



RAILROAD COMMISSION OF TEXAS

OFFICE OF GENERAL COUNSEL

GUD NO. 10041

**STATEMENT OF INTENT FILED BY ATMOS ENERGY CORPORATION,
WEST TEXAS DIVISION TO INCREASE GAS UTILITY RATES WITHIN THE
UNINCORPORATED AREAS OF THE AMARILLO RATE DIVISION**

APPEARANCES

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PROPOSAL FOR DECISION

PROCEDURAL HISTORY:

Docket Established:	December 17, 2010
Final Hearing Dates:	May 12, 2011
Heard By:	Gene Montes, Hearings Examiner Frank Tomicek, Technical Examiner
Record Closed:	June 29, 2011
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STATEMENT OF THE CASE

On December 17, 2010 Atmos Energy Corporation ("Atmos") filed a *Statement of Intent* to increase rates in the unincorporated areas of the Amarillo Rate Division with the Railroad Commission of Texas (Commission). The Amarillo Rate Division is part of Atmos' West Texas Division. The case was docketed as GUD No. 10041. The current rates within the Amarillo Rate Division were established in GUD No. 9539, *Statement of Intent Filed by Atmos Energy Corporation to Change Gas Rates in the Environs of Amarillo, Texas*. The Final Order in that case was issued on March 25, 2005, about six years ago. Atmos seeks a rate increase that would increase revenues by approximately \$78,000, or 2.61%. In the aggregate, the rates requested in this proceeding produce a smaller revenue stream than the rates in effect for the City of Amarillo. In this proceeding the company seeks an adjustment in five areas:

- Implementation of new uniform rates
- Approval of revised depreciation rates
- Adjustments to the gas cost adjustment rider
- Adjustments to its weather normalization adjustment rider
- Recovery of rate case expenses.

The issue of rate case expenses has been severed into a separate docket. The City of Amarillo intervened and directly challenged the depreciation rates proposed by Atmos. In that context, the City of Amarillo challenge the average service life selected for two accounts and the net salvage value selected for one account.

Upon review of the entire record in this proceeding the Examiners find that the requested rate increase is just and reasonable and recommend that the requested rate increase be approved, that the rates be applied uniformly throughout the entire Amarillo Rate Division over which this case applies, that the revised depreciation rates be approved, and that the requested tariffs also be approved.

1. Procedural History

On December 17, 2010 Atmos Energy Corporation ("Atmos") filed a *Statement of Intent* to increase rates in the unincorporated areas of the Amarillo Rate Division with the Railroad Commission of Texas (Commission). The Amarillo Rate Division is part of Atmos' West Texas Division. The case was docketed as GUD No. 10041. The proposed rates were suspended on January 13, 2011. Notice of the proposed increase was provided by bill insert for all affected Amarillo Rate Division Customers beginning January 24, 2011 and ending March 3, 2011.¹

The City of Amarillo intervened in this proceeding. A hearing was held on May 12, 2011. The following individuals testified on behalf of Atmos in its direct case: Gary W. Gregory, President West Texas Division; Bronson A. Blodgett, Vice President of Finance, West Texas Division; Thomas H. Peterson, Rates Director for Atmos Energy Corporation; Christopher A. Felan, Manager of Rates and Regulatory Affairs; Robert J. Smith, Assistant Treasurer of Atmos Energy Corporation; James H. Vander Weide, President Financial Strategy Associates; Dane A. Watson, Partner in Alliance Consulting Group; and, Jeffrey R. Foley, Manager of Rates and Revenues for Atmos Energy Corporation. Jacob Pous, Diversified Utility Consultants, Inc. (DUCI) testified on behalf of the City of Amarillo. Rebuttal Testimony was provided by Mr. Watson on behalf of Atmos.

The contested issues in the matter between the City of Amarillo and Atmos centered upon the proposed depreciation rates. The City of Amarillo has asserted that while it does not challenge any other aspect of the company's case, it should not be assumed that the City of Amarillo agreed with the utility in all other respects.² The company provided testimony and evidence in support of its requested rate change and the totality of that evidence was reviewed and evaluated by the Examiners.

2. Jurisdiction

The Commission has jurisdiction over Atmos, its West Texas Division and the Amarillo Rate Division 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 2010). 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.

3. Amarillo Rate Division

Atmos Energy Corporation delivers natural gas to approximately 3.2 million residential, commercial, industrial, and public-authority customers in twelve states. Atmos has six unincorporated gas utility operating divisions, including the West Texas Division. The Amarillo Rate Division is part of Atmos' West Texas Division. It includes the municipalities of

¹ Atmos Exhibit 2, Affidavit of Notice to Customers from Jeffrey Foley.

² Initial Brief, City of Amarillo, p. 1, City of Amarillo Ex. 1, Direct Testimony of Jacob Pous, pp. 23 – 24.

Amarillo, Dalhart, and Channing as well as the surrounding areas. Within the unincorporated areas the company serves the following customer classes:

Table 1
Customer Classes and Customers Served
By the Amarillo Rate Division

Customer Classes	Number of Customers
Residential	2,500
Commercial	184
Industrial Sales	1
Public Authority	23

The current rates within the Amarillo Rate Division were established in GUD No. 9539, *Statement of Intent Filed by Atmos Energy Corporation to Change Gas Rates in the Environs of Amarillo, Texas*. The Final Order in that case was issued on March 25, 2005, about six years ago. Atmos seeks a rate increase that would increase revenues by \$78,000, or 2.61%. The company seeks to apply the proposed rates uniformly to the residential, commercial, industrial, and public service authority customers of the Amarillo Rate Division. As part of this proceeding, Atmos seeks approval of new depreciation rates. Additionally, the company seeks consolidation of various (Gas Cost Adjustment) GCA riders into a single Rider GCA and approval of recovery of uncollectible gas costs through Rider GCA for the unincorporated areas of the Amarillo Rate Division. Atmos also requests that the Weather Normalization Adjustment rider (Rider WNA) applicable to state institution customers be consolidated into the existing WNA riders into a single Rider WNA that will apply throughout the unincorporated areas of the Amarillo Rate Division. Furthermore, the company seeks approval of the use of 10-year normal weather data for the Rider WNA in place of 30-year year normal weather data. Finally, Atmos requests recovery of rate case expenses. In summary, in this proceeding the company seeks an adjustment in five areas:

- Implementation of new uniform rates
- Approval of revised depreciation rates
- Adjustments to the gas cost adjustment rider
- Adjustments to its weather normalization adjustment rider
- Recovery of rate case expenses.

The issue of rate case expenses has been severed into a separate docket and will be considered after a Final Order is issued in this proceeding. The City of Amarillo contested the calculation of the revised depreciation rates and the hearing itself was limited to issues related to the calculation of those rates. In preparing this proceeding, Atmos provided testimony asserting that the company has relied, to the extent possible, on the methodologies and rate treatments previously approved by the Commission.³ After reviewing the record in this proceeding, the Examiners find that Atmos has, in fact, applied approved methodologies. The

³ Atmos Ex. 3, p. 4.

Examiners find the request to be just and reasonable and recommend approval of the requested rate changes and tariff modifications.

4. Books and Records

Commission Rule 7.310 requires that utilities utilize the FERC USOA.⁴ Bronson A. Blodgett, the Vice President of Finance for the West Texas Division, affirmed that the books and records are kept in accordance with the Federal Energy Regulatory Commission ("FERC") Uniform System of Accounts ("USOA"). Mr. Blodgett provided detailed testimony outlining the accounting process and affirmed that the company complied with the requirement of the FERC USOA. He asserted that the company's system of internal controls and its adherence to FERC USOA assured compliance with Commission Rule 7.310.⁵ As a result, Mr. Blodgett concluded that the company is entitled to the presumption encapsulated in Commission Rule 7.503.⁶ That rule provides that the amounts shown on the company's books and records as well as summaries and excerpts taken from those records shall be considered *prima facie* evidence of the amount of investment or expense reflected when introduced into evidence, and such amounts are presumed to have been reasonably incurred. The Examiners find that Atmos has established that the company maintains its books and records in accordance with FERC USOA. Accordingly, the books and records are accorded the presumption found in Commission Rule 7.503.

5. Rate Base

The company included \$50,158,342 in its rate base calculation for the test-year ending June 30, 2010. Rate base consisted of the company's adjusted investment in property, plant and equipment and working capital items, adjusted for sources of non-investor supplied capital. The rate base calculation also included the unamortized balance of investment tax credits as of the end of the test year. Mr. Petersen provided testimony in support of the company's rate base. Specifically, he addressed issues related to working capital, including cash working capital and the calculation of accumulated deferred income tax. In the context of cash working capital, Mr. Petersen established that the company's calculation adhered to Commission precedent on the subject.⁷ Mr. Felan provided testimony in support of the injuries and damages reserve and the employee expense-related rate base adjustments. Mr. Blodgett testified regarding the reasonableness of the company's capital investment. He noted that since the last rate case, the company has made \$30 million in additional direct capital investment in the Amarillo rate division.⁸ The Examiners find that the company's calculation of rate base is just and reasonable and consistent with Commission precedent.

⁴ TEX. ADMIN. CODE § 7.310 (Tex. R.R. Comm'n, System of Accounts) (Commission Rule 7.310).

⁵ Atmos Ex. 6, Direct Testimony of Bronson Blodgett, pp. 13 – 14.

⁶ Atmos Ex. 6, Direct Testimony of Bronson Blodgett. TEX. ADMIN. CODE § 7.501 (Tex. R.R. Comm'n, Evidentiary Treatment of Uncontroverted Books and Records of Gas Utilities) (Commission Rule 7.503).

⁷ Atmos Ex. 5, Direct Testimony of Thomas H. Petersen, pp. 8 – 19.

⁸ Atmos Ex. 4, Direct Testimony of Bronson A. Blodgett, pp. 20 – 26.

6. SSU Allocation (Rate Base and Operating Expenses)

Atmos' corporate office, located in Dallas, Texas, provides services such as accounting, legal, human resources, rates administration, procurement, gas supply, information technology, and a customer support center.⁹ These centralized services are referred to as Shared Services. The services are shared by Atmos operating divisions in order to avoid having to staff and maintain these functions at each division level. Christopher Felan testified that the allocation methodology used in this docket was recently approved by this Commission.¹⁰ Shared Services are generally divided into two groups: (1) General Office and (2) Customer Support. Mr. Gregory noted that each of the company's utility divisions has its own divisional office that is responsible for the day to day operation of the division. Thus, the West Texas Division's Operating Division General Office also allocates costs to the rate divisions within its own division – in this case the Amarillo Rate Division.

Direct costs are assigned directly to the division that generated that cost. Shared costs are allocated based upon one of two allocation factors: (1) A composite allocation factor and (2) a customer allocation factor. Cost allocation is the process of assigning various common costs, such as the costs for Shared Services, to various entities that are incurred for the benefit of one or more of the company's rate divisions and are therefore allocable to those rate divisions.

A composite factor is used to allocate general plant, materials and supplies, accumulated deferred income taxes, injuries and damages reserve, and certain adjustments to rate base. The company uses a four factor allocation methodology to develop the composite factor. The four components included in the four factor formula are as follows:

- Gross Direct Property Plant and Equipment
- Number of Customers
- Operating Expenses
- Operating Income

This methodology was adopted in GUD No. 9670 for Atmos Mid – Tex, and affirmed in subsequent cases. The latest proceeding was GUD No. 9869. The customer allocation factor is derived based on the average number of customers in each operating division that receives allocable costs for the services provided. The customer allocation factor is used to allocate costs related to customer support such as billing and the customer call center functions. The Examiners find that the company has established that the composite factor, the customer allocation factor and the overall allocation process is just and reasonable.

7. Operating Expenses

The test-year level of operating and maintenance expenses was \$7,665,374. Mr. Blodgett provided testimony in support of the company's operating expense level.¹¹ Mr. Blodgett pointed out that a portion of this expense is incurred directly by the Amarillo Rate

⁹ Atmos Ex. 3, Direct Testimony of Gary W. Gregory, p. 8 & Atmos Ex. 4, Direct Testimony of Bronson A. Blodgett, p. 18.

¹⁰ Atmos Ex. 6, Direct Testimony of Christopher A. Felan, p. 4.

¹¹ Atmos Ex. 4, Direct Testimony of Bronson A. Blodgett.

Division and West Texas General Office and the remainder is attributable to services performed by the Shared Services Unit on behalf of the Amarillo Rate Division. Testimony was provided alleging that Atmos has controlled its operation and maintenance costs. Mr. Gregory pointed out that the operation and maintenance costs for the Amarillo Rate Division have decreased by \$925,000 or 11% over the last ten years. He noted that if the operation and maintenance expense had increased at the rate of inflation, as reflected in the Texas Consumer Price Index, the operation and maintenance expense would have increased by \$1.8 million over the same period.¹² Certain adjustments were made to the operating and maintenance expenses and those adjustments were consistent with the Commission's determination in GUD No. 9869.¹³ Furthermore, an adjustment was made to remove expenses, such as alcoholic beverages, certain meals, entertainment and travel expenses. The Examiners find that the utility has established that the operating expenses are just and reasonable.

8. Depreciation Expense

Depreciation is a system of accounting that distributes the cost of assets, less net salvage (if any), over the estimated useful life of the assets in a systematic and rational manner. It is considered a process of allocation, not valuation. The expense is systematically allocated to accounting periods over the life of the properties. As noted in the depreciation study presented by Atmos, depreciation is accrued on the basis of the original cost of all depreciable property. The full cost of depreciable property less the net salvage value, is charged to the depreciation reserve upon the retirement of the property.¹⁴

Atmos engaged Alliance Consulting Group to conduct a depreciation study of the company's West Texas Division natural gas operations depreciable assets as of fiscal year end September 30, 2009 (September 2009 Study). The September 2009 Study was sponsored by Mr. Dane Watson.¹⁵ The existing life and net salvage parameters were last reviewed in a 1997 depreciation study. The September 2009 Study recommended an increase of \$2.5 million in annual depreciation expense for various accounts. The September 2009 Study noted that the primary driver for the increase in the annual depreciation expense accrual was the recognition of increased negative net salvage.

The September 2009 Study observed that to fully understand depreciation projections in a regulated utility setting, there must be a basic understanding of survivor curves. A survivor curve represents the percentage of property remaining in service at various age intervals. The survivor curves employed in the context of utility regulation are Iowa Curves. The Iowa Curves are the result of an extensive investigation of life characteristic of physical property made at Iowa State College Engineering Experiment Station in the first half of the prior century. These curves have become a descriptive standard for the life characteristic of industrial property. Most property groups can be closely fitted to one Iowa Curve with a unique average service life.

¹² Atmos Ex. 3, Direct Testimony of Gary W. Gregory, p. 7.

¹³ Atmos Ex. 6, Direct Testimony of Christopher A. Felan, pp. 13 – 21.

¹⁴ Atmos Ex. 10, Direct Testimony of Dane A. Watson, Exhibit DAW – 1, p. 3.

