

**BEFORE THE
RAILROAD COMMISSION OF TEXAS**

APPLICATION OF ATMOS PIPELINE-TEXAS FOR TEST YEAR 2007 ANNUAL INTERIM RATE ADJUSTMENT FOR THE PIPELINE SYSTEM	§ § § § §	GAS UTILITIES DOCKET NO. 9788
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INTERIM RATE ADJUSTMENT ORDER

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

FINDINGS OF FACT

Background

1. Atmos Energy Corporation (Atmos) is a "gas utility," as that term is defined in the TEXAS UTILITY CODE, and is subject to the jurisdiction of the Railroad Commission of Texas (Commission).
2. Atmos Pipeline-Texas (Pipeline, or the Company), a division of Atmos, owns and operates a gas pipeline transportation system.
3. On February 15, 2008, Atmos filed an application for an annual interim rate adjustment (IRA) applicable to customers located on Pipeline's system.
4. Atmos requested that the IRA for all customer classes become effective on April 15, 2008.
5. The Commission did not suspended implementation of Atmos' proposed IRA for Pipeline.
6. The Commission has not received any plea to intervene with the Commission in the cause of the Company's application for an IRA.
7. The Commission received letters opposing the application for the increase from two industrial customers on February 25, 2008.

8. Letters were sent to both industrial customers opposing the increase acknowledging their opposition with an explanation of their right to intervene in the next rate case.
9. Atmos was instructed to respond to the industrial customers opposing the increase.
10. Atmos contacted both customers as instructed by the Commission.
11. Neither TEXAS UTILITIES CODE, §104.301 (Vernon Supp 2007) nor 16 TEX. ADMIN. CODE, §7.7101 (2004) provide the opportunity for parties to intervene in the Commission's review of an application for an annual IRA.
12. 16 TEX. ADMIN. CODE, §7.7101 (2004) allows written comments or a protest concerning the proposed IRA to be filed with the Gas Services Division.
13. This docket represents the fifth annual IRA for Pipeline.
14. Until promulgation of TEXAS UTILITIES CODE, §104.301 (Vernon Supp 2007), a utility could not increase its rates subject to the Commission's jurisdiction without filing with the Commission a formal statement of intent rate case, including a comprehensive cost of service rate review.
15. Atmos' proposed IRA will allow Pipeline an opportunity to recover, subject to refund, a return on investment, depreciation expense, and related taxes on the incremental cost of infrastructure investment since its last rate case, without the necessity of filing a statement of intent rate case and without review by the Commission of Pipeline's comprehensive cost of service.

Applicability

16. This docket applies to only those rates over which the Commission has original jurisdiction, which includes the entire Pipeline system.
17. As of year-end 2007, Pipeline customers totaled approximately 735 City Gate meters and 208 Pipeline Transportation rate meters.

Most Recent Comprehensive Rate Case

18. Atmos' most recent rate case for Pipeline for the area in which the IRA will be implemented is GUD No. 9400, *Statement of Intent Filed by TXU Gas Company to Change Rates in the Company's Statewide Gas Utility System*.
19. GUD No. 9400 was filed on May 23, 2003.
20. The data used in GUD No. 9400 was based on a test-year ending December 31, 2002.

21. The Commission signed the GUD No. 9400 final Order on May 25, 2004, and the rates became effective the same day.
22. The Commission in GUD No. 9400 set the rates charged by Pipeline which have been adjusted by prior orders authorizing IRA adjustments.
23. The following chart shows the factors that were established in GUD No. 9400 to calculate the return on investment, depreciation expense, and incremental federal income taxes for Pipeline:

Rate of Return	8.258%
Depreciation Rate	2.097%
Federal Income Tax Rate	35%

Interim Rate Adjustment

24. Pipeline seeks approval from the Commission for an adjustment to its revenue, based on incremental net utility plant investment, with regard to the following components: return on investment; depreciation expense; ad valorem taxes; revenue related taxes; and federal income taxes.
25. The revenue amounts to be recovered through Atmos' proposed annual IRA for Pipeline are incremental to the revenue requirement established in Atmos' most recent rate case for Pipeline for the area in which the IRA is to be implemented, GUD No. 9400, as adjusted for prior orders authorizing IRA adjustments.
26. The Company calculated and presented all incremental values for investment, accumulated depreciation, return on investment, depreciation expense, ad valorem taxes, and incremental federal income taxes on a full calendar-year basis. Revenue related taxes are not included in Atmos' calculation of the IRA. An existing rate schedule that was established by the final Order in GUD No. 9400 (Rider TAX) is applied to all revenues, including revenues that result from an IRA.
27. For the first IRA following a rate case, the amounts by which Pipeline may adjust its rates are based on the difference between Pipeline's invested capital at the end of the most recent rate case test-year (December 31, 2002) and the invested capital at the end of the calendar-year following the end of the most recent rate case test-year (December 31, 2003).
28. This docket is the fifth annual IRA for Pipeline. Therefore, to request its IRA in this docket, Atmos submitted data for Pipeline for the calendar year ending December 31, 2007.

