. 2013), 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 and over the rates and services of a gas utility that transmits, transports, delivers, or sells natural gas to a gas utility that distributes the gas to the public.
4. This proceeding was conducted in accordance with the requirements of the Gas Utility regulatory Act ("GURA"), and the Administrative Procedure Act, Tex. Gov't Code ANN. §§2001.001-2001.902 (Vernon 2008 and Supp. 2013) ("APA").
5. The Commission has assured that the rates, operations, and services established in this docket are just and reasonable to customers and to the utilities in accordance with the stated purpose of the Texas Utilities Code, Subtitle A, expressed under TEX. UTIL. CODE ANN. §101.002 (Vernon 2007 and Supp. 2013).
6. Each party seeking reimbursement for its rate case expenses has the burden to prove the reasonableness of such rate case expenses by a preponderance of the evidence, under 16 TEX. ADMIN. CODE § 7.5530 (2013).
7. The rate case expenses enumerated in the findings of fact herein are reasonable and comply with 16 TEX. ADMIN. CODE ANN. § 7.5530 (2013).
8. The Commission has the authority to allow Atmos to recover the rate case expenses of the parties through a surcharge on its rates, under TEX. UTIL. CODE ANN. § 104.051 (Vernon 2007 & Supp. 2013).

IT IS THEREFORE ORDERED that the *Unopposed Settlement Agreement*, subject to the adjustment set forth in Finding of Fact No. 22 above, of the parties is **HEREBY** approved and adopted.

IT IS FURTHER ORDERED that the Atmos Mid-Tex Division shall file a reconciliation report at the completion of collection. The report should establish that the amount collected has not exceeded \$2,514,709.63, and if so, any overage shall be refunded.

IT IS FURTHER ORDERED as set out in the *Unopposed Settlement Agreement*, within 60 days of the conclusion any appeals related to GUD No. 10194 or GUD No. 10170, the Atmos Mid-Tex Division shall file a report, including invoices, which reconciles the estimated expenses approved to the total actual and final rate case expenses amount. This report shall be filed with the Commission, Addressed to the Director of Gas Services Division and referencing Gas Utilities Docket No. 10194, Rate Case Expense Recovery Report.

IT IS FURTHER ORDERED that when the final actually incurred expenses are known and the surcharge collection is completed, a compliance report shall be filed within a reasonable time that includes the customer count by month by customer class during the applicable period, the amount of rate case expense recovered, by month and the outstanding balance, by month. Any amounts that have not been disbursed to the parties shall be refunded. The report shall be filed with the Commission, Addressed to the Director of Gas Services Division and referencing Gas Utilities Docket No. 10194, Rate Case Expense Recovery Report.

IT IS FURTHER ORDERED that in accordance with 16 TEX. ADMIN. CODE § 7.315, within 30 days of the date this Order is signed, Atmos shall electronically file the tariff with the Gas Services Division. The tariff shall incorporate the rates, rate design and charges consistent with this Order, as stated in the findings of fact and conclusions of law.

IT IS FURTHER ORDERED that the entry of this Order consistent with the *Unopposed Settlement Agreement* does not indicate the Commission's endorsement of any principle or method that may underlie the *Unopposed Settlement Agreement*. Neither should entry of this Order be regarded as precedent as to the appropriateness of any principle or methodology underlying the *Unopposed Settlement Agreement*.

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 ANN. §2001.146(e), 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.

SIGNED this 25th day of March, 2014.

RAILROAD COMMISSION OF TEXAS

CHAIRMAN BARRY T. SMITHERMAN

COMMISSIONER DAVID PORTER

COMMISSIONER CHRISTI CRADDICK

ATTEST:

SECRETARY

Exhibit 1
to
Final Order
GUD No. 10194

**MID-TEX DIVISION
ATMOS ENERGY CORPORATION**

RIDER:	SUR – SURCHARGE – GUD NO. 10194	
APPLICABLE TO:	Entire Division	
EFFECTIVE DATE:		PAGE:

Application

The Rate Case Expense Surcharge (RCE) rate as set forth below is pursuant to the Final Order in GUD No. 10194. This monthly rate shall apply to residential, commercial, industrial and transportation rate classes of Atmos Energy Corporation's Mid-Tex Division in the rate areas and amounts shown below. The fixed-price surcharge rate will be in effect for approximately 12 months until all approved and expended rate case expenses are recovered from the applicable customer classes as documented in the Final Order in GUD No. 10194. This rider is subject to all applicable laws and orders, and the Company's rules and regulations on file with the regulatory authority.

Monthly Surcharge

Surcharges will be the fixed-price rate shown in the table below:

Rate Schedule	City of Dallas*	Unincorporated Areas and Settled Cities
R – Residential Sales	\$0.0152	\$0.1293
C – Commercial Sales	\$0.0383	\$0.3890
I – Industrial Sales	\$0.8406	\$7.3626
T - Transportation	\$0.8406	\$7.3626

*The Dallas surcharge will be effective with the implementation of the 2014 Dallas Annual Rate Review(June 1, 2014).

Exhibit 2

to

Final Order

GUD No. 10194

GAS UTILITIES DOCKET NO. 10194

**RATE CASE EXPENSES SEVERED §
FROM GAS UTILITIES DOCKET NO. §
10170 (CONSOLIDATED) §**

**BEFORE THE
RAILROAD COMMISSION
OF TEXAS**

UNOPPOSED SETTLEMENT AGREEMENT

This Settlement Agreement is entered into by and between the parties of record in GUD No. 10194, Atmos Energy Corp., Mid-Tex Division ("Atmos Energy" or the "Company"), Atmos Texas Municipalities ("ATM"), Atmos Cities Steering Committee ("ACSC"), the City of Dallas ("Dallas") and the Staff of the Railroad Commission of Texas ("Staff"). The State of Texas Agencies and institutions of higher education ("State Agencies") does not oppose this agreement.

WHEREAS, the Settlement Agreement resolves all issues and consolidated dockets relating to the Company's currently pending rate case expense proceedings stemming from the Company's Statement of Intent proceedings in GUD Nos. 10170, 10171, 10176, 10177, 10184, and 10179, in a manner that Atmos Energy, ATM, ACSC, Dallas, and Staff (collectively "the Signatories") believe is consistent with the public interest, and the Signatories represent diverse interests;

WHEREAS, the Signatories believe that a fully contested hearing in this case would be time-consuming and entail substantial additional expense for all parties and that the public interest will be served by adoption of an order consistent with the Settlement Agreement;

NOW, THEREFORE, in consideration of the mutual agreements and covenants established herein, the Signatories, through their undersigned representatives, agree to and recommend for approval by the Railroad Commission of Texas ("Commission") the following Settlement Terms as a means of fully resolving all issues in this proceeding:

Settlement Terms

1. Costs Incurred to Date: The Signatories stipulate that the total amount of reasonably and necessarily incurred rate case expenses in the consolidated proceedings is \$2,514,757.61. This amount is supported by the expense reports, affidavits of future estimated expenses filed by the parties in GUD No. 10194, and the figures presented in Attachment A to this Agreement.
2. The Signatories agree that the total amount of reasonably and necessarily incurred rate case expenses consists of the following respective costs:
 - a. Atmos Energy: \$1,393,536.73;
 - b. ATM: \$544,204.36;
 - c. ACSC: \$460,930.86;

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DOCKET SERVICES
RAILROAD COMMISSION
OF TEXAS

FILED

d. City of Dallas: \$116,085.66.