¹⁵ Atmos Ex. 10, Direct Testimony of Dane Watson.

a. Service Life Parameters

The City of Amarillo challenged the average service life parameters of two accounts: Account 376 Distribution Mains and Account 380, Distribution Services. In order to calculate the depreciation rate for these two accounts, the depreciation analyst must evaluate the remaining life for each account. The City of Amarillo contended that this was incorrectly calculated for Accounts 376 and 380.

i. Account 376 – Service Mains

Account 376 includes the cost of all types of distribution mains, cathodic protection and other related assets. Mr. Watson, on behalf of Atmos, calculated a remaining life for Account 376 of 42.58 years. The remaining life calculation was based, in part, upon the application of the following Iowa Curve: 70 R1.5. Mr. Watson relied on an Iowa Curve that included vintages from 1960 through 2009 and transaction detail for retirements from 1987 through 2009. This represents a 70-year life with a dispersion characteristic identified as R1.5. Mr. Pous, on behalf of the City of Amarillo, contended that the remaining service life should be 46.50 years. The remaining life calculation of the City of Amarillo was based, in part, upon the application of the following Iowa Curve: 78 R1.5. This represents a 78-year life with a dispersion characteristic identified as R1.5. Mr. Pous relied on an Iowa Curve that included vintages from 1927 through 2009 and transaction detail for retirements from 1987 through 2009. The disagreement focuses upon the perceived service life of the account.

Mr. Pous generally contended that the company did not provide any support for its selection of the Iowa Curve. Mr. Pous was also critical of the statistical fit provided by the 70 R1.5 life curve selected by Mr. Watson. He was critical of the reliance on a short survivor curve which he asserted was misleading. Instead, he argued that the company should base its analysis on a curve that included data from 1927 through 2009. He argued that this provided more meaningful information for the life analysis. He also contended that the 70 R1.5 life curve was simply not a good fit for data points produced by the observed life table. He contended that it was a particularly bad fit for data points produced at 25 years of age and beyond. Whereas his proposed 78 R1.5 life-curve provided a better overall fit.

Mr. Pous also contended that there was empirical evidence that suggested that a longer service life was appropriate for this account. First, he contended that company personnel stated that the investment could achieve a service life of 75 years with proper installation and no other forces of retirement. Mr. Pous suggested that the equipment in this account could achieve even a service life of 80 years. Second, Mr. Pous argued that the industry now installs more reliable longer-lasting pipe and uses improved fusion joints. All of these practices tend to extend the life of installed pipe.

Mr. Watson responded by asserting that by relying on an overall placement band that spanned from 1927 through 2009, Mr. Pous violated a prime tenant of actuarial analysis and ignored trends from more recent placement years. Mr. Watson argued that examining the 1960 through 2009 placement band, as he did, includes a much higher level of the predominant assets currently in service. This would likely produce more representative future life characteristics for the account. Nevertheless, the band is still broad enough that it still takes into account older

assets. Mr. Watson also provided data to establish that the best statistical fit was, in fact, the 70 R1.5 life curve.

Mr. Watson also made five assertions that support the reasonableness of the proposed life curve of 70 R1.5. First, he contended that Mr. Pous ignored other forces of retirement such as fusion-joint issues, third-party damage, and regulatory requirements. Second, only cathodically protected pipe may experience a 75-year service life and the West Texas Division includes over 400 miles of unprotected pipe. Third, the 70 R1.5 life curve, as an average, necessarily includes pipe that is over 70 years old and pipe that is less than 70 years old. Fourth, a survey conducted by the American Gas Association EEI Depreciation Committee showed that the average life based on dollar weighting is 54 years. Fifth, the Commission has previously found that the average service life for this account ranges from 45 years to 60 years.¹⁶

The Examiners find that Atmos has established that the 70 R1.5 life curve provides the best statistical fit. Furthermore, Atmos established that it was reasonable to exclude a placement band that included the period from 1927 through 2009. As noted by Mr. Watson, the placement band that included data from 1960 through 2009 was broad enough to include older assets and, at the same time, was reflective of more recent trends. Atmos established that the following factors support the selection of the 70 R1.5 life curve:

- An average service life of more than 70 years ignores other forces of retirement such as fusion-joint issues, third party damage, and regulatory requirements.
- Only cathodically protected pipe may experience a 75-year service life and the West Texas Division includes over 400 miles of unprotected pipe.
- The 70 R1.5 life curve, as an average, necessarily includes pipe that is over 70 years old and pipe that is less than 70 years old.
- A survey conducted by the American Gas Association EEI Depreciation Committee showed that the average life based on dollar weighting is 54 years.
- An average service life of 70 years is longer than the average service life previously established for this asset.

The Examiners find that Atmos has established that its requested service life for this account is just and reasonable.

ii. Account 380 – Services

Account 380 – Services consists of all types of services used in distribution operations including the cost of installed service pipes and accessories leading to the customers' premises. A complete service begins with the connection on the main and extends to, but does not include, the connection with the customers' meter.¹⁷ Mr. Watson, on behalf of Atmos, calculated a

¹⁶ GUD Nos. 9670 (60 years all pipe, 45 valves), GUD No. 9902 (53 years – plastic; 48 years – steel), and GUD No. 10038 (60 years plastic, 55 years steel). Atmos Ex. 12, Rebuttal Testimony of Dane A. Watson, p. 19.

¹⁷ Atmos Ex. 10, Direct Testimony of Dane A. Watson, Exhibit DAW – 1, p. 20, Amarillo Ex. 1, Direct Testimony of Jacob Pous, p. 16, & 18 CFR pt. 201 (Balance Sheet Account) Account 380.

remaining life for Account 380 of 42.42 years. The remaining life calculation was based, in part, upon the application of the following Iowa Curve: 60 R3. Mr. Watson relied on an Iowa Curve that included vintages from 1960 through 2009 and transaction detail for retirements from 1987 through 2009. This represents a 60-year life and with a dispersion characteristic identified as R3. Mr. Pous, on behalf of the City of Amarillo, contended that the remaining service life should be 46.50 years. The remaining life calculation of the City of Amarillo was based, in part, upon the application of the following Iowa Curve: 68 R2.5. This represents a 68-year life with a dispersion characteristic identified as R2.5. Mr. Pous relied on an Iowa Curve that included vintages from 1927 through 2009 and transaction detail for retirements from 1987 through 2009. The focus of the dispute among the parties is upon the life of the assets.

Mr. Pous' objections to the 60 R3 life curve echoes his objection to the Iowa Curve selected by Atmos for Account 376. The difference in the dispersion curve is not explained. As to the 60-year life for the assets in this account, Mr. Pous asserted that the company's proposal significantly understates the reasonable average service life for this account. He contended that a placement-experience band combination of 1927 through 2009 is more reasonable than the placement-experience band combination of 1960 through 2009 and 1987 through 2009. He argued that a placement-experience band with a lower percent surviving rate should be used to glean a meaningful analysis. He maintained that use of the 68 R2.5 survivor curve is a better statistical fit. He also reiterated the allegation that the longer service life is supported by statements of company personnel that these assets can achieve a 75-year service life if properly installed.

Mr. Watson responded by noting that the widest band of data relied on by Mr. Pous discounts and ignores data presented in the depreciation study itself. Mr. Watson ran placement bands that encompassed the period from 1970 through 2009 and 1987 through 2009. Each of those produced a better statistical fit. The 1980 through 2009 band suggested an even shorter service life of 52 years. He also noted that empirical observations that are not part of the statistical analysis support this result. Again, a survey conducted by the AGA EEI Depreciation Committee showed that the average life based on dollar weighting is 40 years. Further, the Commission has previously approved an even shorter service life for the assets in this account.¹⁸

The Examiners find that the proposed average service life for this account is reasonable. Atmos has established that the Iowa Curve identified as 60 R3 produced the best statistical fit and the reasonableness of this curve is supported by the following factors: A survey conducted by the AGA EEI Depreciation Committee showed that the average life based on dollar weighting is 40 years and the proposed service life is consistent with Commission precedent.

b. Net Salvage

Net salvage is defined as the salvage value of property retired less the cost of removal. The salvage value is the amount received for property retired, less any expenses incurred in connection with the sale or in preparing the property for sale. Finally, the cost of removal is defined as the cost of demolishing, dismantling, tearing down or otherwise removing plant

¹⁸ GUD No. 9670, 9762, 9869 (35 years), GUD No. 9902 (44 years – plastic, 40 years – steel), and GUD No. 10038 (44 years).

including the cost of transportation and handling incidental thereto. In summary, net salvage is simply the value received for the sale, reuse, or reimbursement of retired property (gross salvage) less the cost of retiring such property (cost of removal).¹⁹

Atmos selected a negative net salvage of 80% for Account 380. Mr. Watson explained that the net salvage level was calculated based upon the original installed cost of the asset. As an example, he posited an asset with an original installed cost of \$36 in 1958. Adjusted for inflation, the current installed cost would be \$500. In his example, the removal cost of this asset was set hypothetically at \$50. Mr. Watson argued that it would be incorrect to calculate a negative 10 percent removal cost based upon the current cost of installation (\$50/\$500). Instead, the removal cost percentage must be calculated on the originally installed cost. In his example, that would yield a negative 138.9 percent removal cost for that asset (\$50/\$36). The City of Amarillo does not challenge the general methodology in calculating net salvage.

Instead, Mr. Pous suggested that there are fundamental problems with the accounting for removal expenses that make suspect Mr. Watson's calculation.²⁰ Mr. Pous also appeared to imply that Mr. Watson's decision to rely on rolling averages over a ten-year period produced incongruous results.

As to the accounting issues, Mr. Pous asserted that the negative net salvage values identified in Mr. Watson's study were on their face unreasonable. Mr. Pous contended that the company's accounting policies may arbitrarily skew the removal costs and contribute to the allegedly excessive negative net salvage values found in Mr. Watson's study. He contended that evidence in Mr. Watson's notes revealed that the company handles the cost of removal differently in association with replacement activity depending on the project and the type of asset. Thus, in certain instances, 50% of the cost of an overall replacement project is assigned to cost of removal for both service and meter investments and, in some instances 10% is assigned to cost of removal where actual costs are tracked. Additionally, Mr. Pous noted that the negative net salvage value requested, 80%, contrasted sharply with the negative net salvage level experienced in 2005 and 2009. In 2005 the net salvage value was a negative 4.9% and in 2009 the net salvage value was a negative 16.5%. Mr. Pous also contended that Mr. Watson's assertion that the study must rely on a band analysis or rolling averages is not supported by any factual bases. Finally, Mr. Pous argued that there are economies of scale that should be taken into account that would tend to reduce the removal costs.

Mr. Watson responded by asserting that Mr. Pous ignored the actual history experienced by the company. Mr. Watson argued that the band analysis or rolling average is necessary to account for timing differences that occur when retirements and removal costs are booked. Mr. Watson contended that the arguments regarding economies of scale are speculative. Finally, Mr. Watson asserted that the proposed negative net salvage value is consistent with Commission precedent.

¹⁹ City of Amarillo Ex. 1, Direct Testimony of Jacob Pous, p. 20, Atmos Ex. Direct Testimony of Dane A. Watson, DAW 1, p. 33, 18 CFR Pt. 201.

²⁰ It is difficult to summarize the testimony of Mr. Pous on this issue as the precise criticism is not clearly articulated in the record.

The criticism raised by Mr. Pous in this proceeding is consistent with the criticism raised by Mr. Pous in prior proceedings. In this proceeding the Examiners again find that a division of Atmos Energy Corporation has established that the proposed negative net salvage value is just and reasonable. The evidence presented in this proceeding reveals that the normalized net salvage value for the last nine years is a negative net salvage value of 214.93%.²¹ By applying the methodology described in the September 2009 Study, Mr. Watson determined that the net salvage value was a negative 158.2%. Based on discussions with company personnel on how the costs are recorded and judgment, the study recommended limiting the net salvage to half of the overall indications, or approximately a negative 80% net salvage. As in prior proceeding, the allegations raised by the City of Amarillo regarding the recording of costs are not sufficiently detailed to establish a record upon which to reject the company's historical analysis. No evidence was presented to support the allegation that the booking of removal expenses was invalid. Absent such evidence the record is devoid of any basis on which to conclude that the historical record reflected in the September 2009 Study was invalid. The Examiners find that the utility has established that the net salvage for Account 380 of a negative 80% is just and reasonable.

c. Affiliate Expenses

Blueflame Insurance Service, Ltd. (Blueflame) is a wholly-owned incorporated subsidiary of the company. Blueflame provides insurance services to Atmos Energy Corporation. All of the West Texas Division property, plant, and equipment are covered through property insurance provided by Blueflame. Those services are provided at cost and without markup. Blueflame does not provide services to any entity other than Atmos and its affiliates. Blueflame is managed on a day-to-day basis by Aon Risk Manager – Bermuda (Aon). Robert J. Smith testified that the costs included in the cost of service for property insurance provided by Blueflame are reasonable and necessary. Premiums charged to the West Texas Division are determined in the same manner as every other division and affiliate of Atmos and the rate of \$0.085 per \$100 of gross plant is the same for all affiliates.

The Examiners find that the company has established that the services provided by Blueflame are necessary and the rates for those services are just and reasonable. Furthermore, the company has established that the price to the Amarillo Rate Division for that service is not higher than the prices charged by the supplying affiliate to its other affiliates or other division or to a nonaffiliated person. Finally, the Examiners find that the request in this case is consistent with prior Commission decisions.

9. Rate of Return

a. Introduction

In setting a gas utility's rates, the regulatory authority shall establish the utility's overall revenues at an amount that will permit the utility an opportunity to earn a reasonable return on the utility's invested capital used and useful in providing service to the public in excess of its

²¹ This is the average value of the annual net salvage values found in the September 2009 Study, Atmos Ex. 10, DAW-1, Appendix D: $[(241.7) + (154.5) + (367.0) + (23.2) + (4.9) + (170.1) + (371.4) + (585.0) + (16.5)]/9$

reasonable and necessary operating expenses. The regulatory authority may not establish a rate that yields more than a fair return on the adjusted value of the invested capital used and useful in providing service to the public.

As noted by the Austin Court of Appeals in *Railroad Commission of Texas v. Lone Star Gas Company*, to achieve the rate of return that a utility should be allowed to earn, the regulatory agency should consider the cost to the utility of its capital expressed as follows: (1) interest on long-term debt; (2) dividends on preferred stock; and (3) earnings on common stock.²² As stated by the United States Supreme Court, the annual rate that will constitute just compensation depends upon many circumstances and must be determined by the exercise of a fair and enlightened judgment:

A public utility is entitled to such rates as will permit it to earn a return on the value of the property which it employs for the convenience of the public equal to that generally being made at the same time and in the same general part of the country on investments in other business undertakings which are attended by corresponding risks and uncertainties The return should be reasonably sufficient to assure confidence in the financial soundness of the utility, and should be adequate, under efficient and economical management, to maintain and support its credit and enable it to raise the money necessary for the proper discharge of its public duties. A rate of return may be reasonable at one time, and become too high or too low by changes affecting opportunities for investment, the money market, and business conditions generally.²³

b. Capital Structure

As noted above, Atmos Energy conducts regulated operations in twelve states through unincorporated divisions. The West Texas Division, which includes the Amarillo Rate Division, is one of the unincorporated divisions and is not a separate legal entity. All debt or equity funding of the operations performed by the West Texas Division and the other utility divisions must be issued by Atmos Energy as a whole, on a consolidated basis. Therefore, as noted by Robert J. Smith, the use of Atmos Energy consolidated capital structure is appropriate for use in setting rates. This capital structure approach is consistent with prior Commission precedent.²⁴ Mr. Smith indicated that the company's capital structure, adjusted to remove short-term debt, is as follows: (1) 49.90% long-term debt, and (2) 50.10% equity. This is the corporation's capital structure as of the quarter ending September 30, 2010.