29. The value of Pipeline's invested capital is equal to the original cost of the investment at the time the investment was first dedicated to public use minus the accumulated depreciation related to that investment for Pipeline's IRA.
30. Pipeline is required to use the same factors to calculate the interim return on investment, depreciation expense, and incremental federal income tax as those established or used in the final order setting rates for Pipeline in Atmos' most recent rate case for the area in which the IRA is to be implemented.
31. Atmos filed the Commission's Annual Earnings Monitoring Report (EMR) for Pipeline as required by 16 TEXAS ADMINISTRATIVE CODE §7.7101 (2004). The Company's rate of return is 8.180%, which reasonably compares with the 8.258% allowed rate of return established in GUD No. 9400.
32. Atmos filed its Annual Project Report for Pipeline as required by 16 TEXAS ADMINISTRATIVE CODE §7.7101 (2004).
- Net pipeline capital additions included in this docket total \$50,529,755.
 - Gross pipeline capital project additions totaled \$68,303,994.
 - Safety-related improvements/infrastructure projects totaled \$38,014,919, or 56% of total additions.¹
 - Integrity testing projects totaled \$12,216,335, or 18% of total additions.²
33. The Company is required to allocate the revenue to be collected through the IRA for Pipeline among its customer classes in the same manner as the cost of service was allocated among its customer classes in its most recent rate case for the area in which the IRA is to be implemented.
34. Atmos proposed the IRA for Pipeline as a flat rate to be applied to the monthly customer charges and monthly meter charges rather than as a volumetric rate to be applied to the initial block usage rates.
35. Pipeline is required to show its annual IRA on its customers' monthly billing statements as a surcharge.
36. The proposed IRA does not require an evidentiary proceeding; rather, TEXAS UTILITIES CODE, §104.301 (Vernon 2007) and 16 TEX. ADMIN. CODE, §7.7101 (2004) require the regulatory authority to review a utility's method of calculating the IRA.
37. Due process protections are deferred until Atmos files its next full statement of intent rate case for Pipeline.

1 Response to Staff's RFI #1-03.

2 Response to Staff's RFI #1-05.

Notice

38. The Company provided adequate notice to Pipeline's City Gate (CGS) customers on February 21, 2008.
39. The Company provided adequate notice to Pipeline's Pipeline Transportation (PT) customers on February 20, 2008.

Comprehensive Rate Case Required

40. The Company is not required to initiate a rate case supporting a statement of intent, at the time it applies for an IRA for Pipeline.
41. Under 16 TEX. ADMIN. CODE, §7.7101 (l) (2004) a gas utility that implements an IRA and does not file a rate case before the fifth anniversary of the date its initial IRA became effective is required to file a rate case not later than the 180th day after that anniversary.

Review of Interim Rate Adjustment

42. Pipeline presented its IRA calculation using the factors for GUD No. 9400 for rate of return, depreciation, and federal income tax, but using a property-related taxes (Ad Valorem) percentage of 1.674% based on the estimated 2007 taxes paid by the Company to reflect the recently changed property tax law.³
43. Pipeline's proposed IRA is \$6,969,743 based on an incremental net utility plant investment increase of \$46,648,402 using the property-related taxes (Ad Valorem) percentage of 1.674% based on the estimated 2007 taxes paid by the Company, as shown in Exhibit B.
44. Atmos' proposed allocation methodology for Pipeline complies with TEXAS UTILITIES CODE, §104.301 (Vernon 2007), and with 16 TEX. ADMIN. CODE, §7.7101 (2004).
45. For allocation methodology, it is reasonable for the Commission to approve use of Pipeline's overall cost of service (less other revenue, gas cost, and revenue related taxes) as determined in its most recent rate case. The following overall cost of service allocation factors for use in the calculation of Pipeline's IRA are reasonable:

Customer Class	Allocation Factor
Rate CGS (City Gate Service)	0.731657
Rate PT (Pipeline Transportation)	0.268343

3. 16 TEX. ADMIN. CODE §7.7101(f)(5) only refers to the return on investment, depreciation expense, and incremental federal income tax factors from the most recent rate case to calculate the IRA. The Ad Valorem taxes are not specifically designated as a factor that must remain the same.

46. Atmos' proposed customer and meter counts for Pipeline comply with TEXAS UTILITIES CODE, §104.301 (Vernon 2007), and with 16 TEX. ADMIN. CODE, §7.7101 (2004).
47. For calculating the number of customer charges or meter charges per year, it is reasonable for the Commission to approve use of Pipeline's 2007 year-end number of customers multiplied by twelve. The following total numbers of customer and meter charges for use in the calculation of the IRA are reasonable:

Customer Class	Total Number of Customer Charges / Meters
Rate CGS (City Gate Service)	8,820
Rate PT (Pipeline Transportation)	2,496

48. The resulting interim rate adjustment for Rate CGS (City Gate Service) and Rate PT (Pipeline Transportation) is shown in Exhibit A and as follows:

Rate Schedule	2006 Meter Charge	2007 IRA	2007 Proposed Meter Charge
Rate CGS	\$ 1,822.06	\$ 578.17	\$ 2,400.23
Rate PT	\$ 2,466.77	\$ 749.31	\$ 3,216.08

Reimbursements of Expense

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

CONCLUSIONS OF LAW

1. Atmos Energy Corporation (Atmos) is a “gas utility” as defined in TEX. UTIL. CODE ANN. §101.003(7) (Vernon 2007) and §121.001 (Vernon 2007), and is therefore subject to the jurisdiction of the Railroad Commission of Texas (Commission).
2. The Commission has jurisdiction over Atmos, Atmos’ applications for IRAs for Pipeline for incremental changes in investment, and the subject matter of this case under TEX. UTIL. CODE ANN. §102.001, §104.001, §104.002, and §104.301 (Vernon 2007).
3. Under TEX. UTIL. CODE ANN. §102.001 (Vernon 2007), the Commission has exclusive original jurisdiction over the rates and services of a gas utility that distributes natural gas in areas outside of a municipality 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. Under the provisions of the TEXAS UTILITIES CODE ANN. §104.301 (2007) and 16 TEX. ADMIN. CODE § 7.7101 (2004), Atmos is required to seek Commission approval before implementing an IRA tariff for Pipeline’s customers.
5. Atmos filed its application for IRA for Pipeline for changes in investment in accordance with the provisions of TEX. UTIL. CODE ANN. §104.301 (Vernon 2007) and 16 TEX. ADMIN. CODE §7.7101 (2004).
6. Atmos’ application for an IRA for Pipeline was processed in accordance with the requirements of TEX. UTIL. CODE ANN. §104.301 (Vernon 2007) and 16 TEX. ADMIN. CODE §7.7101 (2004).
7. In accordance with 16 TEX. ADMIN. CODE §7.315 (2002), within thirty days of the effective date of any change to rates or services, the Company is required to file with the Gas Services Division of the Commission its revised tariffs for Pipeline.
8. The Company may not charge any rate for Pipeline that has not been successfully filed and accepted as a tariff filing electronically pursuant to TEX. UTIL. CODE ANN. §102.151 and 104.002 (Vernon 2007) and 16 TEX. ADMIN. CODE §7.315 (2002).
9. In accordance with TEX. UTIL. CODE ANN. §104.301(a) (Vernon 2007) and 16 TEX. ADMIN. CODE §7.7101(a) (2004), the filing date of Atmos' most recent rate case for Pipeline, in which there is a final order setting rates for the area in which the IRA will apply, was no more than two years prior to the date Atmos filed its initial IRA for Pipeline.
10. Atmos is required, under TEX. UTIL. CODE ANN. §104.301(e) (Vernon 2007) and 16 TEX. ADMIN. CODE § 7.7101(d) (2004), to file with the Commission an annual project report for Pipeline, including the cost, need, and customers benefited by the change in investment, and describing the investment projects completed and placed in service during the preceding calendar year and the investments retired or abandoned during the preceding calendar year.

11. Atmos shall include in all future annual IRA filings for Pipeline, relocation project reports that provide additional information about relocation project costs included in investment projects, in the same format as required in this docket.
12. Atmos is required, under TEX. UTIL. CODE ANN. §104.301(f) (Vernon 2007) and 16 TEX. ADMIN. CODE §7.7101(e) (2004), to file with the Commission an annual earnings monitoring report demonstrating Pipeline's earnings during the preceding calendar year.
13. Atmos is required, under 16 TEX. ADMIN. CODE §7.7101(h) (2004), to recalculate its approved IRA for Pipeline annually and is required to file an application for an annual adjustment no later than 60 days prior to the one-year anniversary of the proposed implementation date of the previous IRA application.
14. In accordance with 16 TEX. ADMIN. CODE §7.7101(i) (2004), all amounts collected from customers under Pipeline's IRA tariffs or rate schedules are subject to refund. The issues of refund amounts, if any, and whether interest should be included on refunded amounts and, if so, the rate of interest, shall be addressed in the rate case a gas utility files or the Commission initiates after the implementation of an IRA and shall be the subjects of specific findings of fact in the Commission's final order setting rates.
15. In accordance with 16 TEX. ADMIN. CODE §7.7101(j) (2004), in the rate case that Atmos files for Pipeline or the Commission initiates after the implementation of an IRA, any change in investment and related expenses and revenues that have been included in any IRA shall be fully subject to review for reasonableness and prudence. Upon issuance of a final order setting rates in the rate case that Atmos files for Pipeline or the Commission initiates after the implementation of an IRA, any change in investment and related expenses and revenues that have been included in any IRA shall no longer be subject to review for reasonableness or prudence.
16. The Commission has authority to suspend the implementation of the IRA, under TEX. UTIL. CODE ANN. §104.301(a) (Vernon 2007) and 16 TEX. ADMIN. CODE §7.7101(e) (2004).
17. The Company provided adequate notice, in accordance with TEX. UTIL. CODE ANN. §104.301(a) (Vernon 2007) and 16 TEX. ADMIN. CODE §7.7101(b) (2004).
18. Atmos' application for an IRA for Pipeline, as proposed, complies with all provisions of TEX. UTIL. CODE ANN. §104.301 (Vernon 2007) and 16 TEX. ADMIN. CODE §7.7101 (2004).
19. The Company's IRA set forth in the findings of fact and conclusions of law in this Order comply with the provisions of TEX. UTIL. CODE ANN. §104.301 (Vernon 2007) and 16 TEX. ADMIN. CODE §7.7101 (2004).
20. In accordance with TEX. UTIL. CODE ANN. §104.301(h) (Vernon 2007) and 16 TEX. ADMIN. CODE §7.7101(l) (2004), Atmos shall file a comprehensive rate case for Pipeline for the areas