1. Estimated Expenses: Signatories agree that reimbursement of future estimated expenses represent the amount expected to be incurred for the completion of GUD No. 10194 and GUD No. 10170. Estimated future expenses will be reimbursed upon presentation of invoices evidencing that the amounts were actually incurred. Signatories further agree that reimbursement for estimated expenses associated with GUD No. 10194 and GUD No. 10170 will not exceed the figures presented in Attachment C on behalf of each of the Signatories.
2. Surcharge & Amortization: The Signatories agree that the total reimbursable rate case expense of \$2,514,757.61 agreed upon herein shall be recovered over an approximate 12-month period by application of a fixed-price surcharge on the customer's bill commencing within a reasonable period from the date a final order in GUD No. 10194 becomes effective, or, in the case of Dallas, concurrently with the implementation of the 2014 Dallas Annual Rate Review. Use of a surcharge is a reasonable mechanism for recovering rate case expenses and a 12-month recovery period is reasonable in this case. The Signatories further agree that:
 - a. The Rate Schedule, with its supporting calculation included herein at Attachments A and B, authorizing the recovery of rate case expenses is reasonable, consistent with Commission precedent relevant to rate case expense proceedings, and should be approved; and
 - b. Within 60 days after the conclusion of any appeals related to GUD No. 10194 or GUD No. 10170, Atmos Energy shall file a report, including invoices, which reconciles the estimated expense approved to the total actual and final rate case expense amount.
3. Reimbursement of Municipal Expenses: Signatories agree that the Company has reimbursed certain actual municipal rate case expenses contemporaneously throughout the pendency of GUD Nos. 10170, 10171, 10176, 10177, 10184, and 10179. Actually incurred municipal rate case expenses which have not yet been reimbursed shall be remitted to the respective municipalities following the issuance of a final order in this proceeding finding those expenses to be reasonable.
4. Evidentiary Support for Settlement Agreement: In support of this Agreement, the Signatories agree that the expense reports and affidavits attesting to expenses and future estimated expenses that have been submitted by Atmos Energy, ATM, ACSC, and Dallas, included herein at Attachment D, shall be admitted into the evidentiary record of GUD No. 10194. The Signatories further agree that, if requested by the Examiner, the Signatories shall offer respective witnesses to appear before the Examiner to respond to any clarifying questions regarding the expenses at issue in this proceeding, the treatment of these expenses under the terms of this Agreement, and why Commission approval of this Agreement is reasonable and in the public interest.
5. The Signatories agree that the terms of the Settlement Agreement are interdependent and indivisible, and that if the Commission enters an order that is inconsistent with this

Settlement Agreement, then any Signatory may withdraw without being deemed to have waived any procedural right or to have taken any substantive position on any fact or issue by virtue of that Signatory's entry into the Settlement Agreement or its subsequent withdrawal.

6. The Signatories agree that all negotiations, discussions and conferences related to the Settlement Agreement are privileged, inadmissible, and not relevant to prove any issues outside of those negotiations, discussions and conferences.
7. The Signatories agree that neither this Settlement Agreement nor any oral or written statements made during the course of settlement negotiations may be used for any purpose other than as necessary to support the entry by the Commission of an order implementing this Settlement Agreement.
8. The Signatories agree that this Settlement Agreement is binding on each Signatory only for the purpose of settling the issues set forth herein and for no other purposes, and, except to the extent the Settlement Agreement governs a Signatory's rights and obligations for future periods, this Settlement Agreement shall not be binding or precedential upon a Signatory outside this proceeding.
9. The Signatories agree that a Signatory's support of the matters contained in this Stipulation may differ from the position taken, or testimony or information presented by it in other dockets or other jurisdictions. To the extent that there is a difference, a Signatory does not waive its position in any of those other dockets or jurisdictions. Because this is a stipulated resolution, no Signatory is under any obligation to take the same positions as set out in this Stipulation in other dockets or jurisdictions, regardless of whether other dockets present the same or a different set of circumstances, except as otherwise may be explicitly provided by this Stipulation. Agreement by the Signatories to any provision in this Stipulation will not be used against any Signatory in any future proceeding with respect to different positions that may be taken by that Signatory.
10. The Signatories agree that this Settlement Agreement may be executed in multiple counterparts and may be filed with facsimile signatures.

Agreed to this 10th day of ^{September}~~August~~, 2013.

ATMOS ENERGY CORP., MID-TEX DIVISION

By: Christopher A. Felan
Christopher A. Felan
Vice President of Rates and Regulatory Affairs
Atmos Energy Corp., Mid-Tex Division

STAFF OF THE RAILROAD COMMISSION OF TEXAS

By: _____
John Griffin
Attorney for Staff of the Railroad Commission of Texas

ATMOS TEXAS MUNICIPALITIES

By: _____
Alfred R. Herrera

ATMOS CITIES STEERING COMMITTEE

By: _____
Geoffrey Gay

CITY OF DALLAS

By: _____
Norman Gordon

Agreed to this 10th ^{September} day of ~~August~~, 2013.

ATMOS ENERGY CORP., MID-TEX DIVISION

By: _____

Christopher A. Felan
Vice President of Rates and Regulatory Affairs
Atmos Energy Corp., Mid-Tex Division

STAFF OF THE RAILROAD COMMISSION OF TEXAS

By: _____


John Griffin
Attorney for Staff of the Railroad Commission of Texas

ATMOS TEXAS MUNICIPALITIES

By: _____

Alfred R. Herrera

ATMOS CITIES STEERING COMMITTEE

By: _____

Geoffrey Gay

CITY OF DALLAS

By: _____

Norman Gordon

Agreed to this 10th day of September, 2013.

ATMOS ENERGY CORP., MID-TEX DIVISION

By: _____
Christopher A. Felan
Vice President of Rates and Regulatory Affairs
Atmos Energy Corp., Mid-Tex Division

STAFF OF THE RAILROAD COMMISSION OF TEXAS

By: _____
John Griffin
Attorney for Staff of the Railroad Commission of Texas

ATMOS TEXAS MUNICIPALITIES

By: Felipe Alonso III
Felipe Alonso III

ATMOS CITIES STEERING COMMITTEE

By: _____
Geoffrey Gay

CITY OF DALLAS

By: _____
Norman Gordon

Agreed to this 10th day of ^{September}~~August~~, 2013.

ATMOS ENERGY CORP., MID-TEX DIVISION

By: _____
Christopher A. Felan
Vice President of Rates and Regulatory Affairs
Atmos Energy Corp., Mid-Tex Division

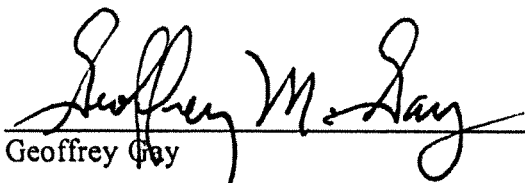
STAFF OF THE RAILROAD COMMISSION OF TEXAS

By: _____
John Griffin
Attorney for Staff of the Railroad Commission of Texas

ATMOS TEXAS MUNICIPALITIES

By: _____
Alfred R. Herrera

ATMOS CITIES STEERING COMMITTEE

By: 
Geoffrey M. Day

CITY OF DALLAS

By: _____
Norman Gordon

Agreed to this 24th day of ~~August~~ ^{November}, 2013.