The company did not include short-term debt in its capital structure. Mr. Smith asserted that the inclusion of short-term debt in the capital structure is only appropriate when a company historically relies on short-term debt as a permanent form of capital. Atmos Energy Corporation does not rely on short-term debt as a permanent form of capital. Rather, as stated by Mr. Smith, the corporation uses short-term debt primarily as a means to finance purchased gas costs to meet its needs for the heating season. The company's short-term balance often falls

²² *Railroad Commission of Texas v. Lone Star Gas Company*, 599 S.W.2d 659 (Tex. App. C Austin 1980).

²³ *Bluefield Water Works and Improvements Co. v. Public Serv. Comm'n of West Virginia*, 262 U.S. 679 (1923), see also, *Federal Power Comm'n v. Hope Natural Gas Co.*, 320 U.S. 591 (1942).

²⁴ Atmos Ex. 7, Direct Testimony of Robert J. Smith, GUD Nos., 9869, 9762, and 9670.

to zero and stays there during much of the spring and summer. He noted that at June 30, 2010, the end of the test year, the company had no short-term debt remaining. The Examiners find that the proposed capital structure is just and reasonable and recommend that the requested capital structure be approved.

c. Return on Equity

Atmos West Texas witness Dr. James Vander Weide provided testimony proposing a weighted average cost of capital of 8.79% based on a capital structure of 49.9% long term debt and 50.1% common equity with a 6.87% cost of long term debt and an recommended 10.7% cost of equity.²⁵ Atmos West Texas' proposed rate of return is summarized in the table below:

Table 2 Van der Weide recommended rate of return

	Capital Structure	Debt/Equity Cost	Weighted Average
Long-Term Debt	49.9%	6.87%	3.43%
Common Equity	50.1%	10.7%	5.36%
Rate of Return			8.79%

The City of Amarillo did not contest the Company's proposed rate of return or any of the elements of its derivation.

In the absence of a challenge from the City, the Examiners recommend adoption of Dr. Vander Weide's proposed rate of return for Atmos West Texas. In doing so however, the Examiners note that since the capital structure and equity estimation methodology Dr. Vander Weide presented was not at issue in this case, the Examiners make neither endorsement nor approval of this methodology as it was not directly addressed. This is consistent with the principle established in the *Hope* case that a reasonable result is pre-eminent to the methods employed in reaching that result.²⁶

10. Taxes

The company included calculations for federal income tax, based upon a 35% tax rate and the State Gross Margin tax based upon a 1% tax rate.²⁷ The company also provided calculations for *ad valorem* taxes and payroll taxes. The company adjusted the *ad valorem* tax expense to the 2010 amount paid, as of the time of the filing, for Amarillo. The adjustment was calculated to adjust the per book amount recorded to the amount paid. An adjustment was made to payroll tax to move the per book calculated rate to the statutory rate. The statutory rate was used to calculate the adjusted payroll tax amount using the adjusted labor expense. The Examiners find that the company's request for federal income tax, State Gross Margin tax, *ad valorem* taxes and payroll taxes to be just and reasonable.

²⁵ Atmos West Texas Exhibit 9, Vander Weide Direct, p. ln. 5-10.

²⁶ Federal Power Comm'n v. Hope Natural Gas Co., 320 U.S. 591 (1944).

²⁷ Atmos Ex. 1, Schedule F-6.

11. Allocation

Once the cost of service is determined, the regulatory authority must determine the appropriate allocation of costs among the various customer classes. Atmos provided a cost allocation proposal through the testimony of Thomas H. Petersen. He presented a Class Cost of Service Study intended to provide a fair and reasonable allocation of the company's cost of providing service to the classes of customers receiving utility services. The customer class groupings in the study followed the company's current tariff categories. He explained that the allocation factors were determined based on cost causation. To the extent possible the study generally followed Commission precedent. The Examiners find the minimum system analysis used in the Class Cost of Service Study is reasonable and that the overall allocation reflected in that study produced reasonable results.

12. Rate Design

Atmos currently operates two separate rate jurisdictions that represent the unincorporated areas of the Amarillo Rate Division. In order to eliminate a disparity in rates caused by timing differences, Atmos seeks to consolidate its rate schedules into a single set of rate schedules applicable to all customers within the unincorporated areas of the Amarillo Rated Division. Atmos has established that this request is reasonable and the Examiners recommend that the request be approved by the Commission. Further, the Examiners find that the proposed customer charge and volumetric rate for each class of customer is just and reasonable.

13. Tariffs

The company requested that the Gas Cost Adjustment rider (Rider GCA) be modified to allow the recovery of uncollectible gas costs through the Rider GCA. The request has previously been approved by the Commission for the unincorporated areas of the City of Amarillo and by all municipal regulators in the company's West Texas Division. Approval of the request in this case will allow the company to consolidate its various gas cost riders into a single Rider GCA. The Examiners find that Atmos has established that the propose Rider GCA is just and reasonable.

Atmos proposed that its Weather Normalization Adjustment Rider ("WNA") be applicable to state institution customers. The Rider WNA has already been approved by all municipal regulators of the Amarillo Rate Division. The Examiners find that inclusion of state institutions in the WNA Rider is reasonable. The company also proposed that the WNA Rider include a calculation based upon the use of 10-year normal weather data instead of 30-year normal weather data. The Examiners find that the use of a 10-year normal weather data in the WNA Rider is just and reasonable and consistent with prior Commission decision.

14. Conclusion

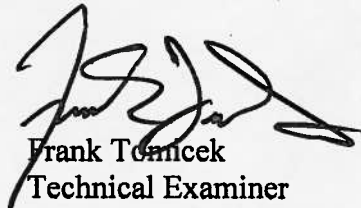
In this proceeding Atmos West Texas requested an overall revenue requirement, \$77,707. The company also sought to apply the proposed rates uniformly to the residential, commercial, industrial, and public service authority customers of the Amarillo Rate Division.

As part of this proceeding, Atmos sought approval of new depreciation rates. Additionally, the company requested consolidation of various (Gas Cost Adjustment) GCA riders into a single Rider GCA and approval of recovery of uncollectible gas costs through Rider GCA for the unincorporated areas of the Amarillo Rate Division. Atmos also requested that the Weather Normalization Adjustment rider (Rider WNA) applicable to state institution customers be consolidated into the existing WNA riders into a single Rider WNA that will apply throughout the unincorporated areas of the Amarillo Rate Division. Furthermore, the company requested approval of the use of 10-year normal weather data for the Rider WNA in place of 30-year year normal weather data. The Examiners recommend that the requested rate increase be approved, that the depreciation rates be found to be just and reasonable, and that the requested tariff changes be adopted.

Respectfully submitted,



Gene Montes
Hearings Examiner
Office of General Counsel



Frank Tomicek
Technical Examiner
Gas Services Division

RATE SCHEDULE:	RESIDENTIAL GAS SERVICE	
APPLICABLE TO:	AMARILLO SERVICE AREA – Outside City Limits (OCL)	
EFFECTIVE DATE:	Bills Rendered on and after 07/26/2011	PAGE:

Availability

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

Monthly Rate

Charge	Amount
Customer Charge	\$ 13.50
Commodity Charge	
All Consumption	\$ 0.04562 per Ccf

The West Texas Division Gas Cost Adjustment Rider applies to this schedule.

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

RATE SCHEDULE:	COMMERCIAL GAS SERVICE	
APPLICABLE TO:	AMARILLO SERVICE AREA – Outside City Limits (OCL)	
EFFECTIVE DATE:	Bills Rendered on and after 07/26/2011	PAGE:

Availability

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

Monthly Rate

Charge	Amount
Customer Charge	\$ 30.00
Commodity Charge	
All Consumption	\$ 0.04817 per Ccf

The West Texas Division Gas Cost Adjustment Rider applies to this schedule.

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

RATE SCHEDULE:	INDUSTRIAL GAS SERVICE	
APPLICABLE TO:	AMARILLO SERVICE AREA – Outside City Limits (OCL)	
EFFECTIVE DATE:	Bills Rendered on and after 07/26/2011	PAGE:

Availability

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

Monthly Rate

Charge	Amount
Customer Charge	\$ 100.00
Commodity Charge	
All Consumption	\$ 0.09088 per Ccf

The West Texas Division Gas Cost Adjustment Rider applies to this schedule.

RATE SCHEDULE:	PUBLIC AUTHORITY GAS SERVICE	
APPLICABLE TO:	AMARILLO SERVICE AREA – Outside City Limits (OCL)	
EFFECTIVE DATE:	Bills Rendered on and after 07/26/2011	PAGE:

Availability

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

Monthly Rate

Charge	Amount
Customer Charge	\$ 45.00
Commodity Charge	
All Consumption	\$ 0.09197 per Ccf

The West Texas Division Gas Cost Adjustment Rider applies to this schedule.

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

RATE SCHEDULE:	WEST TEXAS DIVISION GAS COST ADJUSTMENT (GCA) RIDER	
APPLICABLE TO:	ALL SERVICE AREAS IN THE WEST TEXAS DIVISION	
EFFECTIVE DATE:	Bills Rendered on and after 07/26/2011	PAGE:

Application

Gas bills issued under rate schedules to which this Rider applies will include adjustments to reflect decreases or increases in purchased gas costs or taxes. Purchased gas costs includes any prudently incurred transaction related fees, gains or losses and other transaction costs associated with the use of various financial instruments that are executed by the Company for the purpose of price volatility mitigation. Accumulated Deferred Gas Costs shall also be adjusted for gas cost amounts which are uncollectible. Any such adjustments shall be filed with the City's Secretary before the beginning of the month in which the adjustment will be applied to bills. The amount of each adjustment shall be computed as follows:

Gas Cost Adjustment (GCA)

The GCA to be applied to each Ccf billed shall be computed as follows and rounded to the nearest \$0.01:

$$GCA = (G/S + CF) \times TF$$

Where:

1. "G", in dollars, is the expected cost of gas for the expected sales billings units.
2. "S", in Ccf as measured at local atmospheric pressure, is the expected sales billing units to be billed to customers in the respective section of the Company's Amarillo and West Texas Service Area.
3. "CF", in \$/Ccf as measured at local atmospheric pressure, is the correction factor charge per Ccf to adjust for the cumulative monthly difference between the cost of gas purchased by the Company and the amount of gas cost billed to the customer plus any gas cost which is uncollectible.

More specifically, CF shall be calculated as follows:

$$CF = (a/b) + (c/b)$$

a = over (under) collection dollar amount for the 12 month period ending September.

b = expected estimated sales volumes for the future 12 month period ending November.

c = net uncollectible gas cost, that is:

(uncollectible gas cost for the previous 12 months ended September) – (subsequently collected gas cost for the previous 12 months ended September)

Once a year, on a 12 months ended September basis, the Company shall review the percentage of lost and unaccounted for gas. If this percentage exceeds 5% of the amount metered in, the correcting account balance will be reduced so that the customer will effectively be charged a maximum of 5% for lost and unaccounted for gas and the Company will absorb the excess.

4. "TF" is the tax factor. The tax factor for all unincorporated areas is 1. For incorporated areas the tax factor for each service area is calculated as: $1 / [1 - (SGR + FFR)]$ where SGR = the applicable state gross receipts rate imposed by sections 182-021 – 182-025 of the Texas Tax Code that is not otherwise collected by a separate rider and where FFR = the applicable franchise fee rate per city ordinance that is not otherwise collected by a separate rider.

RATE SCHEDULE:	WEST TEXAS DIVISION WEATHER NORMALIZATION ADJUSTMENT (WNA) RIDER	
APPLICABLE TO:	ALL SERVICE AREAS IN THE WEST TEXAS DIVISION	
EFFECTIVE DATE:	Bills Rendered on and after 07/26/2011	PAGE:

Provision for Adjustment

The base rate per Ccf (100,000 Btu) for gas service set forth in any Rate Schedules utilized in the City of Amarillo or its environs 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, commercial, public authority, and state institution bills based on meters read during the revenue months of October through May.

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	$R_i \frac{(HSF_i - (NDD-ADD))}{(BL_i + (HSF_i \times ADD))}$
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	= base rate of temperature sensitive sales for the i^{th} schedule or classification utilized
HSF	i	= heat sensitive factor for the i^{th} schedule or classification divided by the average bill count in that class
NDD	i	= billing cycle normal heating degree days
ADD	i	= 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	i	$WNAF_i \times q_{ji}$ Where q_{ji} is the relevant sales quantity for the j^{th} Customer in i^{th} rate schedule
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ATMOS ENERGY CORPORATION
AMARILLO ENVIRONS STATEMENT OF INTENT
REVENUE REQUIREMENTS BY SERVICE CLASS
TEST YEAR ENDING JUNE 30, 2010

Line No.	Description	Reference	Current Revenues	Proposed Revenues (1)	Proposed Change	Percent Change
	(a)	(b)	(c)	(d)	(e)	(f)
1	Residential	WP J-1 and J-4	\$ 11,507,729	\$ 13,446,961	\$ 1,939,232	16.85%
2	Commercial	WP J-1 and J-4	3,026,150	3,227,297	201,147	6.65%
3	Industrial	WP J-1 and J-4	257,368	263,703	6,336	6.65%
4	Public Authority	WP J-1 and J-4	791,441	856,400	64,960	8.21%
6	Other Revenue	WP J-2	967,632	967,632	-	0.00%
7						
8	Total Base Revenues	Sum Ln 1 through Ln 6	\$ 16,550,320	\$ 18,761,994	\$ 2,211,674	
9						
10						
11	Summary - Proposed Cost of Service:					
12	Operation and Maintenance Expenses	Schedule F-1		\$ 7,665,374		
13						
14	Taxes Other than Income Taxes	Schedule F-5		925,623		
15						
16	Depreciation and Amortization Expense	Schedule F-3		4,125,249		
17						
18	Interest on Customer Deposits	Schedule F-7		2,928		
19						
20	Rate Base	Schedule B	\$ 50,158,342			
21	Rate of Return	Schedule G	8.79%			
22		Col (c), Ln 20 x Ln 21		4,409,334		
23						
24	Income Taxes	Schedule F-6		1,633,506		
25	Revenue Requirements:	Sum Ln 12 through Ln 24		18,762,013		
26	Current Revenues	Col (c), Ln 8		16,550,320		
27						
28	Proposed Change - Prospective Rates	Ln 25 - Ln 26		\$ 2,211,694		
29						
30	Proposed Change Outside City Limits					
31	Prospective Rates			\$ 77,707		

Note:

1) Proposed Revenues are the result of the application of the proposed rates to billing determinants.