in which the IRA is implemented, no later than the 180th day after the fifth anniversary of the date its initial IRA became effective.

21. The Commission has authority, under TEX. UTIL. CODE ANN. §104.301(j) (Vernon 2007) and 16 TEX. ADMIN. CODE §7.7101(m) (2004), to recover from Atmos the Pipeline's proportionate share of the Commission's annual costs related to the administration of the IRA mechanism.

IT IS THEREFORE ORDERED BY THE RAILROAD COMMISSION OF TEXAS THAT Pipeline's IRA, as requested, and to the extent recommended to be approved in the findings of fact and conclusions of law, are **HEREBY APPROVED**, subject to refund, to be effective for bills rendered on or after April 15, 2008.

IT IS FURTHER ORDERED THAT Atmos **SHALL** file with the Commission no later than February 15, 2009, for Pipeline, an annual project report, including the cost, need, and customers benefited by the change in investment, and describing the investment projects completed and placed in service during the preceding calendar year and the investments retired or abandoned during the preceding calendar year.

IT IS FURTHER ORDERED THAT Atmos **SHALL** file with the Commission no later than February 15, 2009, for Pipeline, a relocation project report, which provides additional information about relocation costs included in investment projects, in the format provided in this docket.

IT IS FURTHER ORDERED THAT Atmos **SHALL** file with the Commission no later than February 15, 2009, for Pipeline, an annual earnings monitoring report demonstrating Pipeline's earnings during the preceding calendar year.

IT IS FURTHER ORDERED THAT Atmos **SHALL** file with the Commission no later than February 15, 2009, for Pipeline, recalculations of its approved IRA and applications for annual IRA for the preceding calendar year.

IT IS FURTHER ORDERED THAT within 30 days of this order Atmos **SHALL** electronically file its IRA tariffs for Pipeline in proper form that accurately reflect the rates approved by the Commission in this Order.

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

IT IS FURTHER ORDERED THAT Atmos **SHALL** reimburse the expenses incurred by the Commission in reviewing this application. The amount of this reimbursement shall be determined by the Director of the Gas Services Division and must be approved by the Commission. This Order will not be final and effective until 20 days after a party is notified of the Commission's order. A party is presumed to have been notified of the Commission's order three days after the date on which the notice is actually mailed. If a timely motion for rehearing is filed by any party at interest, this order shall not become final and effective until such motion is overruled, or if such motion is

granted, this order shall be subject to further action by the Commission. Pursuant to TEX. GOV'T CODE §2001.146(e) (Vernon 2000 & Supp. 2007), the time allotted for Commission action on a motion for rehearing in this case prior to its being overruled by operation of law, is hereby extended until 90 days from the date the order is served on the parties.

Any portion of Pipeline's application not expressly granted herein is overruled. All requested findings of fact and conclusions of law, which are not expressly adopted herein, are denied. All pending motions and requests for relief not previously granted or granted herein are denied.

SIGNED this 8th day of April, 2008.

RAILROAD COMMISSION OF TEXAS



MICHAEL L. WILLIAMS
CHAIRMAN



VICTOR E. CARRILLO
COMMISSIONER



ELIZABETH A. JONES
COMMISSIONER

ATTEST



KIM WILLIAMSON
SECRETARY

EXHIBIT A

TARIFF FOR GAS SERVICE

**ATMOS ENERGY CORP.,
ATMOS PIPELINE-TEXAS**

RATE SCHEDULE:	Rate CGS - City Gate Service	
APPLICABLE TO:	Entire System	REVISION: 5 DATE:
EFFECTIVE DATE:		PAGE: 1 OF 2

RATE CGS - CITY GATE SERVICE

Application

Applicable, in the event that Company has entered into a Transportation Agreement - City Gate Service, to a Local Distribution Company (Customer) directly connected to the Atmos Pipeline -Texas System for the transportation of all natural gas supplied by Customer to one Point of Delivery.

Type of Service

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

Monthly Rate

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

Charge	Amount
Meter	\$ 200.00 per meter
Interim Rate Adjustment ("IRA")	\$ 2,200.23 per meter t
Total Meter Charge	\$ 2,400.23 per meter
Capacity	\$ 0.9988 per MDU
All MMBtu	\$ 0.2103 per MMBtu

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

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

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

MDU Determination

MDU is the maximum daily usage of natural gas delivered in MMBtu to a Point of Delivery.