ATMOS ENERGY CORP., MID-TEX DIVISION

By: _____
Christopher A. Felan
Vice President of Rates and Regulatory Affairs
Atmos Energy Corp., Mid-Tex Division

STAFF OF THE RAILROAD COMMISSION OF TEXAS

By: _____
John Griffin
Attorney for Staff of the Railroad Commission of Texas

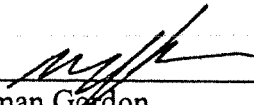
ATMOS TEXAS MUNICIPALITIES

By: _____
Alfred R. Herrera

ATMOS CITIES STEERING COMMITTEE

By: _____
Geoffrey Gay

CITY OF DALLAS

By: 
Norman Gordon

Atmos Energy Corporation, Mid-Tex
GUD No. 10194
Summary of Legal, Consulting and Other Expenses
At June 30, 2013

Line No.	Description (a)	Total Amount Before Adjustment (b)	Adjustment Amounts (c)	Total Adjusted Amounts (d)
1	Total Legal Expenses			
2	Legal Expenses - Through June 30, 2013	\$ 640,419.88	\$ (214.23)	\$ 640,205.65
3				
4	Total Consulting Expenses			
5	Consulting Expenses - Through June 30, 2013	\$ 296,533.72	\$ (641.09)	\$ 295,892.63
6				
7	Total Other Expenses			
8	Other Expenses - Through June 30, 2013	\$ 438,797.06	\$ (1,358.61)	\$ 437,438.45
9				
10	Total Legal, Consulting and Other Expenses (Sum Lns 1 - 8)	\$ 1,375,750.66	\$ (2,213.93)	\$ 1,373,536.73
11				
12	Estimate to complete GUD 10194 for Parsley Coffin Renner LLP		\$	20,000.00
13				
14				
15				
16	Total City of Longview (Herrera & Boyle, PLLC) Expenses		\$	544,204.36
17	Through June 30, 2013			
18				
19	Total City of Arlington (Lloyd Gosselink) Expenses			460,930.86
20	Through June 30, 2013			
21				
22	Total City of Dallas (Mounce, Green, Myers, Safi & Galatzan) Expenses			116,085.66
23	Through June 30, 2013			
24				
25	Total Cities Expenses (Sum Lns 17 + 20 + 23)		\$	1,121,220.88
26				
27	Total Atmos Adjusted Expenses and Cities Adjusted Expenses (Sum Lns 14 + 25)		\$	2,514,757.61
28				

Amos Energy Corporation, Mid-Tex
GUD No. 10194
Calculation of Surcharge

Settled Method - ATM Method - 1 Year										
SURCHARGE PER BILL:										
	Residential	Commercial	Industrial & Transport							
1	\$ 0.0152	\$ 0.0393	\$ 0.8406							
2	City of Dallas	\$ 0.1293	\$ 0.3890	\$ 7.3626						
3	Unincorporated	\$ 0.1293	\$ 0.3890	\$ 7.3626						
4	ATM Cities	\$ 0.1293	\$ 0.3890	\$ 7.3626						
5	ACSC Cities	\$ 0.1293	\$ 0.3890	\$ 7.3626						
6	Non Coalition Cities	\$ 0.1293	\$ 0.3890	\$ 7.3626						
7	Recover over one (1) year:									
8										
9										
10	SUMMARY OF EXPENSES:									
11	Annual Bill Count	Depreciation	GUD 10170 (MDTX System wide Case)	Adjustments	Est Almos	Total				
12		AI	Company	AI	AI	AI				
13	2,680,644	\$ 45,046		\$ (316)	\$ 2,852	\$ 47,582				
14	City of Dallas	\$ 562,492	\$ 41,869	(66)	598	\$ 51,853				
15	Unincorporated	\$ 2,460,965	\$ 183,182	(290)	2,618	\$ 747,438				
16	ATM Cities	\$ 11,984,056	\$ 892,032	(1,412)	12,751	\$ 1,565,684				
17	ACSC Cities	\$ 1,108,635	\$ 82,521	(131)	1,180	\$ 102,200				
18	Non Coalition Cities	\$ 18,796,792	\$ 315,863	(2,214)	\$ 20,000	\$ 2,514,758				
19	Subtotal									
20	(1) - [Depreciation expenses include Company related expenses plus City of Dallas expenses plus \$23,630.98 related to ATM]									
21	(2) - [ATM amount excludes \$23,630.98; amount included in depreciation expense]									
22	(3) - [Company Expenses before adjustment minus depreciation expenses]									
23	ALLOCATION OF EXPENSES BY CLASS:									
24	Total	Residential	Commercial	Industrial	ATM Allocation Method					
25	Expenses				Total	Residential	Commercial	Industrial		
26	\$ 47,582	\$ 37,090	\$ 9,231	\$ 1,261	\$ 47,582	\$ 37,090	\$ 9,231	\$ 1,261		
27	City of Dallas	51,853	40,420	10,060	51,853	40,420	10,060	1,374		
28	Unincorporated	747,438	582,628	145,003	747,438	582,628	145,003	19,807		
29	ATM Cities	1,565,684	1,220,451	303,743	1,565,684	1,220,451	303,743	41,491		
30	ACSC Cities	102,200	79,665	19,827	102,200	79,665	19,827	2,708		
31	Non Coalition Cities									
32	\$ 2,514,758	\$ 1,960,254	\$ 487,863	\$ 66,641	\$ 2,514,758	\$ 1,960,254	\$ 487,863	\$ 66,641		
33	Class Cost Allocation Schedule (2)									
34	77.95%				19.40%				2.65%	
35	0.779534847				0.193998641				0.026466514	
36										
37	BILL COUNT BY CLASS AND DIVISION (1):									
38	Annual Bill Count	Residential	Commercial	Industrial & Transportation						
39	2,680,644	2,438,100	241,044	1,500						
40	City of Dallas	562,492	536,843	420						
41	Unincorporated	2,460,965	2,281,595	1,428						
42	ATM Cities	11,984,056	11,068,376	6,588						
43	ACSC Cities	1,108,635	990,019	444						
44	Non Coalition Cities									
45	Total	18,796,792	17,314,933	10,380						
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Notes:
(1) Bill Count from GUD 10170 Final Order, J-4.1, 4.2 and 4.3 Schedules - Proposed Revenues
(2) Class Cost Allocation from Final Order - Rev Req - CCS1 - (c) Allocated Total Cost of Service

ATM Allocation Method				
Total Expenses	Residential	Commercial	Industrial	
\$ 47,582	\$ 37,090	\$ 9,231	\$ 1,261	
City of Dallas	40,420	10,060	1,374	
Unincorporated	582,628	145,003	19,807	
ATM Cities	1,220,451	303,743	41,491	
ACSC Cities	79,665	19,827	2,708	
Non Coalition Cities				
\$ 2,514,758	\$ 1,960,254	\$ 487,863	\$ 66,641	
Less City of Dallas	\$ 47,582	\$ 37,090	\$ 9,231	\$ 1,261
Total Less City of Dallas	\$ 2,467,175	\$ 1,923,163	\$ 478,632	\$ 65,380
Total Annual Bill Count Dallas	2,680,644	2,438,100	241,044	1,500
Total Annual Bill Count Less Dallas	16,116,148	14,876,833	1,230,435	8,880
Surcharge - 1 Year - Dallas	\$ 0.0178	\$ 0.0152	\$ 0.0383	\$ 0.8406
Surcharge - 1 Year - Less Dallas	\$ 0.1531	\$ 0.1293	\$ 0.3890	\$ 7.3626