ATMOS ENERGY CORPORATION
AMARILLO ENVIRONS STATEMENT OF INTENT
RATE BASE
TEST YEAR ENDING JUNE 30, 2010

Line No.	Description	Ref	Amount per Books	Adjustment	Total Requested
	(a)	(b)	(c)	(d)	(e)
1	<u>Net Plant:</u>				
2	Gross Plant	Schedule C	\$ 98,554,282	\$ 7,822	\$ 98,562,104
3	Accumulated Depreciation	Schedule D	32,207,182	975	32,208,157
4	Total Net Plant	Ln 2 - Ln 3	<u>\$ 66,347,100</u>	<u>\$ 6,847</u>	<u>\$ 66,353,947</u>
5					
6	<u>Working Capital:</u>				
7	Prepayments	WP_B-4	\$ 165,506	\$ 36,327	\$ 201,833
8	Gas Stored - Current	WP_B-3	449,325	(10,728)	438,597
9	Materials & Supplies	WP_B-3	50,778	(88)	50,690
10	Cash Working Capital	Schedule E	-	-	-
11	Total Working Capital	Sum Ln 7 through Ln 10	<u>\$ 665,609</u>	<u>\$ 25,511</u>	<u>\$ 691,120</u>
12					
13	<u>Non-Investor Supplied Capital:</u>				
14	Customer Deposits	WP_B-5	\$ 1,541,192	\$ -	\$ 1,541,192
15	Customer Advances for Construction	WP_B-5	196,931	-	196,931
16	Injuries and Damages Reserve	WP_B-2	130,601	-	130,601
17	Accumulated Deferred Income Taxes	WP_B-6	15,114,210	(135,005)	14,979,206
18	Unrestored Investment Tax Credits	WP_B-7	-	38,291	38,291
19	Rate Base Adjustments	WP_B-1	-	504	504
20	Total Non-Investor Supplied Capital	Sum Ln 14 through Ln 19	<u>\$ 16,982,934</u>	<u>\$ (96,209)</u>	<u>\$ 16,886,725</u>
21					
22	<u>Rate Base</u>	Ln 4 + Ln 11 - Ln 20	<u>\$ 50,029,775</u>	<u>\$ 128,567</u>	<u>\$ 50,158,342</u>

ATMOS ENERGY CORPORATION
AMARILLO ENVIRONS STATEMENT OF INTENT
COMPONENTS OF RATE BASE- GROSS PLANT
TEST YEAR ENDING JUNE 30, 2010

Line No.	Utility Account	Account Description (b)	Reference (c)	Amount Per Books (d)	Adjustments (e)	Adjusted Amount (f)	West Texas		Amarillo Direct Allocation Factor (f)	Allocated Amount (g)
							General Office Allocation Factor (e)			
1	Amarillo Direct:									
2	Distribution Plant									
3	37401 Land		\$	16,862	\$	\$	100%	100%	100%	16,862
4	37402 Land Rights			32,774	-	32,774	100%	100%	100%	32,774
5	37500 Structures & Improvements			13,034	-	13,034	100%	100%	100%	13,034
6	37501 Struct. & Improv. - Frame			10,677	-	10,677	100%	100%	100%	10,677
7	37502 Struct. & Improv. - Land Rights			26,238	-	26,238	100%	100%	100%	26,238
8	37503 Struct. & Improv. - Improvements			30,700	-	30,700	100%	100%	100%	30,700
9	37600 Mains - Cathodic Protection			7,298,934	-	7,298,934	100%	100%	100%	7,298,934
10	37601 Mains - Steel			16,270,134	-	16,270,134	100%	100%	100%	16,270,134
11	37602 Mains - Plastic			21,689,490	-	21,689,490	100%	100%	100%	21,689,490
12	37700 Compressor Station Equipment			1,897,117	-	1,897,117	100%	100%	100%	1,897,117
13	37800 M&R Station Equipment - General			109,924	-	109,924	100%	100%	100%	109,924
14	37900 M&R Station Equipment - City Gate			22,362,407	-	22,362,407	100%	100%	100%	22,362,407
15	38000 Services			4,580,781	-	4,580,781	100%	100%	100%	4,580,781
16	38100 Meters			11,183,261	-	11,183,261	100%	100%	100%	11,183,261
17	38200 Meter Installations			1,706,580	-	1,706,580	100%	100%	100%	1,706,580
18	38300 House Regulators			235,126	-	235,126	100%	100%	100%	235,126
19	38400 House Regulator Installations			593,718	-	593,718	100%	100%	100%	593,718
20	38500 Industrial M&R Station Equipment			7,885	-	7,885	100%	100%	100%	7,885
21	38600 Other Property on Customers' Premises			375,794	-	375,794	100%	100%	100%	375,794
22	38700 Other Equipment									
23	Total (Sum Ln 3 through Ln 22)		\$	88,441,436	\$	88,441,436				\$
24										

ATMOS ENERGY CORPORATION
AMARILLO ENVIRONS STATEMENT OF INTENT
COMPONENTS OF RATE BASE- GROSS PLANT
TEST YEAR ENDING JUNE 30, 2010

Line No.	Utility Account	Account Description	Reference	West Texas			Adjusted Amount	Amarillo Direct		Allocated Amount
				(a)	(b)	(c)	(d)	(e)	(f)	(g)
25		General Plant								
26	30200	Franchises & Consents					1	100%	100%	\$ 1
27	38900	Land & Land Rights						100%	100%	
28	39000	Struct. & Improv.					267,506	100%	100%	267,506
29	39001	Struct. & Improv. - Frame						100%	100%	
30	39002	Struct. & Improv. - Brick						100%	100%	
31	39003	Struct. & Improv. - Improvements						100%	100%	
32	39004	Struct. & Improv. - Air Condition Equip.						100%	100%	
33	39009	Struct. & Improv. - Improv. to Leased Facilities					492,689	100%	100%	492,689
34	39100	Office Furniture & Equipment					693,001	100%	100%	693,001
35	39103	Office Furn. & Equip. - Office Machines						100%	100%	
36	39200	Transportation Equipment						100%	100%	
37	39300	Stores Equipment						100%	100%	
38	39400	Tools, Shop, and Garage Equipment					3,585	100%	100%	3,585
39	39500	Laboratory Equipment					433,521	100%	100%	433,521
40	39600	Power Operated Equipment						100%	100%	
41	39603	Power Op. Equip. - Ditchers						100%	100%	
42	39604	Power Op. Equip. - Backhoes					25,230	100%	100%	25,230
43	39605	Power Op. Equip. - Welders						100%	100%	
44	39700	Communication Equipment					1	100%	100%	1
45	39701	Communication Equip.					(772)	100%	100%	(772)
46	39702	Comm. Eq. - Fixed Radio					37,996	100%	100%	37,996
47	39705	Comm. Eq. - Telemetering					138,607	100%	100%	138,607
48	39800	Miscellaneous Equipment					2,758	100%	100%	2,758
49	39800	Other Tangible Property					430,195	100%	100%	430,195
50	39901	Other Tangible Property-Servers Hardware					16,671	100%	100%	16,671
51	39902	Other Tangible Property-Servers Software						100%	100%	
52	39906	Other Tangible Property-PC Hardware						100%	100%	
53	39907	Other Tangible Property-PC Software						100%	100%	
54		Total (Sum of Ln. 26 through Ln. 53)					644,162	100%	100%	644,162
55		Total Amarillo Direct (Ln 23 + Ln 54)					5,626	100%	100%	5,626
56							\$ 3,190,775			\$ 3,190,775
							\$ 91,632,212			\$ 91,632,212

ATMOS ENERGY CORPORATION
AMARILLO ENVIRONS STATEMENT OF INTENT
COMPONENTS OF RATE BASE- GROSS PLANT
TEST YEAR ENDING JUNE 30, 2010

Line No.	Utility Account	Account Description (b)	Reference (c)	Amount Per Books (d)	Adjustments (e)	Adjusted Amount (f)	West Texas		Amarillo Direct Allocation Factor (f)	Allocated Amount (g)
							General Office Allocation Factor (e)			
57		Texas Division General Office (Div 10):								
58		General Plant								
59	39009	Struct. & Improv. - Improv. to Leased Facilities	\$	666,706	\$ -	666,706	100%	22.20%	\$	147,980
60	39100	Office Furniture & Equipment		302,525	-	302,525	100%	22.20%		67,147
61	39103	Office Furn. & Equip. - Office Machines		-	-	-	100%	22.20%		-
62	39200	Transportation Equipment		-	-	-	100%	22.20%		-
63	39400	Tools, Shop, and Garage Equipment		140,555	-	140,555	100%	22.20%		31,197
64	39700	Communication Equipment		-	-	-	100%	22.20%		-
65	39701	Communication Equip.		-	-	-	100%	22.20%		-
66	39702	Comm. Eq. - Fixed Radio		-	-	-	100%	22.20%		-
67	39705	Comm. Eq. - Telemetering		-	-	-	100%	22.20%		-
68	39800	Miscellaneous Equipment		-	-	-	100%	22.20%		-
69	39901	Other Tangible Property-Servers Hardware		238,780	-	238,780	100%	22.20%		52,999
70	39902	Other Tangible Property-Servers Software		323,596	-	323,596	100%	22.20%		71,824
71	39903	Other Tangible Property-Network-Hardware		-	-	-	100%	22.20%		-
72	39905	Other Tangible Property-MF Hardware		-	-	-	100%	22.20%		-
73	39906	Other Tangible Property-PC Hardware		992,204	-	992,204	100%	22.20%		220,226
74	39907	Other Tangible Property-PC Software		32,177	-	32,177	100%	22.20%		7,142
75	39908	Other Tangible Property-Application Software		-	-	-	100%	22.20%		-
76		Total Texas Div. General Office Plant Allocated to Amarillo (Sum Ln 59 through Ln 75)		\$ 2,696,543	\$ -	\$ 2,696,543			\$	598,516
77										
78		Total Amarillo Plant (Ln 55 + Ln 76)							\$	92,230,727
79										
80										

ATMOS ENERGY CORPORATION
AMARILLO ENVIRONS STATEMENT OF INTENT
COMPONENTS OF RATE BASE- GROSS PLANT
TEST YEAR ENDING JUNE 30, 2010

Line No.	Utility Account	Account Description	Reference	West Texas		Adjusted Amount	Amarillo Direct		Allocated Amount
				(c)	(d)	(e)	(f)	(g)	
81		SSU - General Office (Div 2):							
82		General Plant							
83	39009	Improvements to Leased Premises		\$	9,145,051				
84	39100	Office Furniture & Equipment			11,475,202	(892,013)			
85	39102	Remittance Processing Equipment			-	-			
86	39103	Office Furniture & Equipment			-	-			
87	39200	Transportation Equipment			-	-			
88	39300	Stores Equipment			-	-			
89	39400	Tools & Work Equipment			83,933	-			
90	39700	Communication Equipment - Telephone			2,141,281	-			
91	39800	Miscellaneous Equipment			212,276	-			
92	39900	Other Tangible Property			162,268	-			
93	39901	Other Tangible Property-Servers Hardware			19,208,894	-			
94	39902	Other Tangible Property-Servers Software			11,893,273	-			
95	39903	Other Tangible Property-Network-Hardware			3,465,695	-			
96	39904	Other Tangible Property-CPU			1,095,465	-			
97	39905	Other Tangible Property-MF Hardware			1,159,964	-			
98	39906	Other Tangible Property-PC Hardware			5,112,936	-			
99	39907	Other Tangible Property-PC Software			1,565,666	-			
100	39908	Other Tangible Property-Application Software			75,651,627	(112,672)			
101	39909	Other Tangible Property-System Software			2,575,367	-			
102	39924	Other Tangible Property-GenStartupCost			-	-			
103		Total (Sum Ln 83 through Ln 102)			\$ 145,061,572	\$ (1,004,685)		\$	2,244,602
104		SSU - General Office:							
105		General Plant							
106		Greenville Data Center (010.11520)							
107	39005	G-Structures & Improvements		\$	8,601,074	-			
108	39104	G-Office Furniture & Equip.		\$	63,119	-			
109		Total (Sum of Ln. 107 through Ln. 108)		\$	8,664,193	-		\$	52,370
110									
111		Total SSU General Office (Line 112 plus Line 118)		\$	153,725,766	\$ (1,004,685)		\$	2,286,972
112									
113									

ATMOS ENERGY CORPORATION
AMARILLO ENVIRONS STATEMENT OF INTENT
COMPONENTS OF RATE BASE- GROSS PLANT
TEST YEAR ENDING JUNE 30, 2010

Line No.	Utility Account	Account Description	Reference	West Texas			Amarillo Direct			
				General Office Allocation Factor	Adjusted Amount	Allocation Factor	Allocated Amount			

ATMOS ENERGY CORPORATION
AMARILLO ENVIRONS STATEMENT OF INTENT
COMPONENTS OF RATE BASE- ACCUMULATED DEPRECIATION
TEST YEAR ENDING JUNE 30, 2010

Line No.	Account (a)	Account Description (b)	Reference (c)	Amount Per Books (d)	Adjustments (e)	Adjusted Amount (f)	West Texas		Amarillo Direct Allocation Factor (f)	Allocated Amount (g)
							General Office Allocation Factor (e)			
Amarillo Direct (Div 3, 6, 13, 17, 18)										
1		Distribution Plant								
2	37401	Land		\$ -	\$ -	-	100%	100%	100%	\$ -
3	37402	Land Rights		29,259		29,259	100%	100%	100%	29,259
4	37500	Structures & Improvements		2,423		2,423	100%	100%	100%	2,423
5	37501	Struct. & Improv. - Frame		9,627		9,627	100%	100%	100%	9,627
6	37502	Struct. & Improv. - Land Rights		26,238		26,238	100%	100%	100%	26,238
7	37503	Struct. & Improv. - Improvements		30,700		30,700	100%	100%	100%	30,700
8	37600	Mains - Cathodic Protection		1,905,620		1,905,620	100%	100%	100%	1,905,620
9	37601	Mains - Steel		5,070,629		5,070,629	100%	100%	100%	5,070,629
10	37602	Mains - Plastic		4,991,782		4,991,782	100%	100%	100%	4,991,782
11	37700	Compressor Station Equipment		-		-	100%	100%	100%	-
12	37800	M&R Station Equipment - General		1,450,798		1,450,798	100%	100%	100%	1,450,798
13	37900	M&R Station Equipment - City Gate		27,757		27,757	100%	100%	100%	27,757
14	38000	Services		10,050,192		10,050,192	100%	100%	100%	10,050,192
15	38100	Meters		1,831,857		1,831,857	100%	100%	100%	1,831,857
16	38200	Meter Installations		(2,554,568)		(2,554,568)	100%	100%	100%	(2,554,568)
17	38300	House Regulators		1,205,949		1,205,949	100%	100%	100%	1,205,949
18	38400	House Regulator Installations		214,736		214,736	100%	100%	100%	214,736
19	38500	Industrial M&R Station Equipment		591,260		591,260	100%	100%	100%	591,260
20	38600	Other Property on Customers' Premises		7,885		7,885	100%	100%	100%	7,885
21	38700	Other Equipment		148,293		148,293	100%	100%	100%	148,293
22		Total (Sum Ln 2 through Ln 21)		\$ 25,040,439	\$ -	\$ 25,040,439				\$ 25,040,439
23										

ATMOS ENERGY CORPORATION
AMARILLO ENVIRONS STATEMENT OF INTENT
COMPONENTS OF RATE BASE- ACCUMULATED DEPRECIATION
TEST YEAR ENDING JUNE 30, 2010