MDU for the calculation of the monthly bill is the highest of:

- 1) Current month MDU;
- 2) Maximum Daily Quantity as specified in the associated Transportation Agreement - City Gate Service; or
- 3) Highest annual MDU occurring in the 12-month period ended with current month.

1 2003 IRA - \$137.66; 2004 IRA - \$152.52; 2005 IRA - \$264.34; 2006 IRA - \$1,067.54 (a one-time adjustment of (\$31.06) will be made for the 12 month period 9/07 - 8/08); 2007 IRA - \$578.17.

TARIFF FOR GAS SERVICE

**ATMOS ENERGY CORP.,
ATMOS PIPELINE-TEXAS**

RATE SCHEDULE:	Rate CGS - City Gate Service	
APPLICABLE TO:	Entire System	REVISION: 5 DATE:
EFFECTIVE DATE:		PAGE: 2 OF 2

Imbalance Fees

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

Monthly Imbalance Fees

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

Curtailment Overpull Fee

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

Replacement Index

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

Agreement

A transportation agreement is required.

Notice

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

Special Conditions

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

TARIFF FOR GAS SERVICE

**ATMOS ENERGY CORP.,
ATMOS PIPELINE-TEXAS**

RATE SCHEDULE:	City Gate Service	
APPLICABLE TO:	CoServ Gas	REVISION: 5 DATE:
EFFECTIVE DATE:		PAGE: 1 OF 3

CITY GATE SERVICE

Transportation Rate:

(a) Except for service to the Bozeman Farm point, the amount payable to Atmos Pipeline - Texas by Customer for firm transportation service during any month shall be the total of (i) Atmos Pipeline - Texas' monthly demand charge for such month, as determined under Section 9.1(b) of the contract, and (ii) the product of \$0.155 per MMBtu, as may be amended or changed by judicial or regulatory authority action, and the quantity of gas delivered to the Point(s) of Delivery hereunder during such month. Also, customer will be invoiced a meter delivery fee of \$2,200.23 per meter, per month pursuant to the approved annual adjustments under 104.301 of the Texas Utilities Code. The meter delivery fee is subject to amendments or changes by judicial or regulatory authority. Additionally, Atmos Pipeline - Texas shall retain a volume of gas each month equal to one and one-tenth percent (1.1%) of the volume of gas received by Atmos Pipeline - Texas from Customer (or its designee) at the Point(s) of Receipt.

The transportation rate for the customer's Bozeman Farm point (68002000) shall be charged as follows. The transportation rate for all deliveries to local distribution companies served from Atmos Mid-Tex distribution system (including deliveries at the Bozeman Farms Point) will be the total of (i) a meter charge equal to \$200.00 per delivery meter per month plus the Interim rate adjustment as applicable (currently at \$2,200.23 per meter); (ii) a capacity charge of \$0.9988 per MDU per month; and (iii) a volumetric charge of 0 MMBtu to 30 MMBtu = \$0.9997/MMBtu; Next 320 MMBtu = \$0.7497/MMBtu; all additional MMBtu = \$0.4997/MMBtu. In addition, Atmos Pipeline - Texas will retain a quantity of gas of 3.56% of the quantity of gas received from customer for delivery to the Bozeman Farms point.

b) The monthly demand charge for each month shall be determined by multiplying Atmos Pipeline - Texas' demand charge of \$1.43 per MMBtu of demand times the total of the daily delivery capacity for each month, as provided in Section 2.1 of Article II of the contract. Upon any change in daily delivery capacities, the monthly demand charge for each month shall be recalculated on a prospective basis to become effective upon the effective date of changed daily delivery capacities. The monthly demand charge for each month for the period effective September 1, 2007 till the next change in daily delivery capacity agreed to by Atmos Pipeline - Texas and Customer will be \$50,753.44 per month.

The amount payable to Atmos Pipeline - Texas by Customer for firm storage during any month shall be the total of (i) Atmos Pipeline - Texas' capacity charge of \$19,345.06 for each month, as may be amended or changed by judicial or regulatory authority action, and (ii) Atmos Pipeline - Texas' deliverability charge of \$44,709.84 for each month from November through March, inclusive, as may be amended or changed by judicial or regulatory authority action. The capacity charge and the deliverability charge shall be redetermined at the same time that daily demand capacities are changed. The initial capacity and deliverability charges set forth herein were calculated using the methodology shown below, and any subsequent calculation of such charges following a change in the daily demand capacities shall be performed using the same methodology, unless another methodology is authorized by judicial or regulatory authority.

Taxes:

(a) Customer agrees to reimburse Atmos Pipeline - Texas for any new Taxes, as defined in (b) below, imposed upon Atmos Pipeline - Texas after June 30, 1999 and related to the services provided hereunder, provided that such reimbursement for new Taxes is required from all similarly situated shippers on a non-discriminatory basis.