(1) - [Depreciation expenses include Company related expenses plus City of Dallas expenses plus \$23,630.98 related to ATM]
(2) - [ATM amount excludes \$23,630.98; amount included in depreciation expense]
(3) - [Company Expenses before adjustment minus depreciation expenses]

**MID-TEX DIVISION
ATMOS ENERGY CORPORATION**

RIDER:	SUR – SURCHARGE – GUD NO. 10194	
APPLICABLE TO:	Entire Division	
EFFECTIVE DATE:		PAGE:

Application

The Rate Case Expense Surcharge (RCE) rate as set forth below is pursuant to the Final Order in GUD No. 10194. This monthly rate shall apply to residential, commercial, industrial and transportation rate classes of Atmos Energy Corporation's Mid-Tex Division in the rate areas and amounts shown below. The fixed-price surcharge rate will be in effect for approximately 12 months until all approved and expended rate case expenses are recovered from the applicable customer classes as documented in the Final Order in GUD No. 10194. This rider is subject to all applicable laws and orders, and the Company's rules and regulations on file with the regulatory authority.

Monthly Surcharge

Surcharges will be the fixed-price rate shown in the table below:

Rate Schedule	City of Dallas*	Unincorporated Areas and Settled Cities
R – Residential Sales	\$0.0152	\$0.1293
C – Commercial Sales	\$0.0383	\$0.3890
I – Industrial Sales	\$0.8406	\$7.3626
T - Transportation	\$0.8406	\$7.3626

*The Dallas surcharge will be effective with the implementation of the 2014 Dallas Annual Rate Review(June 1, 2014).

ATTACHMENT C
(CD)

GAS UTILITIES DOCKET NO. 10194

RATE CASE EXPENSES SEVERED	§	BEFORE THE
FROM GAS UTILITIES DOCKET NO.	§	RAILROAD COMMISSION
10170 (CONSOLIDATED)	§	OF TEXAS

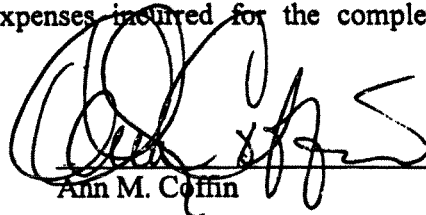
AFFIDAVIT OF ANN M. COFFIN

Before me, the undersigned authority, on this date personally appeared Ann M. Coffin, known to me to be the person whose name is subscribed below, and being by me first duly sworn, stated upon oath as follows:

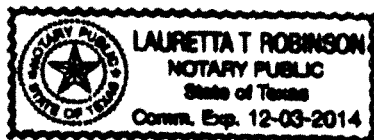
1. "My name is Ann M. Coffin. I am over 18 years of age, of sound mind and fully competent to make this affidavit. Each statement of fact herein is true and of my own personal knowledge.
2. I am a partner in the Austin, Texas law firm of Parsley Coffin Renner LLP and have practiced law in Travis County since 1993. I have extensive experience representing and defending clients before the Railroad Commission of Texas ("Commission") and Public Utility Commission of Texas. In addition, I have served as a Hearings Examiner for the Commission, as Assistant General Counsel – Telecommunications at the Public Utility Commission of Texas, and as Director – Enforcement Division at the Public Utility Commission.
3. My firm was retained by Atmos Energy Corporation ("Atmos" or "the Company") to assist in the presentation of the Unincorporated Areas Served by the Atmos Energy Corp. Mid-Tex Division rate filing in GUD No. 10170 (consolidated) filed before the Commission on May 31, 2012, as well as the severed rate case expense docket. As part of my duties, I supervised the work of the attorneys in my firm, including Mark Santos, who also worked on these dockets. Mr. Santos's experience includes representing electric and natural gas distribution utilities in complex administrative litigation before the Commission and the Public Utility Commission of Texas. The actual legal services and expenses for my firm are shown and supported by the copies of the actual invoices that were submitted to Atmos.
4. I am familiar with the Commission Rule on Rate Case Expenses, 16 Tex. Admin. Code §7.5530, as well as past decisions rendered by the Commission regarding the types of expenses that are eligible for rate case expenses.
5. In GUD No. 10170 (consolidated) the services my firm provided were associated with efforts that were reasonable and necessary for the presentation and defense of Atmos' rate filing. The services performed include the preparation of testimony and exhibits,

consultation with the expert witnesses, work on responses to discovery, attention to prehearing matters, attendance at Commission meetings, participation in reaching a settlement agreement and the drafting of pleadings throughout the proceeding.

6. The charges and rates of my firm are reasonable and consistent with those billed by others for similar work, and the rates are comparable to rates charged by other professionals with the same level of expertise and experience. The amounts charged for my firm's legal services are reasonable and commensurate with the complexity of the issues in the proceeding. The calculation of the charges is correct, and there has been no double billing of charges. In addition, there was no duplication of effort with other counsel.
7. No portion of the fees or expenses my firm charged is or will be for luxury items, such as limousine service, sporting events, alcoholic beverages, hotel movies, or other entertainment. The charges for copies, printing, overnight courier service, transcripts, and other expenses and costs were necessary for the prosecution of the case and are reasonable.
8. Based on my experience in proceedings of this type and my knowledge of issues likely to be raised, I estimate that rate case expenses incurred for the completion of GUD No. 10194 to be \$20,000.00."


Ann M. Coffin

SWORN TO AND SUBSCRIBED before me on this 11th day of February, 2013, by Ann M. Coffin.




Notary Public in and for the State of Texas

GAS UTILITIES DOCKET NO. 10194

**RATE CASE EXPENSES SEVERED §
FROM GAS UTILITIES DOCKET NO. §
10170 §**

**BEFORE THE
RAILROAD COMMISSION
OF TEXAS**

**AFFIDAVIT OF ALFRED R. HERRERA RELATED TO ATMOS TEXAS
MUNICIPALITIES RATE CASE EXPENSES**

**STATE OF TEXAS §
§
COUNTY OF TRAVIS §**

Before me, the undersigned authority, on this day personally appeared Alfred R. Herrera, being by me first duly sworn, on oath deposed and said the following:

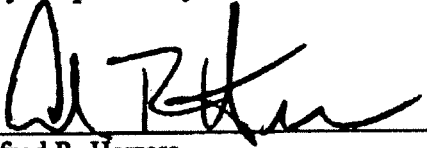
1. My name is Alfred R. Herrera, and I am a principal of Herrera & Boyle, PLLC. I have over 30 years of experience in legal and legislative matters related to the utility industry (telecommunication, electric, and gas). I have litigated numerous electric and gas rate matters. Herrera & Boyle, PLLC has been retained by Atmos Texas Municipalities ("ATM") in connection with *GUD Docket No. 10147, Application of Atmos Energy Corporation to Revise Certain Depreciated Rates*, *GUD Docket No. 10170, Statement of Intent Filed by Atmos Energy Corp., to Increase Gas Utility Rates Within the Unincorporated Areas Served by the Atmos Energy Corp., Mid-Tex Division* and *GUD Docket No. 10194, Rate Case Expenses Severed from Gas Utilities Docket No. 10170*.
2. I am familiar with the work performed by Herrera and Boyle and the technical consultants on behalf of ATM in connection with *GUD No. 10170*, *GUD No. 10147* and *GUD No. 10194*. I am over 18 years of age and I am not disqualified from making this affidavit. My statements are true and correct.
3. This firm has provided services to ATM in these dockets including, but not limited to, the following activities: the provision of legal advice and strategy to ATM; negotiating schedules and substantive issues; identification of consultants and recommendations to client regarding consultants; coordination of issue development; legal research; preparation and filing of pleadings and briefs; discovery; preparation for and participating in prehearing conferences; Open Meetings and the hearing on the merits; briefing clients and discussions with consultants; and preparation and filing post-hearing briefs and exceptions to the Proposal for Decision.
4. I am responsible for coordinating and supervising the efforts of my firm's personnel pertaining to the services rendered to ATM in these dockets. I have personally reviewed all billings for all work performed (legal and consulting) in connection with *GUD Docket No. 10147, Application of Atmos Energy Corporation to Revise Certain Depreciated Rates*, *GUD Docket No. 10170, Statement of Intent Filed by Atmos Energy Corp., to Increase Gas Utility Rates Within the Unincorporated Areas Served by the Atmos Energy*

Corp., Mid-Tex Division and GUD Docket No. 10194, Rate Case Expenses Severed from Gas Utilities Docket No. 10170.

5. Invoices and backup for the fees and expenses charged to ATM are provided to ATM for approval and forwarding to Atmos Energy Corporation for payment. My firm's billings are associated with efforts that were reasonable and necessary for development of the record and advocacy of ATM's position. Duplication of effort was avoided.
6. My firm's individual charges and rates are reasonable, consistent with the rates billed to others for similar work and comparable to rates charged by other professionals with the same level of expertise and experience. The amounts charged for such service are reasonable and there has been no double billing of charges. No meal expense has been billed by any attorney or other Herrera and Boyle personnel. No charges have been incurred or billed for luxury items, first-class airfare, limousines, alcohol, sporting events, or entertainment.
7. For the period January 1, 2012 through July 31, 2013, ATM has incurred \$537,204.36 related to GUD Nos. 10147, 10170 and 10194 in rate case expenses. This figure includes \$349,180.75 in legal fees and expenses and \$188,023.61 in consultant fees and expenses. The fees and expenses incurred through July 31, 2013 were necessary to advise ATM on the rate package filing, review the application, identify issues, coordinate activities, retain and work with consultants, engage in discovery, draft pleadings, and prepare for and participate in the hearing on the merits, draft post-hearing briefing and exceptions to the Proposal for Decision and participate in Open Meetings. The summary for actual and estimated rate case expenses for GUD Nos. 10147, 10170 and 10194 is attached as Exhibit A.
8. The attorney hourly rates of \$285-\$325, upon which the billings are based, are comparable to hourly rates charged to other clients for comparable services during the same time frame. Herrera and Boyle's rates are at the lower end of the range of reasonable hourly rates compared to the rates charges by other lawyers with similar experience providing similar services.
9. The hours spent to perform the tasks assigned to Herrera and Boyle were necessary to complete the required tasks in a professional manner on a timely basis. My many years in working with and supervising attorneys and consultants in utility rate cases at the Railroad Commission facilitate efforts to keep rate case expenses reasonable.
10. David C. Parcell is a consulting economist and he has provided cost of capital testimony in numerous public utility ratemaking proceedings. He has participated in over 460 utility proceedings before some 50 regulatory agencies in the United States and Canada. He is currently President and Senior Economist of Technical Associates, Inc. (TAI). His time and efforts in GUD No. 10170 were coordinated by me and by attorneys working under my direction. Because of his extensive background and experience, David C. Parcell was able to work very efficiently and accomplish his assignment with fewer hours than I would expect other consultants or expert witness would require. David C. Parcell's and TAI's time, effort and associated fees of \$22,600.00 are reasonable and necessary.

11. Michael L. Brosch is a principal and President of Utilitech, Inc. (Utilitech). For the past 34 years Michael L. Brosch has appeared on behalf of clients in various state regulatory proceedings involving electric, gas, telephone, water, sewer, transit and steam utilities. Steven C. Carver is a principal in the firm Utilitech. For the last 35 years Steven C. Carver has worked on utility regulatory matters before multiple states on a multitude of revenue requirements issues. Michael L. Brosch and Steven C. Carver's time and efforts in GUD No. 10170 were coordinated by me and by attorneys working under my direction. Because of their extensive background and experience, Michael L. Brosch, and Steven C. Carver were able to work very efficiently and accomplish their assignments with fewer hours than I would expect other consultants or expert witness would require. Michael L. Brosch's, Steven C. Carver's and Utilitech's time, effort and associated fees of \$98,697.21 are reasonable and necessary.
12. James W. Daniel is a Vice President of the firm GDS Associates, Inc. For over thirty years James W. Daniel has participated in utility proceedings throughout the United States and provided testimony on revenue requirement, cost of service and rate design studies. Richard E. Lain is a Project Manager of the firm GDS Associates, Inc. (GDS). For over 13 years Richard E. Lain worked for the Public Utility Commission of Texas on a variety of utility matters and has continued this participation while at GDS Associates, Inc. James W. Daniel's and Richard E. Lain's time and efforts in GUD No. 10170 were coordinated by me and by attorneys working under my direction. Because of their extensive background and experience, James W. Daniel and Richard E. Lain, were able to work very efficiently and accomplish their assignments with fewer hours than I would expect other consultants or expert witness would require. James W. Daniel's, Richard E. Lain's, and GDS's time, effort and associated fees of \$66,726.40 are reasonable and necessary.
13. The invoices submitted by Herrera and Boyle include a description of services performed and time expended on each activity. The invoices for GUD Nos. 10147, 10170 and 10194 have been provided to Atmos Energy Corporation. Herrera and Boyle has documented all charges with time sheets, invoices and records. The documentation in this case is similar to that provided in many previous cases at the RRC.
14. Legal expenses connected with GUD Nos. 10147, 10170 and 10194, total \$349,180.75. There are no luxury items associated with Herrera and Boyle's expense. The total consists of reimbursable items such as courier services, express mail, postage and shipping, and photocopying. Internal copying charges were limited to 15¢ per page.
15. My responsibilities, as well as other attorneys assigned to GUD Nos. 10147, 10170, and 10194, included client communication, strategy development, overall case management, discovery review, review and edit testimony, prepare for and participate in the hearing on merits, draft post-hearing briefs and exceptions and attend Open Meetings. The other attorneys assigned to these proceedings had related utility experience ranging from no less than six years up 16 years.