Line No.	Account (a)	Account Description (b)	Reference (c)	Amount Per Books (d)	Adjustments (e)	Adjusted Amount (f)	West Texas		Allocated Amount (g)
							General Office Allocation Factor (e)	Amarillo Direct Allocation Factor (f)	
24	General Plant	Franchises & Consents					100%	100%	\$ -
25	30200	Land & Land Rights		\$ -	-	-	100%	100%	-
26	38900	Struct. & Improv.		-	-	-	100%	100%	17,209
27	39000	Struct. & Improv. - Frame		17,209	-	17,209	100%	100%	-
28	39001	Struct. & Improv. - Brick		-	-	-	100%	100%	-
29	39002	Struct. & Improv. - Brick		-	-	-	100%	100%	-
30	39003	Struct. & Improv. - Improvements		-	-	-	100%	100%	-
31	39004	Struct. & Improv. - Air Condition Equip.		-	-	-	100%	100%	-
32	39009	Struct. & Improv. - Improv. to Leased Facilities		492,689	-	492,689	100%	100%	492,689
33	39100	Office Furniture & Equipment		62,992	-	62,992	100%	100%	62,992
34	39103	Office Furn. & Equip. - Office Machines		(770)	-	(770)	100%	100%	(770)
35	39200	Transportation Equipment		109,705	-	109,705	100%	100%	109,705
36	39300	Stores Equipment		2,758	-	2,758	100%	100%	2,758
37	39400	Tools, Shop, and Garage Equipment		30,036	-	30,036	100%	100%	30,036
38	39600	Power Operated Equipment		19,561	-	19,561	100%	100%	19,561
39	39603	Power Op. Equip. - Ditchers		-	-	-	100%	100%	-
40	39604	Power Op. Equip. - Backhoes		(576)	-	(576)	100%	100%	(576)
41	39605	Power Op. Equip. - Welders		(49)	-	(49)	100%	100%	(49)
42	39700	Communication Equipment		(35,428)	-	(35,428)	100%	100%	(35,428)
43	39701	Comm. Eq. - Telemetering		4,716	-	4,716	100%	100%	4,716
44	39702	Comm. Eq. - Fixed Radio		7,704	-	7,704	100%	100%	7,704
45	39705	Miscellaneous Equipment		(49,489)	-	(49,489)	100%	100%	(49,489)
46	39800	Other Tangible Property		29,194	-	29,194	100%	100%	29,194
47	39801	Other Tangible Property-Servers Hardware		630	-	630	100%	100%	-
48	39802	Other Tangible Property-Servers Software		(10,615)	-	(10,615)	100%	100%	(10,615)
49	39806	Other Tangible Property-PC Hardware		(16,444)	-	(16,444)	100%	100%	(16,444)
50	39807	Other Tangible Property-PC Software		513,970	-	513,970	100%	100%	513,970
51	39807	Other Tangible Property-Application Software		(8,782)	-	(8,782)	100%	100%	(8,782)
52	39808	Total (Sum Ln 25 through Ln 52)		(1,463)	-	(1,463)	100%	100%	(1,463)
53				\$ 1,167,549	\$ -	\$ 1,166,919			\$ 1,166,919
54				\$ -		\$ -			\$ -
55	RWIP	Retirement Work In Progress		(1,814,331)		(1,814,331)	100%		(1,814,331)
56				\$ -		\$ -			\$ -
57		Total Amarillo Direct (Ln 22 + Ln 53 + Ln 55)		24,393,657	-	24,393,027			28,021,689
58									

ATMOS ENERGY CORPORATION
AMARILLO ENVIRONS STATEMENT OF INTENT
COMPONENTS OF RATE BASE- ACCUMULATED DEPRECIATION
TEST YEAR ENDING JUNE 30, 2010

Line No.	Account (a)	Account Description (b)	Reference (c)	Amount Per Books (d)	Adjustments (e)	Adjusted Amount (f)	West Texas		Allocated Amount (g)	
							General Office Allocation Factor (e)	Amarillo Direct Allocation Factor (f)		
59	Texas Division General Office (Div 10):									
60	General Plant									
61	39009	Struct. & improv. - Improv. to Leased Facilities		\$ 391,192	\$ -	\$ 391,192	100%	22.20%	\$ 86,828	
62	39100	Office Furniture & Equipment		(41,016)	-	(41,016)	100%	22.20%	(9,104)	
63	39103	Office Furn. & Equip. - Office Machines		37,126	-	37,126	100%	22.20%	8,240	
64	39200	Transportation Equipment		184,978	-	184,978	100%	22.20%	36,618	
65	39400	Tools, Shop, and Garage Equipment		33,731	-	33,731	100%	22.20%	7,487	
66	39700	Communication Equipment		(180,766)	-	(180,766)	100%	22.20%	(40,122)	
67	39701	Communication Equip.		55	-	55	100%	22.20%	12	
68	39702	Comm. Eq. - Fixed Radio		(52,031)	-	(52,031)	100%	22.20%	(11,549)	
69	39705	Comm. Eq. - Telemetering		-	-	-	100%	22.20%	-	
70	39800	Miscellaneous Equipment		(360,359)	-	(360,359)	100%	22.20%	(79,984)	
71	39901	Other Tangible Property-Servers Hardware		(88,346)	-	(88,346)	100%	22.20%	(19,609)	
72	39902	Other Tangible Property-Servers Software		(7,106)	-	(7,106)	100%	22.20%	(1,577)	
73	39903	Other Tangible Property-Network Hardware		(273,835)	-	(273,835)	100%	22.20%	(60,780)	
74	39905	Other Tangible Property-NF Hardware		(91,215)	-	(91,215)	100%	22.20%	(20,246)	
75	39906	Other Tangible Property-PC Hardware		774,115	-	774,115	100%	22.20%	171,820	
76	39907	Other Tangible Property-PC Software		12,569	-	12,569	100%	22.20%	2,790	
77	39908	Other Tangible Property-Application Software		(177,336)	-	(177,336)	100%	22.20%	(39,361)	
78	RWIP	Retirement Work In Progress		136,052	-	136,052	100%	22.20%	30,198	
79	Total Texas Div. General Office Depreciation Allocated to WTX (Ln 61 through Ln 78)						\$ 277,806	\$ -	\$ 277,806	\$ 61,661
80										\$ 28,083,350
81	Total WTX (Ln 57 + Ln 79)									
82										
83										

ATMOS ENERGY CORPORATION
AMARILLO ENVIRONS STATEMENT OF INTENT
COMPONENTS OF RATE BASE- ACCUMULATED DEPRECIATION
TEST YEAR ENDING JUNE 30, 2010

Line No.	Account (a)	Account Description (b)	Reference (c)	Amount Per Books (d)	Adjustments (e)	Adjusted Amount (f)	West Texas		Allocated Amount (g)
							General Office Allocation Factor (e)	Amarillo Direct Allocation Factor (f)	
84	SSU - General Office (Div 2)								
85	General Plant								
86	39009	Improvements to Leased Premises		7,430,758	\$ (111,258)	\$ 7,319,500			\$ 125,151
87	39005	G-Structures & Improvements (Greenville Data Center)		232,693	-	232,693			1,659
88	39100	Office Furniture & Equipment		6,989,426	-	6,989,426			123,744
89	39102	Remittance Processing Equipment		5,860	-	5,860			98
90	39103	Office Furn. - Copiers & Type		2,888	-	2,888			41
91	39104	G-Office Furniture & Equip. (Greenville Data Center)		919	-	919			3
92	39200	Transportation Equipment		7,675	-	7,675			124
93	39300	Stores Equipment		758	-	758			13
94	39400	Tools & Work Equipment		5,488	-	5,488			94
95	39700	Communication Equipment - Telephone		592,314	-	592,314			9,398
96	39800	Miscellaneous Equipment		52,703	-	52,703			602
97	39900	Other Tangible Property		25,188	-	25,188			404
98	39901	Other Tangible Property-Servers Hardware		6,172,349	-	6,172,349			118,855
99	39902	Other Tangible Property-Servers Software		2,825,448	-	2,825,448			52,115
100	39903	Other Tangible Property-Network-Hardware		1,302,696	-	1,302,696			23,505
101	39904	Other Tangible Property-CPU		1,110,347	-	1,110,347			18,687
102	39905	Other Tangible Property-MF Hardware		1,173,931	-	1,173,931			19,807
103	39906	Other Tangible Property-PC Hardware		4,385,478	-	4,385,478			77,150
104	39907	Other Tangible Property-PC Software		1,491,216	-	1,491,216			26,391
105	39908	Other Tangible Property-Application Software			(13,932)				605,321
106	39909	Other Tangible Property-System Software		38,555,140	-	38,541,208			46,201
107	39924	Other Tangible Property-GenStartupCost		2,715,471	-	2,715,471			(138)
108	RWIP	Retirement Work In Progress		0	-	0			
109		Total (Sum Ln 86 through Ln 108)		75,078,901	(125,190)	74,953,557			\$ 1,249,225
110									

ATMOS ENERGY CORPORATION
AMARILLO ENVIRONS STATEMENT OF INTENT
COMPONENTS OF RATE BASE- ACCUMULATED DEPRECIATION
TEST YEAR ENDING JUNE 30, 2010

Line No.	Account	Account Description	Reference	Amount Per Books	Adjustments	Adjusted Amount	West Texas		Allocated Amount
							General Office Allocation Factor	Amarillo Direct Allocation Factor	
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
111	SSU - Customer Support:								
112	General Plant								
113	39009	Improvements to Leased Premises		2,239,834	\$ 111,258	\$ 2,351,092			\$ 51,765
114	39100	Office Furniture & Equipment		42,347	-	42,347			1,221
115	39102	Remittance Processing Equipment		-	-	-			-
116	39103	Office Furniture & Equipment		-	-	-			-
117	39200	Transportation Equipment		-	-	-			-
118	39300	Stores Equipment		-	-	-			-
119	39400	Tools & Work Equipment		-	-	-			-
120	39700	Communication Equipment - Telephone		13,936,809	-	13,936,809			324,183
121	39800	Miscellaneous Equipment		812	-	812			17
122	39800	Other Tangible Property		(1,031)	-	(1,031)			(30)
123	39901	Other Tangible Property-Servers Hardware		11,000,531	-	11,000,531			261,036
124	39902	Other Tangible Property-Servers Software		7,319,071	-	7,319,071			170,952
125	39903	Other Tangible Property-Network-Hardware		414,510	-	414,510			10,475
126	39904	Other Tangible Property-CPU		-	-	-			-
127	39905	Other Tangible Property-MF Hardware		-	-	-			-
128	39906	Other Tangible Property-PC Hardware		3,286,693	-	3,286,693			80,287
129	39907	Other Tangible Property-PC Software		2,633,473	-	2,633,473			72,352
130	39908	Other Tangible Property-Application Software		64,594,215	13,932	64,608,147			1,380,272
131	39909	Other Tangible Property-System Software		-	-	-			-
132	39924	Other Tangible Property-GenStartupCost		22,925,389	-	22,925,389			523,054
133		Total (Sum Ln 113 through Ln 132)		\$ 128,392,653	\$ 125,190	\$ 128,517,844			\$ 2,875,582
134									
135									
136		Total SSU Accumulated Depreciation Allocated to Amarillo (Ln 109 + Ln 133)		\$ 203,471,554	\$ -	\$ 203,471,401			\$ 4,124,807
137									
138		Total Amarillo Rate Division Accumulated Depreciation (Ln 81 + Ln 136)							\$ 32,208,157
139									
140									

Note:
1. Shared Services Allocated Amount reflects the reserve resulting from the Life to Date Jurisdictional approved SSU depreciation rates.

ATMOS ENERGY CORPORATION
CASH WORKING CAPITAL
COST OF SERVICE SCHEDULES AND WORKPAPERS
TWELVE MONTHS ENDED JUNE 30, 2010

Line No.	Description	Test Year Expenses	Ref	Avg. Daily Expense	Revenue Lag	Expense Lag	Net Lag	Working Capital Requirement
1								
2								
3								
4								
5								
6								
7								
8								
9								
10								
11								
12								
13								
14								

Proposing zero Cash Working Capital as consistent with previous decisions in West Texas rate divisions.

ATMOS ENERGY CORPORATION
AMARILLO ENVIRONS STATEMENT OF INTENT
OPERATION AND MAINTENANCE EXPENSES
TEST YEAR ENDING JUNE 30, 2010

Line No.	FERC Acct	Description	Amarillo Direct	Div 15	Div 15 Allocation	Adjustments	Adjusted Amount
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
					19.32%		
1	840	Natural gas storage - Operation supervision and engineering	\$ -	\$ -	\$ -	-	\$ -
2	841	Natural gas storage - Operation labor and expenses	\$ -	-	-	-	\$ -
3	856	Transmission - Mains expenses	\$ -	-	-	-	\$ -
4	857	Transmission - Measuring and regulating station expenses	\$ -	-	-	-	\$ -
5	861	Transmission - Maintenance supervision	\$ -	-	-	-	\$ -
6	863	Transmission - Maintenance of mains	\$ 4,538	-	-	13	\$ 4,549
7	865	Transmission - Maintenance of measuring equipment	\$ -	-	-	-	\$ -
8	870	Operation Supervision and Engineering	\$ 251,143	-	-	(15,758)	\$ 235,385
9	871	Distribution Load Dispatching	\$ 15,721	-	-	-	\$ 15,721
10	874	Mains and Services Expenses	\$ 865,600	-	-	19,763	\$ 885,363
11	875	Measuring and Regulating Station Expenses - General	\$ 151,845	-	-	6,019	\$ 157,963
12	876	Measuring and Regulating Station Expenses - Industrial	\$ 223	-	-	-	\$ 223
13	877	Measuring and Regulating Station Exp. - City Gate Chk. Sta.	\$ 19,418	-	-	-	\$ 19,418
14	878	Meter and House Regulator Expenses	\$ 302,384	-	-	17,990	\$ 320,373
15	879	Customer Installations Expenses	\$ 21,025	-	-	1,069	\$ 22,094
16	880	Other Expenses	\$ 16,143	-	-	77	\$ 16,220
17	881	Rents	\$ 284,848	-	-	-	\$ 284,848
18	885	Maintenance Supervision and Engineering	\$ 1,320	-	-	-	\$ 1,320
19	886	Maintenance of Structures and Improvements	\$ 390	-	-	-	\$ 390
20	887	Maintenance of Mains	\$ 24,185	-	-	2	\$ 24,188
21	888	Distribution - Maintenance of Compressor Station Equipment	\$ -	-	-	-	\$ -
22	889	Maint. of Measuring and Regulating Station Equip. - General	\$ 17	-	-	-	\$ 17
23	890	Maint. of Measuring and Regulating Station Equip. - Industrial	\$ -	-	-	-	\$ -
24	891	Maint. of Measuring and Regulating Station Equip. - City Gate	\$ -	-	-	-	\$ -
25	892	Maintenance of Services	\$ -	-	-	-	\$ -
26	893	Maintenance of Meters and House Regulators	\$ -	-	-	-	\$ -
27	894	Maintenance of Other Equipment	\$ (1,631)	-	-	-	\$ (1,631)
28	901	Supervision	\$ 939	-	-	44	\$ 983
29	902	Meter Reading Expense	\$ 261,646	-	-	12,984	\$ 274,630
30	903	Customer Records and Collection Expenses	\$ 279,775	-	-	12,332	\$ 292,107
31	904	Uncollectible Accounts	\$ 133,652	625,643	120,855	(60,487)	\$ 184,021
32	905	Customer Accounts - Miscellaneous Customer Accounts Expense	\$ -	-	-	-	\$ -
33	908	Customer Assistance Expenses	\$ 7	-	-	-	\$ 7
34	909	Informational and Instructional Advertising Expenses	\$ 90,092	-	-	3,511	\$ 93,603
35	910	Miscellaneous Customer Service and informational Expenses	\$ -	-	-	-	\$ -
36	911	Supervision	\$ 2,050	-	-	-	\$ 2,050
37	912	Demonstrating and Selling Expenses	\$ 124,098	53,007	10,239	3,291	\$ 137,629
38	913	Advertising Expenses	\$ 10,279	-	-	-	\$ 10,279
39	920	A&G - Administrative and General Salaries	\$ 29,526	-	-	3,286	\$ 32,812
40	921	Office Supplies and Expenses	\$ 23,138	-	-	-	\$ 23,138
41	922	Administrative Expenses Transferred - Credit	\$ 3,927,171	161,196	31,138	(27,422)	\$ 3,930,887
42	923	Outside Services Employed	\$ 16,344	17,704	3,420	-	\$ 19,764
43	924	Property Insurance	\$ 48,367	-	-	559	\$ 48,926
44	925	Injuries and Damages	\$ 38,413	-	-	(35,000)	\$ 3,413
45	926	Employee Pensions and Benefits	\$ 583,033	21,773	4,206	32,228	\$ 619,467
46	930	Miscellaneous General Expense	\$ -	-	-	-	\$ -
47	931	A&G - Rents	\$ 15,439	-	-	-	\$ 15,439
48							
49	Total O&M Expenses (Sum of Lines 1 through 47)		\$ 7,521,013	\$ 879,323	\$ 169,859	\$ (25,498)	\$ 7,665,374