(b) The term "Taxes" as used herein, shall mean all taxes and fees levied upon and/or paid by Atmos Pipeline - Texas (other than ad valorem, capital stock, income or excess profit taxes (except as provided herein),

TARIFF FOR GAS SERVICE

**ATMOS ENERGY CORP.,
ATMOS PIPELINE-TEXAS**

RATE SCHEDULE:	City Gate Service	
APPLICABLE TO:	CoServ Gas	REVISION: 6 DATE:
EFFECTIVE DATE:		PAGE: 2 OF 3

general franchise taxes imposed on corporations on account of their corporate existence or on their right to do business within the state as a foreign corporation and similar taxes], including, but not limited to, gross receipts tax, net profits tax, gas utility tax, street and alley rental fees agreed upon in franchise ordinances, licenses, fees and other charges levied, assessed, or made by any governmental authority on the act, right or privilege of transporting, handling, or delivering, gas, which taxes or fees are based upon the volume, heat content, value, or sales/purchase priced of the gas, or transportation fee payable hereunder and applicable federal income tax imposed as a result of installation of equipment at the Receipt and Delivery Points.

Adjustment for Changes in Investment:

The rates charged will be adjusted annually by Atmos Pipeline - Texas in accordance with Section 104.301 of the Texas Utilities Code¹.

Term:

Subject to the other terms and provisions of the Contract, the Contract will be effective for a primary term ending January 1, 2009, and shall continue month to month thereafter until canceled by either party with at least 30 days' written notice. Notwithstanding the above, if an imbalance in deliveries exists on the date of termination, cancellation, or expiration of the Contract between the quantities theretofore received at the Point(s) of Receipt and those redelivered at the Point(s) of Delivery, the term of the Contract shall be extended, solely for the purpose of correcting such imbalance, for a period sufficient to allow the party whose deliveries are in arrears to promptly eliminate any imbalance, but such imbalance, in any event, must be eliminated no later than the end of the sixtieth (60th) day of such extension.

Cumulative Imbalance Resolution:

In the event of a monthly imbalance (as described in the contract) which CoServ fails to correct during the next month and Customer's deliveries to Atmos Pipeline - Texas at the Point(s) of Receipt during such two (2) month period (less any retention volumes) are in excess of, or deficient by, more than five percent (5%) of the transportation quantities delivered by Atmos Pipeline - Texas to Customer at the Point(s) of Delivery during said two (2) month period, then (i) in the case of any cumulative imbalance, as hereinafter defined, due to Atmos Pipeline - Texas ("underdeliveries by Customer"), Atmos Pipeline - Texas shall have the right to require Customer to purchase such cumulative imbalance volume(s) from Atmos Pipeline - Texas, at a price per MMBtu equal to the highest Gas Daily (Houston Ship Channel) price of gas during the month(s) in which such cumulative imbalance occurred, plus one dollar (\$1.00) per MMBtu; or (ii) in the case of any cumulative imbalance, as herein defined, due Customer ("overdeliveries by Customer"), Atmos Pipeline - Texas shall have the right to collect from Customer an amount equal to the product of fifty cents (50 cents) multiplied by the number of MMBtu in such cumulative imbalance volume(s) (and further provided Atmos Pipeline - Texas expressly reserves the right to restrict, interrupt, or reduce the quantity of gas Atmos Pipeline - Texas will accept at any and/or all Point(s) of Receipt until such time as the cumulative imbalance is corrected). For this purposes of this paragraph, the term "cumulative imbalance" shall mean the sum of (1) any imbalance carried forward from an immediately preceding month the next succeeding month, plus (2) any imbalance based on the delivery and receipt of gas hereunder during such succeeding month. The provisions of this paragraph dealing with resolution of cumulative imbalances will be effective thirty (30) days following the issuance of a formal order of the Railroad Commission of Texas, or its successor, authorizing such provisions for Customer and all other similarly situated shippers, including, but not limited to, all firm shippers. In the event that the Railroad Commission of Texas, or its successor, issues a formal order authorizing imbalance charges to Customer and all other similarly situated shippers, including but not limited to, all firm shippers, which contains imbalance charges that are different from those set forth above, then imbalance charges authorized in such

¹ 2003 IRA - \$137.86; 2004 IRA - \$152.52; 2005 IRA - \$264.34; 2006 IRA - \$1,067.54 (a one-time adjustment of (\$31.05) will be made for the 12 month period 9/07 - 8/08); 2007 IRA - \$578.17.

TARIFF FOR GAS SERVICE**ATMOS ENERGY CORP.,
ATMOS PIPELINE-TEXAS**

RATE SCHEDULE:	City Gate Service	
APPLICABLE TO:	CoServ Gas	REVISION: 5 DATE:
EFFECTIVE DATE:		PAGE: 3 OF 3

formal order shall be applicable to Customer effective thirty (30) days following the issuance of the order; provided, however, that such imbalance charges may be no greater than the charges proposed by Atmos Pipeline - Texas Company in Rate Schedule 5 of its Tariff for Gas Service as filed with the Railroad Commission of Texas in Gas Utilities Docket No. 9400 on May 23, 2003; and further provided that Atmos Pipeline - Texas reasonable makes available to Customer, at no additional charge (except for any charge otherwise agreed to in writing), reliable gas measurement data on a daily basis so that Customer can monitor and adjust its deliveries and receipts to minimize imbalances. For purposes of this paragraph, transportation of gas by Atmos Pipeline - Texas for delivery to its distribution system(s) at city gate stations shall be considered as if Atmos Pipeline - Texas and/or Atmos Mid-Tex Distribution is a similarly situated shipper to Customer with regard to such transportation services.