16. To complete GUD Nos. 10147, 10170 and 10194, I estimate that the cities represented by Herrera and Boyle will incur additional fees and expenses of \$7,000 to complete GUD Nos. 10147, 10170 and 10194 before the Commission. This estimate is based on actual experience in previous rate cases at the Railroad Commission. ATM will request reimbursement only for actual amount billed for work that has been performed.
17. The total of ATM's rate case expenses, including the estimated amount of \$7,000.00 to complete GUD Nos. 10147, 10170 and 10194, is \$544,204.36. The total of \$544,204.36 for GUD Nos. 10147, 10170 and 10194 is reasonable given the complexity, importance and scope of these proceedings, the extensive nature of ATM's participation, and the number of issues.
18. ATM reserves the right to amend this affidavit and their request for reimbursement as more information is gathered over the course of GUD Nos. 10147, 10170 and 10194.
19. Statements in this affidavit are true and known by me personally.



Alfred R. Herrera

SWORN AND SUBSCRIBED before me on this the 20th day of August 2013.



Notary Public, State of Texas

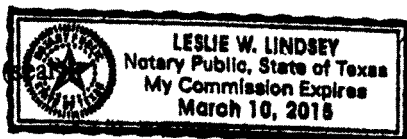


EXHIBIT A
Herrera Boyle Rate Case Expense Summary for GUD Docket Nos. 10147, 10170 and 10194

	Invoice Date	Invoice No.	Billing Period	Through Period	Invoice Amount	Total Billed to Date
GDS Associates, Inc.						
	8/27/12	99909	7/2/12	7/27/12	\$ 15,858.75	\$ 15,858.75
	9/25/12	100452	7/29/12	8/31/12	\$ 22,796.42	\$ 38,655.17
	10/25/12	101261	9/3/12	9/27/12	\$ 24,137.08	\$ 62,792.25
	11/5/12	101457	10/2/12	10/12/12	\$ 2,147.95	\$ 64,940.20
	12/7/12	102253	11/13/12	11/28/12	\$ 1,786.20	\$ 66,726.40
					GDS total:	\$ 66,726.40
Technical Associates, Inc.						
	4/2/12	2778	3/1/12	3/31/12	\$ 4,250.00	\$ 4,250.00
	5/2/12	2792	4/1/12	4/30/12	\$ 1,425.00	\$ 5,675.00
	7/2/12	2821	6/1/12	6/30/12	\$ 3,200.00	\$ 8,875.00
	8/1/12	2826	7/1/12	7/31/12	\$ 5,800.00	\$ 14,675.00
	8/30/12	2842	8/1/12	8/30/12	\$ 4,475.00	\$ 19,150.00
	10/1/12	2855	9/1/12	9/30/12	\$ 2,450.00	\$ 21,600.00
	11/2/12	2870	10/1/12	10/31/12	\$ 600.00	\$ 22,200.00
	12/1/12	2881	11/1/12	12/30/12	\$ 400.00	\$ 22,600.00
					TAI total:	\$ 22,600.00
Utilitech, Inc.						
	3/5/12		2/1/12	2/29/12	\$ 7,296.33	\$ 7,296.33
	4/3/12		3/1/12	3/31/12	\$ 15,695.90	\$ 22,992.23
	5/2/12		4/1/12	4/30/12	\$ 10,067.50	\$ 33,059.73
	6/4/12		5/1/12	5/31/12	\$ 600.00	\$ 33,659.73
	7/4/12		6/1/12	6/30/12	\$ 2,860.00	\$ 36,519.73
	8/2/12		7/1/12	7/31/12	\$ 22,519.63	\$ 59,039.36
	9/4/12		8/1/12	8/31/12	\$ 17,650.30	\$ 76,689.66
	10/3/12		9/1/12	9/30/12	\$ 15,592.55	\$ 92,282.21
	11/6/12		10/1/12	10/31/12	\$ 885.00	\$ 93,167.21
	12/4/12		11/1/12	11/30/12	\$ 5,530.00	\$ 98,697.21
					Utilitech total:	\$ 98,697.21

EXHIBIT A
Herrera Boyle Rate Case Expense Summary for GUD Docket Nos. 10147, 10170 and 10194

Herrera Boyle Rate Case Expense Summary for GUD Docket No. 12-0001									
Herrera & Boyle, PLLC									
	2/9/12		1/30/12		1/31/12	\$ 1,767.00	\$	1,767.00	
	3/9/12		2/1/12		2/29/12	\$ 43,665.90	\$	45,432.90	
	4/10/12		3/1/12		3/31/12	\$ 26,095.16	\$	71,528.06	
	4/11/12		3/1/12		3/31/12	\$ 4,977.16	\$	76,505.22	GUD 10147
	5/8/12		4/1/12		4/30/12	\$ 15,494.76	\$	91,999.98	GUD 10147
	5/9/12		4/1/12		4/30/12	\$ 15,667.55	\$	107,667.53	
	6/7/12		5/1/12		5/31/12	\$ 23,256.50	\$	130,924.03	
	6/7/12		5/1/12		5/31/12	\$ 2,940.02	\$	133,864.05	GUD 10147
	7/10/12		6/1/12		6/30/12	\$ 18,224.55	\$	149,148.58	
	8/13/12		7/1/12		7/31/12	\$ 13,303.97	\$	162,452.55	
	9/8/12		8/1/12		8/31/12	\$ 48,685.75	\$	211,138.30	
	10/12/12		9/1/12		9/30/12	\$ 88,481.62	\$	299,619.92	
	11/7/12		10/1/12		10/31/12	\$ 20,334.61	\$	319,954.53	
	12/5/12		11/1/12		11/30/12	\$ 17,394.25	\$	337,348.78	
	1/10/13		12/1/12		12/31/12	\$ 5,772.25	\$	343,121.03	
	2/11/13		1/1/13		1/31/13	\$ 79.95	\$	343,200.98	
	4/10/13		3/1/13		3/31/13	\$ 843.75	\$	344,044.73	
	5/8/13		4/1/13		4/30/13	\$ 411.25	\$	344,455.98	
	7/9/13		6/1/2013		6/30/2013	\$ 1,083.00	\$	345,538.98	
	8/8/13		7/1/2013		7/31/2013	\$ 655.50	\$	346,194.48	GUD 10147
	8/7/13		3/1/2013		7/31/2013	\$ 46.25	\$	346,240.73	
								H&B total:	\$ 349,180.75
								Actual H&B + Consultant Fees & Expenses	\$ 537,204.36
								Estimated H&B Fees & Expenses to Complete Case	\$7,000
								Total Actual and Estimated H&B + Consultant Fees & Expenses	\$ 544,204.36

GAS UTILITIES DOCKET NO. 10194

**RATE CASE EXPENSES SEVERED
FROM GAS UTILITIES DOCKET
NO. 10170**

§
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§

**BEFORE THE
RAILROAD COMMISSION
OF TEXAS**

AFFIDAVIT OF GEOFFREY M. GAY

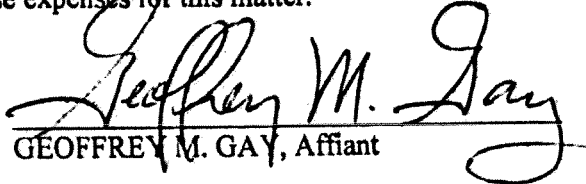
**STATE OF TEXAS §
 §
COUNTY OF TRAVIS §**

BEFORE ME, the undersigned authority, on this date personally appeared Geoffrey M. Gay, known to me to be the person whose name is subscribed below, and being by me first duly sworn, stated upon oath as follows:

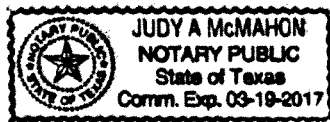
1. My name is Geoffrey M. Gay. I am a principal with Lloyd Gosselink Rochelle & Townsend, P.C., attorneys for the Atmos Cities Steering Committee ("ACSC") in Gas Utilities Docket ("GUD") No. 10170. I have 35 years of experience in utility ratemaking proceedings, and am over the age of 18 years and fully competent to make this affidavit. Each statement of fact herein is true of my own personal knowledge.
2. I have served as General Counsel to ACSC and its predecessor organizations, Cities Served by Lone Star Gas and Cities Served by TXU Gas for approximately 16 years and have supervised the handling of all rate and regulatory matters before the Railroad Commission involving this group of Cities throughout that period.
3. I am familiar with the work performed by Lloyd Gosselink and the technical consultants on behalf of ACSC in connection with GUD No. 10170. I have reviewed the attached invoices from both my firm and the consultants hired on behalf of ACSC, namely Constance T. Cannady with J. Stowe & Co., Stephen G. Hill with Hill Associates, Karl J. Nalepa with ReSolved Energy Consulting, LLC, and Clarence Johnson with CJ Energy. Each consultant was assigned specific tasks with strict budget constraints. I have worked with each of the consultants numerous times over several decades.
4. With regard to the invoices from the consultants hired on behalf of ACSC, based on my 35 years of experience in proceedings of this type and on my knowledge of the issues, I believe these fees and expenses are reasonable for the work performed, and as compared to similar work performed by other consultants. The consultants performed their work in an efficient manner. Their invoices identified the specific tasks performed, which tasks were necessary to complete their work in a professional manner and on a timely basis.

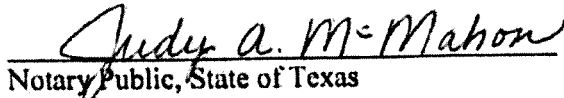
5. The legal services provided by my firm to ACSC included propounding discovery requests, negotiating discovery disputes, motions practice, legal research, providing legal advice and strategy, coordination with consultants, client consultations, preparation of testimony, preparation for hearing, participation in the contested case hearing, post-hearing briefing and arguments, participation in settlement negotiations on revenue requirements and rate case expenses in GUD No. 10194, and preparation and review of settlement documents. Based on my 35 years of experience in proceedings of this type and my knowledge of the issues, I believe these legal fees and expenses are reasonable for the work performed, and as compared to similar work performed by other law firms. The number of attorneys working on the underlying docket was minimized, the attorneys performed their work in an efficient manner, and there was no duplication of services. The hourly rates charged are appropriate for the level of experience and responsibilities assigned each attorney. I am familiar with hourly rates charged for regulatory work and the rates charged are consistent with or below rates charged by comparably experienced attorneys. These services were necessary to complete assigned tasks in a professional manner and on a timely basis.
6. The invoices provided by the consultants and the attorneys clearly show the amount of work done, the time and labor required to accomplish the work, the nature and extent of the work done, and the charges associated with the work done. Based on my experience, the charges are commensurate with the difficulty of the work done and the complexity of the issues in the proceeding, and with the originality of the work performed.
7. In addition, my review of the invoices and charges by the attorneys and consultants supports my conclusions that:
 - The hourly rates charged by ACSC's consultants and attorneys are within the range of reasonable rates;
 - The number of individuals working on this matter at any given time was minimized;
 - Consultants and attorneys accurately documented hours worked and services provided on their invoices;
 - There were no time entries by any individual that exceeded 12 hours per day on any single matter or on a combined basis when work was performed on this case; and
 - There were no expenses that are subject to special scrutiny (e.g., luxury hotels, valet parking, designer coffee, first-class airfare, non-commercial aircraft, limousine service, alcoholic beverages, sporting events, or entertainment).
8. In addition to the expenses incurred through June 2013, Lloyd Gosselink will incur fees and expenses in the future associated with finalization of a settlement agreement in GUD No. 10194. In consideration of this future activity, ACSC estimates that its remaining expense of participating in this case will not exceed \$2,500.

9. The total amounts requested for expenses through June 2013 of \$458,430.86 for GUD No. 10170, are reasonable given the complexity, importance, and magnitude of this case, the comprehensive nature of ACSC's case, and the number of issues. In addition, the estimated future expenses of \$2,500 to finalize all issues related to rate case expenses, are reasonable and necessary. Attachment A to this Affidavit is a table detailing the components of ACSC's total rate case expenses for this matter.


GEOFFREY M. GAY, Affiant

15th SWORN AND SUBSCRIBED TO BEFORE ME, the undersigned authority, on this the
day of July, 2013.




Notary Public, State of Texas

Atmos Mid-Tex 2012 Rate Case - Rate Case Expense Summary

	Invoice Date	Invoice No.	Billing Period	Through Period	Invoice Amount	Total Billed to Date	
ReSolved Energy - Nalepa							
	3/8/12	3093	1/31/12	2/29/12	\$ 4,642.50	\$4,642.50	
	4/5/12	3112	3/1/12	3/30/12	\$ 11,052.50	\$15,695.00	
	5/7/12	3125	4/2/12	4/30/12	\$ 9,777.50	\$25,472.50	
	6/7/12	3141	5/2/12	5/31/12	\$ 2,094.20	\$27,566.70	
	7/9/12	3157	6/5/12	6/30/12	\$ 8,987.50	\$36,554.20	
	8/14/12	3162	7/2/12	7/31/12	\$ 23,151.42	\$59,705.62	
	9/17/12	3178	8/1/12	8/31/12	\$ 17,036.05	\$76,741.67	
	10/11/12	3184	9/4/12	9/30/12	\$ 15,232.09	\$91,973.76	
	11/8/12	3192	10/1/12	10/31/12	\$ 575.00	\$92,548.76	
	12/11/12	3206	11/2/12	11/30/12	\$ 5,810.00	\$98,358.76	
						ReSolved total:	\$98,358.76
J. Stowe & Co. - Cannady							
	2/16/12	1420	1/16/12	2/15/12	\$3,120.00	\$3,120.00	
	3/16/12	1440	2/16/12	3/15/12	\$6,718.75	\$9,838.75	
	4/16/12	1468	3/16/12	4/15/12	\$11,167.50	\$21,006.25	
	5/16/12	1479	4/16/12	5/15/12	\$4,145.00	\$25,151.25	
	6/18/12	1504	5/16/12	6/15/12	\$840.00	\$25,991.25	
	7/16/12	1532	6/16/12	7/15/12	\$8,815.00	\$34,806.25	
	8/16/12	1555	7/16/12	8/15/12	\$17,373.75	\$52,180.00	
	9/17/12	1584	8/16/12	9/15/12	\$7,020.00	\$59,200.00	
	10/16/12	1610	9/16/12	10/15/12	\$1,560.00	\$60,760.00	
						Stowe total:	\$60,760.00
Stephen Hill							
	4/10/12		2/6/12	3/30/12	\$5,040.00	\$5,040.00	
	8/9/12		4/1/12	7/31/12	\$8,100.00	\$13,140.00	
	10/31/12		8/1/12	9/30/12	\$2,396.19	\$15,536.19	
						Hill total:	\$15,536.19
Lloyd Gosselink							
	2/14/12	55421	1/30/12	1/31/12	\$1,923.70	\$1,923.70	
	3/19/12	55846	2/1/12	2/29/12	\$18,118.88	\$20,042.58	
	4/11/12	56191	3/1/12	3/31/12	\$14,442.17	\$34,484.75	
	5/11/12	56581	4/2/12	4/30/12	\$25,896.94	\$60,381.69	
	6/18/12	57095	5/1/12	5/31/12	\$6,417.70	\$66,799.39	
	7/17/12	57548	6/1/12	6/30/12	\$14,558.04	\$81,357.43	
	8/13/12	57915	7/1/12	7/31/12	\$17,426.04	\$98,783.47	
	9/19/12	58426	8/1/12	8/31/12	\$55,469.53	\$154,253.00	
	10/17/12	58831	9/4/12	9/30/12	\$95,914.89	\$250,167.89	
	11/13/12	59211	10/1/12	10/31/12	\$14,004.70	\$264,172.59	
	12/13/12	59766	11/13/12	11/30/12	\$11,920.30	\$276,092.89	
	1/21/13	60212	12/3/12	12/31/12	\$4,193.38	\$280,286.27	
	2/25/13	60693	1/9/13	1/31/13	\$762.51	\$281,048.78	