ATMOS ENERGY CORPORATION
AMARILLO ENVIRONS STATEMENT OF INTENT
ADJUSTMENTS TO OPERATION AND MAINTENANCE EXPENSES
TEST YEAR ENDING JUNE 30, 2010

Line No.	FERC Account	Account Description	Base Labor	Medical and Dental Benefits	Pensions and Retirement Benefits	Property Insurance	Employee Expense	SSU Service-Level Factors	Miscellaneous Adjustments	Uncollectible Expense	Rule Compliance	Total
(a)	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
1	840	Natural gas storage - Operation supervision and engineering	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	841	Natural gas storage - Operation labor and expenses	-	-	-	-	-	-	-	-	-	-
3	856	Transmission - Mains expenses	-	-	-	-	-	-	-	-	-	-
4	857	Transmission - Measuring and regulating station expenses	-	-	-	-	-	-	-	-	-	-
5	861	Transmission - Maintenance supervision	-	-	-	-	-	-	-	-	-	-
6	863	Transmission - Maintenance of mains	13	-	-	-	-	-	-	-	-	13
7	865	Transmission - Maintenance of measuring equipment	-	-	-	-	-	-	-	-	-	-
8	870	Operation Supervision and Engineering	6,837	-	-	-	(22,565)	-	-	-	-	19,763
9	871	Distribution Load Dispatching	-	-	-	-	-	-	-	-	-	6,019
10	874	Mains and Services Expenses	19,763	-	-	-	-	-	-	-	-	19,763
11	875	Measuring and Regulating Station Expenses - General	6,019	-	-	-	-	-	-	-	-	6,019
12	876	Measuring and Regulating Station Expenses - Industrial	-	-	-	-	-	-	-	-	-	-
13	877	Measuring and Regulating Station Exp. - City Gate Chk. Sta.	-	-	-	-	-	-	-	-	-	-
14	878	Measuring and Regulating Station Expenses	17,980	-	-	-	-	-	-	-	-	17,980
15	879	Meter and House Regulator Expenses	1,069	-	-	-	-	-	-	-	-	1,069
16	880	Customer Installations Expenses	77	-	-	-	-	-	-	-	-	77
17	881	Rents	-	-	-	-	-	-	-	-	-	-
18	885	Maintenance Supervision and Engineering	-	-	-	-	-	-	-	-	-	-
19	886	Maintenance of Structures and Improvements	-	-	-	-	-	-	-	-	-	-
20	887	Maintenance of Mains	2	-	-	-	-	-	-	-	-	2
21	888	Distribution - Maintenance of Compressor Station Equipment	-	-	-	-	-	-	-	-	-	-
22	889	Maint. of Measuring and Regulating Station Equip. - General	-	-	-	-	-	-	-	-	-	-
23	890	Maint. of Measuring and Regulating Station Equip. - Industrial	-	-	-	-	-	-	-	-	-	-
24	891	Maint. of Measuring and Regulating Station Equip. - City Gate	-	-	-	-	-	-	-	-	-	-
25	892	Maintenance of Services	-	-	-	-	-	-	-	-	-	-
26	893	Maintenance of Meters and House Regulators	-	-	-	-	-	-	-	-	-	-
27	894	Maintenance of Other Equipment	-	-	-	-	-	-	-	-	-	-
28	901	Meter Reading Expenses	44	-	-	-	-	-	-	-	-	44
29	902	Customer Records and Collection Expenses	12,984	-	-	-	-	-	-	-	-	12,984
30	903	Uncollectible Accounts	12,332	-	-	-	-	-	-	(60,487)	-	12,332
31	904	Customer Accounts - Miscellaneous Customer Accounts Expense	-	-	-	-	-	-	-	-	-	-
32	905	Customer Assistance Expenses	-	-	-	-	-	-	-	-	-	-
33	908	Informational and Instructional Advertising Expenses	3,511	-	-	-	-	-	-	-	-	3,511
34	909	Miscellaneous Customer Service and Informational Expenses	-	-	-	-	-	-	-	-	-	-
35	910	Supervision	-	-	-	-	-	-	-	-	-	-
36	911	Demonstrating and Selling Expenses	-	-	-	-	-	-	-	-	-	-
37	912	Advertising Expenses	3,751	-	-	-	-	-	-	-	-	3,751
38	913	A&G - Administrative and General Salaries	3,286	-	-	-	-	-	-	-	-	3,286
39	920	Office Supplies and Expenses	-	-	-	-	-	-	-	-	-	-
40	921	Administrative Expenses Transferred - Credit	-	-	-	-	-	-	-	-	-	-
41	922	Outside Services Employed	70,333	7,432	17,870	93	(5,860)	(113,004)	(3,898)	-	(388)	(27,422)
42	923	Property Insurance	-	-	-	-	-	-	-	-	-	-
43	924	Injuries and Damages	-	-	-	-	-	-	-	-	-	-
44	925	Employee Pensions and Benefits	-	-	-	559	-	-	-	-	-	559
45	926	Miscellaneous General Expense	-	37,451	(5,223)	-	-	-	(35,000)	-	-	(35,000)
46	930	A&G - Rents	-	-	-	-	-	-	-	-	-	-
47	931		-	-	-	-	-	-	-	-	-	-
48			-	-	-	-	-	-	-	-	-	-
49			-	-	-	-	-	-	-	-	-	-
Total Adjustments to O&M Expenses			\$ 168,012	\$ 44,883	\$ 12,647	\$ 662	\$ (28,455)	\$ (113,004)	\$ (39,358)	\$ (60,487)	\$ (388)	\$ (25,498)
Adjustment Reference:			WP_F-2.1	WP_F-2.2	WP_F-2.3	WP_F-2.4	WP_F-2.6	WP_F-2.7	WP_F-2.8	WP_F-2.9	WP_F-2.10	

Note: WP_F-2.5 is intentionally blank and not included.

ATMOS ENERGY CORPORATION
AMARILLO ENVIRONS STATEMENT OF INTENT
DEPRECIATION AND AMORTIZATION EXPENSE
TEST YEAR ENDING JUNE 30, 2010

Line No.	Account	Account Description	Total Plant	Non-depreciable and Fully Depreciated Plant	Depreciable Plant	Current Rates	Current Depreciation Expense	Proposed Rates	Proposed Depreciation Expense	Change in Rates
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	
Amarillo Direct (Div 3 & 13)										
1	Distribution Plant									
2	37401	Land	\$ 16,389	\$ 16,389	-	3.00%	-	0.00%	-	-
3	37402	Land Rights	27,698	27,698	-	4.06%	-	1.59%	-	-
4	37500	Structures & Improvements	13,034	-	13,034	4.06%	529	3.05%	398	(132)
5	37501	Struct. & Improv. - Frame	10,162	-	10,162	4.06%	413	3.05%	311	(103)
6	37502	Struct. & Improv. - Land Rights	25,972	25,972	-	4.06%	-	3.05%	-	-
7	37503	Struct. & Improv. - Improvements	30,700	30,700	-	4.06%	-	3.05%	-	-
8	37600	Mains - Cathodic Protection	8,695,842	-	8,695,842	2.28%	151,322	2.68%	179,443	28,122
9	37601	Mains - Steel	15,483,228	-	15,483,228	2.28%	349,821	2.68%	414,950	65,030
10	37602	Mains - Plastic	21,247,252	-	21,247,252	2.28%	480,168	2.68%	588,428	89,238
11	37700	Compressor Station Equipment	-	-	-	0.00%	-	3.33%	-	-
12	37800	M&R Station Equipment - General	1,840,350	13,084	1,827,266	4.06%	74,187	2.65%	48,423	(25,764)
13	37800	M&R Station Equipment - General	105,489	-	105,489	4.06%	4,282	3.92%	4,134	(148)
14	38000	M&R Station Equipment - City Gate	21,593,040	-	21,593,040	4.06%	878,677	3.55%	766,553	(110,125)
15	38100	Meters	4,375,935	-	4,375,935	4.06%	177,663	5.97%	261,243	83,580
16	38100	Meters	10,089,495	-	10,089,495	4.06%	409,634	6.62%	667,925	258,291
17	38200	Meter Installations	1,632,729	-	1,632,729	4.06%	66,289	5.89%	96,168	29,879
18	38300	House Regulators	225,421	1,635	223,786	4.06%	9,088	5.54%	12,388	3,312
19	38400	House Regulator Installations	-	-	-	4.06%	-	4.04%	-	-
20	38500	Industrial M&R Station Equipment	581,882	581,882	-	4.06%	-	1.82%	-	-
21	38600	Other Property on Customers' Premises	7,885	7,885	-	4.06%	-	4.15%	15,225	330
22	38700	Other Equipment	368,876	-	368,876	4.06%	14,865	-	-	-
Total - Distribution (Sum Ln 12 through Ln 21)			\$ 84,388,988	\$ 705,056	\$ 83,683,932		\$ 2,615,085		\$ 3,036,597	\$ 421,511

ATMOS ENERGY CORPORATION
AMARILLO ENVIRONS STATEMENT OF INTENT
DEPRECIATION AND AMORTIZATION EXPENSE
TEST YEAR ENDING JUNE 30, 2010

Line No.	Account	Account Description	Total Plant	Non-depreciable and Fully Depreciated Plant	Depreciable Plant	Current Rates	Current Depreciation Expense	Proposed Rates	Proposed Depreciation Expense	Change in Rates
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
25	General Plant									
26	30200	Franchises & Consents	\$	\$	-	0.00%	8,025	0.00%	8,988	963
27	39000	Struct. & Improv.	287,508	-	287,508	3.00%	-	3.36%	-	-
28	39001	Struct. & Improv. - Frame	-	-	-	3.00%	-	3.36%	-	-
29	39002	Struct. & Improv. - Brick	-	-	-	3.00%	-	3.36%	-	-
30	39003	Struct. & Improv. - Improvements	-	-	-	3.00%	-	3.36%	-	-
31	39004	Struct. & Improv. - Air Condition Equip.	-	-	-	3.00%	-	3.36%	-	-
32	39008	Struct. & Improv. - Improv. to Leased Facilities	470,001	470,001	-	7.00%	1,938	2.67%	57,284	55,327
33	39100	Office Furniture & Equipment	691,588	-	691,588	0.28%	-	8.28%	-	-
34	39103	Office Furn. & Equip. - Office Machines	-	-	-	20.00%	-	8.28%	-	-
35	39200	Transportation Equipment	-	-	-	28.86%	-	3.10%	-	-
36	39300	Stores Equipment	308	-	308	6.04%	19	2.86%	9	(10)
37	39400	Tools, Shop, and Garage Equipment	431,322	-	431,322	6.04%	26,052	7.07%	30,494	4,443
38	39600	Power Operated Equipment	25,230	-	25,230	10.00%	2,523	8.84%	2,230	(283)
39	39603	Power Op. Equip. - Ditchers	-	-	-	10.00%	-	8.84%	-	-
40	39604	Power Op. Equip. - Backhoes	-	-	-	10.00%	-	8.84%	-	-
41	39605	Power Op. Equip. - Welders	1	-	1	10.00%	0	8.84%	0	(9)
42	39700	Communication Equipment	(772)	-	(772)	2.56%	(20)	18.12%	(148)	(128)
43	39701	Communication Equip.	37,988	-	37,988	6.88%	2,614	18.12%	7,285	4,661
44	39702	Comm. Eq. - Fixed Radio	118,435	-	118,435	0.55%	640	18.12%	22,262	21,622
45	39705	Comm. Eq. - Telemetering	2,758	-	2,758	8.81%	285	18.12%	527	242
46	39800	Miscellaneous Equipment	427,811	-	427,811	5.36%	22,931	10.45%	44,708	21,776
47	39900	Other Tangible Property	16,571	-	16,571	20.00%	3,334	20.00%	3,334	-
48	39901	Other Tangible Property-Servers Hardware	-	-	-	20.00%	-	18.82%	-	-
49	39902	Other Tangible Property-Servers Software	-	-	-	15.45%	-	14.29%	-	-
50	39906	Other Tangible Property-PC Hardware	-	-	-	20.00%	-	19.82%	-	-
51	39907	Other Tangible Property-PC Software	5,828	-	5,828	15.45%	899	23.19%	1,305	435
52	Total - General Plant (Sum Ln 26 through Ln 53)		\$ 3,138,841	\$ 470,001	\$ 2,668,839		\$ 188,021		\$ 304,622	\$ 108,801
53	Total - Amarillo Direct Div 3 and 13 (Ln 23 + Ln 54)		\$ 87,505,829	\$ 1,175,057	\$ 86,330,771		\$ 2,813,108		\$ 3,341,219	\$ 528,112
54										
55	Amarillo Direct (Div 6, 17 & 18):									
56	Distribution Plant									
57	37401	Land	\$	\$	473	0.00%	-	0.00%	-	-
58	37402	Land Rights	473	473	-	3.00%	119	1.58%	62	(57)
59	37500	Structures & Improvements	5,078	1,101	3,975	3.00%	-	3.05%	-	-
60	37501	Struct. & Improv. - Frame	-	485	-	3.00%	-	3.05%	-	-
61	37502	Struct. & Improv. - Land Rights	288	-	-	3.00%	-	3.05%	-	-
62	37503	Struct. & Improv. - Improvements	-	-	-	0.00%	-	3.05%	-	-
63	37600	Mains - Cathodic Protection	603,282	-	603,282	1.82%	10,980	2.88%	16,168	5,188
64	37601	Mains - Steel	788,908	134,149	652,759	1.82%	11,880	2.88%	17,484	5,614
65	37602	Mains - Plastic	442,238	108,248	333,991	1.82%	6,079	2.88%	8,951	2,872
66	37700	Compressor Station Equipment	56,767	56,767	-	0.00%	-	3.33%	-	-
67	37800	M&R Station Equipment - General	4,455	-	4,455	3.00%	134	2.85%	175	41
68	37900	M&R Station Equipment - City Gate	788,388	54,638	714,728	3.00%	21,442	3.92%	25,373	3,931
69	38000	Services	204,846	-	204,846	0.00%	-	5.97%	12,229	12,229
70	38100	Meters	1,083,788	1,925	1,081,841	0.00%	32,755	6.82%	72,280	39,525
71	38200	Meter Installations	73,850	18,985	56,865	3.00%	1,706	5.89%	3,349	1,643
72	38300	House Regulators	8,405	1,282	7,123	3.00%	253	5.54%	488	214
73	38400	House Regulator Installations	12,028	-	12,028	3.00%	381	4.04%	488	125
74	38500	Industrial M&R Station Equipment	-	-	-	3.00%	-	1.82%	-	-
75	38600	Other Property on Customers' Premises	8,918	-	8,918	3.00%	288	4.15%	370	103
76	38700	Other Equipment	-	-	-	3.00%	-	-	-	-
77	Total - Distribution (Sum Ln 57 through Ln 76)		\$ 4,072,449	\$ 378,318	\$ 3,694,130		\$ 85,976		\$ 157,404	\$ 71,428
78										
79	General Plant									
80	30200	Franchises & Consents	\$	\$	-	0.00%	-	0.00%	-	-
81										