TARIFF FOR GAS SERVICE

**ATMOS ENERGY CORP.,
ATMOS PIPELINE-TEXAS**

RATE SCHEDULE:	Rate PT - Pipeline Transportation	
APPLICABLE TO:	Entire System	REVISION: 5 DATE:
EFFECTIVE DATE:		PAGE: 1 OF 2

RATE PT - PIPELINE TRANSPORTATION

Application

Applicable, in the event that Company has entered into a Transportation Agreement - Pipeline, to a customer directly connected to the Atmos Pipeline-Texas System for the transportation of all natural gas supplied by Customer or Customer's agent at one Point of Delivery.

Not applicable for service to City Gate Service customers.

Type of Service

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

Monthly Rate

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

Charge	Amount
Meter	\$ 200.00 per meter
Interim Rate Adjustment ("IRA")	\$ 3,016.08 per meter 1
Total Meter Charge	\$ 3,216.08 per meter
First 12 MMBtu per Billing MDU	\$ 0.1739 per MMBtu
All Additional MMBtu	\$ 0.1579 per MMBtu

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

Franchise Fee Adjustment: Plus an amount for franchise fees calculated in accordance with Rider FF, if applicable.

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

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

1 2003 IRA - \$223.83; 2004 IRA - \$210.32; 2005 IRA - \$371.16; 2006 IRA - \$1,461.46 (a one-time adjustment of (\$42.52) will be made for the 12 month period 9/07 - 8/08); 2007 IRA - \$749.31.

TARIFF FOR GAS SERVICEATMOS ENERGY CORP.,
ATMOS PIPELINE-TEXAS

RATE SCHEDULE:	Rate PT - Pipeline Transportation	
APPLICABLE TO:	Entire System	REVISION: 5 DATE:
EFFECTIVE DATE:		PAGE: 2 OF 2

MDU Determination

MDU is the maximum daily usage of natural gas delivered in MMBtu to a Point of Delivery. MDU for the calculation of the monthly bill is the highest of:

- 1) Current month MDU;
- 2) 75% of Maximum Daily Quantity as specified in the associated Transportation Agreement - Pipeline; or
- 3) 75% of highest MDU occurring in the most recent months of December, January, February, and March.

Imbalance Fees

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

Monthly Imbalance Fees

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

Curtailment Overpull Fee

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

Replacement Index

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

Agreement

A transportation agreement is required.

Notice

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

Special Conditions

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

EXHIBIT B

ATMOS PIPELINE - TEXAS
INTERIM COST RECOVERY AND RATE ADJUSTMENT REPORT
AS OF DECEMBER 31, 2007

Line No.	Description (a)	Total Approved Per GUD 9400 At 12/31/06 (1) (b)	Per Book As of 12/31/07 (c)	Adjustments (2) (d)	Per Book Adjusted As of 12/31/07 (e)	Ref (f)	Change in Investment (Col. e - Col. b) (g)
1	Utility Plant Investment	\$ 880,404,083	\$ 927,385,551	\$ 3,548,287	\$ 930,933,838	3	\$ 50,529,755
2	Accumulated Depreciation	377,918,191	381,068,678	730,866	381,799,544	3	3,881,353
3	Net Utility Plant Investment	\$ 502,485,892	\$ 546,316,873	\$ 2,817,421	\$ 549,134,294		\$ 46,648,402
4							
5							
6	Calculation of the Interim Rate Adjustment Amount:						
7	Return						
8	Depreciation Expense						(Sch. A, Ln. 3, Col. g) times (Sch. B, Ln. 1, Col. b) \$ 3,852,225
9	Property-related Taxes (Ad Valorem)						(Sch. A, Ln. 1, Col. g) times (Sch. B, Ln. 6, Col. b) 1,059,461
10	Revenue-related Taxes						(Sch. A, Ln. 3, Col. g) times (Sch. B, Ln. 11, Col. b) 780,865
11	Federal Income Tax						-
12	Interim Rate Adjustment Amount						(Sch. C, Ln. 9, Col. b) 1,277,191
13							\$ 6,969,743
14	Total Interim Rate Adjustment Amount times the Allocation Factors:						
15	Rate Schedule CGS						(Sch. A, Ln. 12, Col. g) times (Sch. B, Ln. 16, Col. b) \$ 5,099,458
16	Rate Schedule PT						(Sch. A, Ln. 12, Col. g) times (Sch. B, Ln. 17, Col. b) 1,870,284
17	Total						\$ 6,969,743
18							
19	Total Change in Meter Charge:						
20	Rate Schedule CGS						(Sch. A, Ln. 15, Col. g) divided by (Sch. B, Ln. 21, Col. b) \$ 578.17
21	Rate Schedule PT						(Sch. A, Ln. 16, Col. g) divided by (Sch. B, Ln. 22, Col. b) \$ 749.31
22							
23	Notes:						
24	1. Amounts are the approved amounts per GUD 9400 adjusted to include Net Utility Plant Investment included in the Company's previously authorized 2003 through 2006 Interim Rate Adjustments.						
25	2. Includes assigned Shared Services investment and accumulated depreciation.						
26	3. See Workpaper/Schedule A for adjustment details related to Column (d).						
27	4. Revenue-related taxes are recovered through Rider TAX.						