Atmos Mid-Tex 2012 Rate Case - Rate Case Expense Summary

	3/18/13	61027	2/20/13	2/28/13	\$124.50	\$281,173.28	
	4/12/13	61420	3/28/13	3/31/13	\$216.00	\$281,389.28	
	5/17/13	61939	4/2/13	4/30/13	\$1,777.94	\$283,167.22	
	6/13/13	62306	5/1/13	5/31/13	\$608.69	\$283,775.91	
						LG total:	\$283,775.91
						Total LG +	
						Consultants	\$458,430.86

GAS UTILITIES DOCKET NO. 10194

RATE CASE EXPENSES SEVERED	§	BEFORE THE
FROM GAS UTILITIES DOCKET	§	RAILROAD COMMISSION
NO. 10170	§	OF TEXAS

**AFFIDAVIT OF NORMAN J. GORDON REGARDING RATE CASE EXPENSES
AND EXPENSES AND RATE CASE EXPENSES IN GAS UTILITY DOCKETS NO.
10147 AND 10170(Consolidated)**

THE STATE OF TEXAS)
)
COUNTY OF EL PASO)

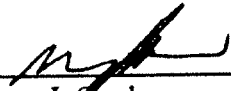
BEFORE ME, the undersigned authority, on this day personally appeared NORMAN J. GORDON, known to me to be the person whose name is subscribed hereto, and being by me duly sworn, upon his oath, stated as follows:

1. My name is Norman J. Gordon. I am over eighteen years of age and I am not disqualified from making this affidavit.
2. I am an attorney licensed in the States of Texas and Illinois, and numerous federal courts. I received my undergraduate degree law degrees from University of Illinois at Urbana Champaign. I have been in private practice of law in El Paso since completing my military obligation with the Judge Advocate General's Corps of the United States Army in 1974. I am board certified in Civil Trial Law by the Texas Board of Legal Specialization, and have been so certified since 1983. One of the areas of my practice is in the area of utility regulation. Since 1978, I have been lead counsel for parties in many major rate cases, rule making proceedings, and other administrative dockets before City Councils, the Railroad Commission of Texas, the Public Utility Commission of Texas, State District Courts, United States Bankruptcy Court, Texas Appellate Courts, including the Supreme Court of Texas. I have also filed testimony on rate case expense issues before the Railroad Commission of Texas. I have testified as an expert witness on rate case expenses before the Public Utility Commission of Texas. I have also taught principles of regulation to members of the Public Utility Regulation Board of the City of El Paso, an advisory board on utility matters.
3. I am a shareholder in the El Paso firm of Mounce, Green Myers, Safi, Paxson and Galatzan, A Professional Corporation, and have been a shareholder in that firm since October 2003. Prior to that time my private practice was with El Paso law firm Diamond Rash Gordon & Jackson, P.C., where I was a shareholder.

4. The City of Dallas ("City" or "COD") engaged Mounce, Green, Myers, Safi, Paxson & Galatzan to act as outside counsel for it in Gas Utility Dockets No. 10147 and 10170. The City limited its participation in the case to Depreciation rate issues as depreciation rates determined in those cases be applied to all plant, and would directly affect rates in the City of Dallas.
5. In connection with the case, we billed \$44,897.50 in fees and \$4,566.23 in expenses for a total of \$49,463.73. A copy of our statement is filed with the invoices for all parties. My time was billed at \$275.00 per hour and the time of Steven Hughes, also a shareholder at \$250.00 per hour. The services are outlined in the attached bill submitted by our firm. The expenses were for travel to Austin (the prehearing conference in GUD 10147, the deposition of an Atmos witness, the hearing itself and the Commission conference at which the case was presented and order signed), transcripts of deposition and hearing on depreciation issues, overnight deliveries and copying. My travel expenses did not include any luxury items such as first class travel, individual meals over \$25.00 or hotel costs over \$150.00¹ per night. Copy expenses were billed at \$0.10 per page. The expenses of my firm were reasonable.
6. All of the work done by my firm was necessary and reasonable with respect to both time and amount considering the nature, extent, and difficulty of the work, the originality of the issues presented including the nature of the issues raised and addressed by the City of Dallas in this proceeding, and the amount of time spent by and charges by others for work of a similar nature in this and other proceedings. The expenses incurred were all reasonable and necessary for the presentation and prosecution of the City's case.
7. Diversified Utility Consultants, Inc. ("DUCI") provided consulting services and direct testimony for the City on the depreciation issues in the case. DUCI billed \$62,800 in fees and \$318.93 in expenses. A copy of the statement is filed with the invoices of all parties. In connection with my work in rate setting proceedings, I have reviewed and analyzed the work of many consultants. I am familiar with the issues addressed as well, rates charged by others who perform similar services and the experience and quality of work of Diversified Utility Consultants, Inc. In my opinion the rates, time and totals for the work of DUCI on depreciation rate issues in Docket 10147 and 10170 were reasonable. The expenses are for copies at \$0.10 per page, travel to the Commission and deposition, and delivery expense. The expenses charged by DUCI in this case were reasonable.
8. In addition to the expenses identified above in the amount of \$112,585.66, I estimate that the additional expenses for this docket in reviewing invoices and calculations, assembling materials, conference calls, reviewing the settlement proposals and discussion with my client and others will be an additional \$3,500 for a total of \$116,085.66

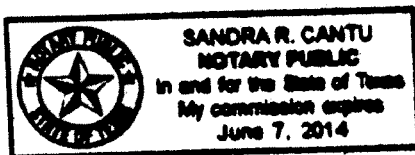
¹ Not including taxes

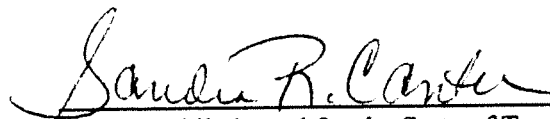
Further Affiant Says Not.



Norman J. Gordon

30th SUBSCRIBED AND SWORN TO, BEFORE ME, by the said Norman J. Gordon, this
day of July 2013, to certify which witness my hand and seal of office.





Notary Public in and for the State of Texas