ATMOS ENERGY CORPORATION
AMARILLO ENVIRONS STATEMENT OF INTENT
DEPRECIATION AND AMORTIZATION EXPENSE
TEST YEAR ENDING JUNE 30, 2010

Line No.	Account	Account Description	Total Plant	Non-depreciable and Fully Depreciated Plant	Depreciable Plant	Current Rates	Current Depreciation Expense	Proposed Rates	Proposed Depreciation Expense	Change in Rates
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
82	390000	Struct. & Improv.	-	-	-	-	-	3.98%	-	-
83	390009	Struct. & Improv. - Improv. to Leased Facilities	22,887	22,887	-	0.00%	-	2.67%	-	-
84	391000	Office Furniture & Equipment	1,413	1,413	-	8.67%	-	8.28%	-	-
85	391033	Office Furn. & Equip. - Office Machines	-	-	-	20.00%	-	8.28%	-	-
86	392000	Transportation Equipment	-	-	-	20.00%	-	3.10%	-	-
87	393000	Stores Equipment	3,278	3,278	-	10.00%	-	2.88%	-	-
88	394000	Tools, Shop, and Garage Equipment	2,188	2,188	-	10.00%	-	7.07%	-	-
89	398000	Power Operated Equipment	-	-	-	0.00%	-	8.84%	-	-
90	398003	Power Op. Equip. - Ditchers	-	-	-	0.00%	-	8.84%	-	-
91	398004	Power Op. Equip. - Backhoes	-	-	-	0.00%	-	8.84%	-	-
92	398005	Power Op. Equip. - Welders	-	-	-	0.00%	-	8.84%	-	-
93	397000	Communication Equipment	-	-	-	10.00%	-	18.12%	-	-
94	397001	Communication Equip.	-	-	-	8.67%	-	18.12%	4,239	2,780
95	397002	Comm. Eq. - Fixed Radio	22,172	-	22,172	8.67%	1,479	18.12%	-	-
96	397005	Comm. Eq. - Telemetering	-	-	-	0.00%	-	18.12%	-	-
97	398000	Miscellaneous Equipment	2,384	-	2,384	10.00%	238	10.45%	249	11
98	398001	Other Tangible Property-Servers Hardware	-	-	-	0.00%	-	18.82%	-	-
99	398002	Other Tangible Property-Servers Software	-	-	-	0.00%	-	14.29%	-	-
100	398006	Other Tangible Property-PC Hardware	-	-	-	0.00%	-	18.62%	-	-
101	399007	Other Tangible Property-PC Software	-	-	-	20.00%	-	23.18%	-	-
102		Total - General Plant (Sum Ln 81 through Ln 101)	\$ 54,135	\$ 29,578	\$ 24,558		\$ 1,717		\$ 4,488	\$ 2,771
103		Total Amarillo Direct (Ln 83 + Ln 78 + Ln 102)	\$ 81,832,212	\$ 1,580,954	\$ 80,051,258		\$ 2,900,789		\$ 3,503,111	\$ 602,311

Schedule F-3
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ATMOS ENERGY CORPORATION
AMARILLO ENVIRONS STATEMENT OF INTENT
DEPRECIATION AND AMORTIZATION EXPENSE
TEST YEAR ENDING JUNE 30, 2010

Line No.	Account (a)	Account Description (b)	Total Plant (c)	Non-depreciable and Fully Depreciated Plant (d)	Depreciable Plant (e)	Current Rates (f)	Current Depreciation Expense (g)	Proposed Rates (h)	Proposed Depreciation Expense (i)	Change in Rates (j)
133	SSU - General Office (Div 21):									
134	General Plant									
135	39009	Improvements to Leased Premises	\$ 8,145,051	-	\$ 8,145,051	9.10%	\$ 832,200	9.10%	\$ 832,200	\$ -
136	391	Office Furniture & Equipment	11,475,202	-	11,475,202	2.13%	244,422	2.13%	244,422	-
137	39102	Remittance Processing Equipment	-	-	-	2.13%	-	2.13%	-	-
138	39103	Office Furn. - Copiers & Type	-	-	-	10.32%	-	10.32%	-	-
139	392	Transportation Equipment	-	-	-	10.32%	-	10.32%	-	-
140	393	Stores Equipment	-	-	-	10.32%	-	10.32%	-	-
141	394	Tools & Work Equipment	83,933	-	83,933	10.32%	8,662	10.32%	8,662	-
142	397	Communication Equipment - Telephones	2,141,281	-	2,141,281	8.45%	180,938	8.45%	180,938	-
143	398	Miscellaneous Equipment	212,278	-	212,278	8.15%	17,300	8.15%	17,300	-
144	399	Other Tangible Property	162,268	-	162,268	4.66%	7,562	4.66%	7,562	-
145	399.01	Other Tangible Property-Servers Hardware	19,208,864	-	19,208,864	6.85%	1,335,018	6.85%	1,335,018	-
146	399.02	Other Tangible Property-Servers Hardware	11,893,273	-	11,893,273	4.00%	475,731	4.00%	475,731	-
147	399.03	Other Tangible Property-Network-Hardware	3,465,685	-	3,465,685	9.30%	322,310	9.30%	322,310	-
148	399.04	Other Tangible Property-CPU	1,095,465	-	1,095,465	10.32%	-	10.32%	-	-
149	399.05	Other Tangible Property-MF Hardware	1,159,964	1,095,465	-	10.32%	-	10.32%	-	-
150	399.06	Other Tangible Property-PC Hardware	5,112,936	1,159,964	-	14.86%	759,782	14.86%	759,782	-
151	399.07	Other Tangible Property-Application Software	1,595,668	1,595,668	-	9.02%	-	9.02%	-	-
152	399.08	Other Tangible Property-System Software	75,764,299	1,595,668	-	11.11%	8,417,414	11.11%	8,417,414	-
153	399.09	Other Tangible Property-GenStartupCost	2,575,367	2,575,367	-	10.32%	-	10.32%	-	-
154			-	-	-	15.86%	-	15.86%	-	-
155		Total - General Office (Sum Ln 135 through Ln 154)	\$ 145,081,572	\$ 6,398,463	\$ 138,683,109		\$ 12,601,339		\$ 12,601,339	\$ -
156		Allocation Factor - Texas Division					7.02%		7.02%	
157		Allocation Factor - WTX					22.20%		22.20%	
158		General Office Allocated to WTX								
159		(Ln 158 times Ln 157 times Ln 156)								
160										
161	SSU - General Office (Div 21):									
162	General Plant									
163	Greenville Data Center (010.11520)									
164	39005	G-Structures & Improvements	\$ 8,601,074	-	\$ 8,601,074	9.10%	\$ 782,698	9.10%	\$ 782,698	\$ -
165	39104	G-Office Furniture & Equip.	63,119	-	63,119	2.13%	1,344	2.13%	1,344	-
166		Total (Sum of Ln. 164 through Ln. 165)	\$ 8,664,193	\$ -	\$ 8,664,193		\$ 784,042		\$ 784,042	\$ -
167		Allocation Factor - Texas Division					2.72%		2.72%	
168		Allocation Factor - Amarillo					22.20%		22.20%	
169		General Office Allocated to Amarillo								
170		(Ln 168 times Ln 167 times Ln 166)								
171										
172		Total SSU General Office (Line 158 plus Line 169)					\$ 4,739		\$ 4,739	\$ -
							\$ 201,085		\$ 201,085	\$ -

ATMOS ENERGY CORPORATION
AMARILLO ENVIRONS STATEMENT OF INTENT
DEPRECIATION AND AMORTIZATION EXPENSE
TEST YEAR ENDING JUNE 30, 2010

Line No.	Account	Account Description	Total Plant (c)	Non-depreciable and Fully Depreciated Plant (d)	Depreciable Plant (e)	Current Rates (f)	Current Depreciation Expense (g)	Proposed Rates (h)	Proposed Depreciation Expense (i)	Change In Rates (j)
173	SSU - Customer Support (Div 12):									
174	General Plant									
175	39009	Improvements to Leased Premises	\$ 3,545,452	-	\$ 3,545,452	9.10%	\$ 322,638	9.10%	\$ 322,638	\$ -
176	391	Office Furniture & Equipment	433,853	-	433,853	2.13%	9,241	2.13%	9,241	-
177	391.02	Remittance Processing Equipment	-	-	-	2.13%	-	2.13%	-	-
178	391.03	Office Furniture & Equipment	-	-	-	10.32%	-	10.32%	-	-
179	392	Transportation Equipment	-	-	-	10.32%	-	10.32%	-	-
180	393	Stores Equipment	-	-	-	10.32%	-	10.32%	-	-
181	394	Tools & Work Equipment	-	-	-	10.32%	-	10.32%	-	-
182	397	Communication Equipment - Telephone	-	-	-	8.45%	2,145,059	8.45%	2,145,059	-
183	398	Miscellaneous Equipment	-	-	-	8.15%	164	8.15%	164	-
184	399	Other Tangible Property	2,007	-	2,007	4.86%	-	4.86%	-	-
185	399.01	Other Tangible Property-Servers Hardware	11,752,671	-	11,752,671	8.85%	816,811	8.85%	816,811	-
186	399.02	Other Tangible Property-Servers Software	7,323,861	-	7,323,861	4.00%	292,859	4.00%	292,859	-
187	399.03	Other Tangible Property-Network-Hardware	633,322	-	633,322	9.30%	58,889	9.30%	58,889	-
188	399.04	Other Tangible Property-CPU	-	-	-	10.32%	-	10.32%	-	-
189	399.05	Other Tangible Property-WF Hardware	-	-	-	10.32%	-	10.32%	-	-
190	399.06	Other Tangible Property-PC Hardware	4,447,807	-	4,447,807	14.88%	660,944	14.88%	660,944	-
191	399.07	Other Tangible Property-PC Software	3,234,325	-	3,234,325	9.02%	281,736	9.02%	281,736	-
192	399.08	Other Tangible Property-Application Software	91,716,471	-	91,716,471	11.11%	10,189,922	11.11%	10,189,922	-
193	399.09	Other Tangible Property-System Software	-	-	-	10.32%	-	10.32%	-	-
194	399.24	Other Tangible Property-GenStartupCost	-	-	-	15.89%	-	15.89%	-	-
195		Total (Sum Ln 175 through Ln 184)	23,172,328	23,172,328	148,477,113		\$ 14,788,367		\$ 14,788,367	\$ -
196		Allocation Factor - Texas Division	\$ 171,848,439	\$ 23,172,328	\$ 148,477,113		9.37%		9.37%	
197		Allocation Factor - Amarillo					24.94%		24.94%	
198		Total - Customer Support Allocated to Amarillo (Ln 185 times Ln 186 times Ln 187)					\$ 345,559		\$ 345,559	\$ -
199										
200										
201										
202										
203										
		Total SSU Depreciation Expense Allocated to Amarillo (Ln 171 + Ln 186)					\$ 548,844		\$ 548,844	\$ -
		Total Amarillo Direct Depreciation Expense (Ln 130 + Ln 201)					\$ 4,125,249		\$ 4,125,249	\$ 599,539

ATMOS ENERGY CORPORATION
AMARILLO ENVIRONS STATEMENT OF INTENT
TAXES OTHER THAN INCOME TAX - ACCOUNT 408.1
TEST YEAR ENDING JUNE 30, 2010

Line No.	Description	Per Book Amount	Adjustments	Adjusted Amount
	(a)	(b)	(c)	(d)
1	<u>Non-Revenue Related</u>			
2	Ad Valorem Tax (1)	\$ 679,523	\$ 12,596	\$ 692,119
3	Payroll Tax (1)	140,937	6,707	147,645
4	Taxes Allocated (2)	106,088	(20,229)	85,859
5	Total Non-Revenue Related (Sum Ln 2 through Ln 4)	\$ 926,548	\$ (925)	\$ 925,623

Notes:

1. Includes Amarillo Direct Divisions and Division 10 direct expense (allocated to Amarillo Divisions)
2. Taxes-Other allocated from SSU to Division 10 to Amarillo Divisions

ATMOS ENERGY CORPORATION
AMARILLO ENVIRONS STATEMENT OF INTENT
FEDERAL INCOME TAX
TEST YEAR ENDING JUNE 30, 2010

Line No.	Description (a)	Amount (b)
1	Return on Rate Base	\$ 4,409,334
2		
3	Interest Expense:	
4	Rate Base	\$ 50,158,342
5	Weighted Cost of Debt (1)	3.43%
6		<u>\$ 1,720,515</u>
7		
8	Taxable component of return (Ln. 1 minus Ln. 6)	\$ 2,688,820
9		
10	Tax factor (1 / .65) * (.35)	<u>53.85%</u>
11		
12	Federal Income Taxes	<u>\$ 1,447,826</u>
13		
14	Note:	
15	1. Source Schedule G, Col (b) Ln 17.	

ATMOS ENERGY CORPORATION
AMARILLO ENVIRONS STATEMENT OF INTENT
STATE FRANCHISE ("GROSS MARGIN") TAX
TEST YEAR ENDING JUNE 30, 2010

Line No.	Description (a)	Account (b)	Amount (c)
1	Total Proposed Operating Revenues		
2	Less:		
3	Taxes Other Than Federal Income Tax- Revenue Related	480-495	\$ 18,762,013
4	Bad Debt Expense, not included in Purchased Gas Costs	408.1 904	194,021
5	Gross Profit (Ln 1 - Ln 3 - Ln 4)		\$ 18,567,993
6	Tax Rate		1%
7	Tax Due (Ln 5 times Ln 6)	409.1	\$ 185,680

ATMOS ENERGY CORPORATION
AMARILLO ENVIRONS STATEMENT OF INTENT
TOTAL INCOME TAXES
TEST YEAR ENDING JUNE 30, 2010

Line No.	Description (a)	Amount (b)
1	Federal Income Tax (Page 1, Col (b), Ln 12)	\$ 1,447,826
2	State Income Tax (Page 2, Col (c), Ln 7)	185,680
3		
4	Total Income Tax	\$ <u>1,633,506</u>

**ATMOS ENERGY CORPORATION
AMARILLO ENVIRONS STATEMENT OF INTENT
INTEREST EXPENSE - CUSTOMER DEPOSITS
TEST YEAR ENDING JUNE 30, 2010**

Line No.	Description (a)	Amount (b)
1	Customer Deposits - Adjusted	\$ 1,541,192
2		
3	Interest Rate (1)	<u>0.19%</u>
4		
5	Interest on Customer Deposits (Ln 1 x Ln 3)	<u>\$ 2,928</u>
6		
7	<u>Note:</u>	
8	1. Interest Rate per the Public Utility Commission of Texas project number	
9	37830 dated December 1, 2010.	

ATMOS ENERGY CORPORATION
AMARILLO ENVIRONS STATEMENT OF INTENT
SUMMARY OF RETURN
TEST YEAR ENDING JUNE 30, 2010

Line No.	Description	Proposed Rates	Proposed Amounts
	(a)	(b)	(c)
1	<u>Net Operating Income/Return</u>		
2			
3	Cost of Debt	6.87%	\$ 1,720,515
4	Cost of Equity	10.70%	<u>2,688,820</u>
5			
6	Total Return on Invested Capital		<u>\$ 4,409,334</u>
7			
8	<u>Rate Base - Capitalization Structure (1)</u>		
9			
10	Debt	49.90%	\$ 25,029,188
11	Equity	50.10%	<u>25,129,154</u>
12			
13	Total Invested Capital		<u>\$ 50,158,342</u>
14			
15			
16	<u>Percent Return - After Tax</u>		
17	Cost of Debt	3.43%	
18	Return on Equity	<u>5.36%</u>	
19			
20	Percent Return - After Tax	<u>8.79%</u>	
21			
22	<u>Note:</u>		
23	1) Capital Structure as of 9/30/10		

ATMOS ENERGY CORPORATION
AMARILLO ENVIRONS STATEMENT OF INTENT
SUMMARY OF CURRENT AND PROPOSED RATE STRUCTURE
TEST YEAR ENDING JUNE 30, 2010

Line No.	Description (a)	Current (b)	Proposed (c)
1	Residential		
2	Customer Charge per month	See WP_J-1	\$13.50
3	Consumption Charge per CCF	See WP_J-1	\$0.04562
4			
5			
6	Commercial		
7	Customer Charge per month	See WP_J-1	\$30.00
8	Consumption Charge per CCF	See WP_J-1	\$0.04817
9			
10			
11	Industrial		
12	Customer Charge per month	See WP_J-1	\$100.00
13	Consumption Charge per CCF	See WP_J-1	\$0.09088
14			
15	Public Authority		
16	Customer Charge per month	See WP_J-1	\$45.00
17	Consumption Charge per CCF	See WP_J-1	\$0.09197

**ATMOS ENERGY CORPORATION
AMARILLO ENVIRONS STATEMENT OF INTENT
COST OF SERVICE SCHEDULES AND WORKPAPERS
TWELVE MONTHS ENDED JUNE 30, 2010**

**BEFORE THE
RAILROAD COMMISSION OF TEXAS**

**ATMOS ENERGY CORP., WEST §
TEXAS DIVISION STATEMENT OF § GAS UTILITIES DOCKET No. 10041
INTENT TO CHANGE RATES IN THE §
UNINCORPORATED AREAS OF THE §
AMARILLO RATE DIVISION**

PROPOSED 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. 2010). The Railroad Commission adopts the following findings of fact and conclusions of law and orders as follows:

FINDINGS OF FACT

1. Atmos Energy Corporation ("Atmos") is a gas utility as that term is defined in the Texas Utility Code.
2. Atmos Energy Corporation operates its regulated operations through seven operating divisions in twelve states.
3. The Atmos Energy West Texas Division (West Texas Division) operates in West Texas.
4. The Amarillo Rate Division is part of the Atmos Energy West Texas Division and is comprised of the cities of Amarillo, Dalhart, and Channing, as well as the surrounding unincorporated areas.
5. On December 17, 2010, the Amarillo Rate Division filed a *Statement of Intent* to change rates and related tariffs.
6. The Amarillo Rate Division seeks an increase in revenues of approximately \$78,000 from customers in the unincorporated areas.
7. The proposed rate increase would increase the company's aggregate revenues from the unincorporated areas of the Amarillo Rate Division by 2.61%.
8. Atmos requested approval of uniform rates for its residential, commercial, industrial and public service authority customer classes throughout the unincorporated areas of the Amarillo Rate Division.
9. Atmos requested approval of new depreciation rates to be applicable to the entire West Texas Division.

10. Atmos sought consolidation of the various gas cost adjustment (GCA) riders into a single Rider GCA and to approve the recovery of uncollectible gas costs through RIDER GCA for the unincorporated areas of the Amarillo Rate Division.
11. The implementation of the proposed rates was suspended on January 13, 2011.
12. Notice of the Hearing was given to all parties entitled to notice and the hearing in this matter commenced on April 6, 2011.
13. The Amarillo Rate Division is part of Atmos' West Texas Division and is comprised of the cities of Amarillo, Dalhart, and Channing, as well as the surrounding unincorporated areas.
14. The Atmos West Texas Division through its Amarillo Rate Division provides service to residential, commercial, industrial, and public authority customers.
15. The test year in this case was the 12-month period ending June 30, 2010.

Books and Records

16. The Atmos West Texas Division and the Amarillo Rate Division maintain the books and records in accordance with the requirements of the Federal Energy Regulatory Commission's (FERC) Uniform System of Accounts.

Rate Base

17. The proposed level of adjusted rate base included by the Amarillo Rate Division in this case is just and reasonable.
18. The calculations of accumulated deferred income taxes, as reflected in the attached schedules, are just and reasonable.
19. The cash working capital calculations reflected on the attached schedules are just and reasonable and consistent with Commission precedent.

Shared Service Unit Allocation

20. The Amarillo Rate Division employs a cost allocation methodology that allocates common costs uniformly and consistently among the various divisions of the company.
21. The cost allocation methodology has been previously adopted by the Railroad Commission for allocation of costs and is just and reasonable.

22. The composite allocation factor, the customer allocation factor and the overall allocation process employed by the Atmos West Texas Division and its Amarillo Rate Division is just and reasonable.

Operating Expenses

23. Atmos has established that the test-year level of operating and maintenance expenses in the amount of \$7,665,374 are just and reasonable.
24. Adjustments were made to remove certain meals, alcohol, entertainment and travel expenses.
25. Operating and maintenance expenses have decreased over the last decade.

Depreciation Expense

26. The company's proposed depreciation expenses, as reflected in the attached schedules are just and reasonable.
27. Atmos Pipeline – Texas correctly calculated the service life parameters for Account Account 376.
28. The evidence presented in the record established that the Iowa Life curve of 70 R1.5 for this account represents the best statistical fit for the actual history of this account.
29. An average service life of more than 70 years for assets in Account 376 ignores other forces of retirement such as fusion-joint issues, third party damage, and regulatory requirements.
30. Only cathodically protected pipe may experience a 75-year service life and the West Texas Division includes over 400 miles of unprotected pipe.
31. The 70 R1.5 life curve, as an average, necessarily includes pipe that is over 70 years old and pipe that is less than 70 years old.
32. A survey conducted by the American Gas Association EEI Depreciation Committee showed that the average life for assets in Account 376 based on dollar weighting is 54 years.
33. An average service life of 70 years is longer than the average service life previously established for this asset.
34. Atmos Pipeline – Texas correctly calculated the service life parameters for Account Account 380.

35. The evidence presented in the record established that the Iowa Life curve of 60 R3 for this account represents the best statistical fit for the actual history of this account.
36. A survey conducted by the AGA EEI Depreciation Committee showed that the average life based on dollar weighting is 40 years for assets in Account 380.
37. The proposed service life for Account 380 is consistent with Commission precedent
38. The net salvage calculation included in the company's cost of service is just and reasonable for Account 380. The historical analysis is consistent with the functional data, experience of the company and industry experience for this account.
39. The evidence presented in this proceeding established that the annual normalized net salvage value for the last nine years is a negative 214.93%.
40. There is no evidence in this record upon which to determine that the booking of removal expenses was not accurate.
41. A negative net salvage value of 80% is just and reasonable.

Affiliate Expenses

42. The expenses of Blueflame Insurance, an affiliate of Atmos, are reasonable and necessary for the provision of natural gas service provided by the company.
43. The price charged to Atmos by Blueflame is not higher than the price charged by Blueflame to its other affiliates or divisions or to a nonaffiliated person for insurance.
44. The Railroad Commission has previously found that the services provided by Blueflame were reasonable and necessary.

Rate of Return

45. It is reasonable to use a capital structure of 50.10% equity and 49.90% long-term debt for the Atmos West Texas Division.
46. It is reasonable to use a cost of debt of 6.87% for the Atmos West Texas Division.
47. It is reasonable that return on equity be set at 10.70%.
48. An overall rate of return in this case of 8.79% is just and reasonable.

Revenues

49. Atmos Energy Corporation, West Texas Division has established that the calculation of Other Revenues in the amount of \$967,632 is just and reasonable.

Taxes

50. The federal income tax, State Gross Margin tax, *ad valorem* taxes and payroll taxes reflected in the attached schedules are just and reasonable.

Tariffs

51. The Gas Cost Recovery Rule, 16 Tex. Admin. Code Ann. § 7.5519, allows the recovery of part or all of the gas costs of a utility.
52. Adjusting the purchase gas adjustment clause to allow for the recovery of the gas cost portion of uncollectible expenses is reasonable and consistent with prior Commission determinations.
53. The request has previously been approved by the Commission for the unincorporated areas of the City of Amarillo and by all municipal regulators in the company's West Texas Division.
54. The proposed change to the Gas Cost Adjustment Rider (Rider GCS) is just and reasonable.
55. Atmos Energy Corporation, West Texas Division proposed that its Weather Normalization Adjustment Rider ("WNA") be applicable to state institution customers. The Rider WNA has already been approved by all municipal regulators of the Amarillo Rate Division.
56. The proposed changes to the WNA Rider are just and reasonable.
57. The company also proposed that the WNA Rider include a calculation based upon the use of 10-year normal weather data instead of 30-year normal weather data.
58. The use of a 10-year normal weather data in the WNA Rider is just and reasonable and consistent with prior Commission decision

Rates and Rate Design

59. The following rates are just and reasonable:
- a. Residential Gas Service Rate: Customer Charge of \$13.50 and a volumetric rate of \$0.04562 per Ccf.
 - b. Commercial Gas Service Rate: Customer Charge of \$30.00 and a volumetric rate of \$0.04817 per Ccf.
 - c. Industrial Gas Service Rate: Customer Charge of \$100.00 and a volumetric rate of \$0.09088 per Ccf.

- d. Public Authority Gas Service Rate: Customer Charge of \$45.00 and a volumetric rate of \$0.09197 per Ccf.

CONCLUSIONS OF LAW

1. Atmos Energy Corporation, West Texas Division, is a "Gas Utility" as defined in TEX. UTIL. CODE ANN. §101.003(7) (Vernon 2007 & Supp. 2010) and §121.001(2010) and is therefore subject to the jurisdiction of the Railroad Commission of Texas (Commission).
2. The Railroad Commission of Texas (Commission) has jurisdiction over Atmos Energy Corporation, West Texas Division and its *Statement of Intent* under TEX. UTIL. CODE ANN. §§ 102.001, 103.022, 103.054, & 103.055, 104.001, and 104.201 (Vernon 2010).
3. Under TEX. UTIL. CODE ANN. §102.001 (Vernon 2010), 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 Statement of Intent was processed 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) (APA).
5. In accordance with the stated purpose of the Texas Utilities Code, Subtitle A, expressed under TEX. UTIL. CODE ANN. §101.002 (Vernon 2010), the Commission has assured that the rates, operations, and services established in this docket are just and reasonable to customers and to the utilities.
6. TEX. UTIL. CODE ANN. §104.107 (Vernon 2007) provides the Commission authority to suspend the operation of the schedule of proposed rates for 150 days from the date the schedule would otherwise go into effect.
7. The proposed rates constitute a major change as defined by TEX. UTIL. CODE ANN. §104.101 (Vernon 2007).
8. In accordance with TEX. UTIL. CODE §104.103 (Vernon 2007), 16 TEX. ADMIN. CODE ANN. §7.230 (2010), and 16 TEX. ADMIN. CODE ANN. § 7.235 (2010), adequate notice was properly provided.
9. In accordance with the provisions of TEX. UTIL. CODE ANN. §104.102 (Vernon 2007), 16 TEX. ADMIN. CODE ANN. §7.205 (2010), and 16 TEX. ADMIN. CODE §7.210 (2010), Atmos Pipeline - Texas filed its Statement of Intent to change rates.
10. Atmos Energy Corporation, West Texas Division met its burden of proof in accordance with the provisions of TEX. UTIL. CODE ANN. §104.008 (Vernon 2007) on the elements of its requested rate increase identified in this order.

11. The revenue, rates, rate design, and service charges proposed by Atmos Energy Corporation, West Texas Division are found to be just and reasonable, 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. §104.003 (Vernon 2010).
12. The revenue, rates, rate design, and service charges proposed by Atmos Energy Corporation, West Texas Division, 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. §104.003 (Vernon 2007).
13. The overall revenues as established by the findings of fact and attached schedules are reasonable; fix an overall level of revenues for Atmos Energy Corporation, West Texas Division 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 2010); and otherwise comply with Chapter 104 of the Texas Utilities Code.
14. The revenue, rates, rate design, and service charges proposed will not yield to Atmos Energy Corporation, West Texas Division s 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 2010).
15. The rates established in this docket comport with the requirements of TEX. UTIL. CODE ANN. §104.053 (Vernon 2010) 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.
16. The rates established in this case comply with the affiliate transaction standard set out in TEX. UTIL. CODE ANN. § 104.055 (Vernon 2010). 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.
17. In accordance with TEX. UTIL. CODE ANN. §104.054 (Vernon 2007) and Tex. Admin. Code §7.5252, book depreciation and amortization was calculated on a straight line basis

over the useful life expectancy of the property and facilities of Atmos Energy Corporation, West Texas Division.

18. In this proceeding, Atmos Energy Corporation, West Texas Division has the burden of proof under TEX. UTIL. CODE ANN. §104.008 (Vernon 2010) to show that the proposed rate changes are just and reasonable.
19. Rate case expenses for GUD No. 10041 will be considered by the Commission in accordance with TEX. UTIL. CODE ANN. §104.008 (Vernon 2010), and 16 Tex. Admin. Code §7.5530 (2010), in a separate proceeding.
20. Atmos Energy Corporation, West Texas Division is required by 16 Tex. Admin. Code §7.315 (2010) to file electronic tariffs incorporating rates consistent with this Order within thirty days of the date of this Order.
21. Atmos Energy Corporation, West Texas Division is required by 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.

IT IS THEREFORE ORDERED that Atmos Energy Corporation, West Texas Division proposed schedule of rates is hereby **APPROVED**.

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 Energy Corporation, West Texas Division are **APPROVED**.

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 Energy Corporation, West Texas Division shall file tariffs 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 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 §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.

All requested findings of fact and conclusions of law which are not expressly adopted herein are denied. All pending motions and requests for relief not previously granted or granted herein are denied.

SIGNED this 26th day of July, 2011.

RAILROAD COMMISSION OF TEXAS

CHAIRMAN ELIZABETH AMES JONES

DAVID PORTER COMMISSIONER

ATTEST:

SECRETARY