Summary

**ATMOS PIPELINE - TEXAS
INTERIM COST RECOVERY AND RATE ADJUSTMENT REPORT
AS OF DECEMBER 31, 2007**

Change to Meter Charge for 2007 Interim Rate Adjustment

Line No.	Rate Class (a)	Meter Charge per GUD 9400 Adjusted (1) (b)	Interim Cost Recovery Adjustment to Monthly Charge (2) (c)	Proposed Meter Charge (d)
1	Rate Schedule CGS	\$ 1,822.06	\$ 578.17	2,400.23
2				
3	Rate Schedule PT	\$ 2,466.77	\$ 749.31	3,216.08
4				
5				

Notes:

1. Column (b) is GUD 9400 including the Company's previously authorized 2003 through 2006 Interim Rate Adjustments as applicable.
2. Column (c) is 2007 Interim Rate Adjustment per the proposed Tariffs for Rate CGS and PT customers.

ATMOS PIPELINE - TEXAS
INTERIM COST RECOVERY AND RATE ADJUSTMENT REPORT
AS OF DECEMBER 31, 2007

Line No.	Description (a)	Total (b)	Reference (c)
1	Return Factor	8.258%	GUD 9400, Schedule G (P), Line 24, Column (e)
2			
3	Depreciation Expense Factor Calculation:		
4	Total Depreciation Expense	\$ 14,676,489	GUD 9400, Schedule E (P), Line 4, Column (d), Page 7 of 8
5	Invested Capital - Gross Plant	\$ 699,977,759	GUD 9400, Schedule E (P), Line 56, Column (d), Page 1 of 8
6	Depreciation Expense Factor	<u>2.097%</u>	Line 4 divided by Line 5
7			
8	Property Tax Factor Calculation:		
9	Property-Related Taxes (Ad Valorem)	\$ 6,200,000	2007 Property Tax payments per the methodology in GUD 9726 Final Order, Finding of Fact No. 49. (1)
10	Total Net Plant	\$ 370,384,137	GUD 9400, Schedule E (P), Line 56, Column (d), Page 3 of 8
11	Property Tax Factor	<u>1.674%</u>	Line 9 divided by Line 10
12			
13	Federal Income Tax Factor Calculation (1 / .65) * (.35)	<u>53.84615%</u>	GUD 9400, Schedule M (P), Line 23, Column (f)
14	Allocation Factors		
15			
16	Rate Schedule CGS	0.731657	GUD 9560, Final Order, Finding of Fact #46
17	Rate Schedule PT	0.268343	GUD 9560, Final Order, Finding of Fact #46
18	Total	<u>1.000000</u>	Sum of Line 16 through Line 17
19			
20	2007 Year-end number of meters times 12:		
21	Rate Schedule CGS	8,820	Current year-end number of meters per the methodology in GUD 9560 Final Order, Finding of Fact No. 49.
22	Rate Schedule PT	2,496	Current year-end number of meters per the methodology in GUD 9560 Final Order, Finding of Fact No. 49.
23			
24	Note:		
25	1: Estimated pending actual payments.	735	

ATMOS PIPELINE - TEXAS
INTERIM COST RECOVERY AND RATE ADJUSTMENT REPORT
AS OF DECEMBER 31, 2007

Line No.	Description (a)	Factors (b)	Reference (c)
1	Cost of Common Equity	\$ 20,772,144	GUD 9400, Schedule G (P), Line 6, Column (e)
2	Cost of Preferred Stock	436,674	GUD 9400, Schedule G (P), Line 4, Column (e)
3	Return excluding debt, per GUD 9400	\$ 21,208,818	Line 1 plus Line 2
4	Total Invested Capital	\$ 417,111,331	GUD 9400, Schedule G (P), Line 16, Column (e)
5	Return rate excluding debt, per GUD 9400	5.085%	Line 3 divided by Line 4
6	Federal Income Tax Factor	53.84615%	Schedule B, Line 13, Column (b)
7	Federal Income Tax Adjustment Factor	2.738%	Line 5 times Line 6
8	Change in Invested Capital - Net Utility Plant	\$ 46,648,402	Schedule A, Line 3, Column (g)
9	Change in Federal Income Tax	\$ 1,277,191	Line 7 times Line 8

ATMOS PIPELINE - TEXAS
INTERIM COST RECOVERY AND RATE ADJUSTMENT REPORT
AS OF DECEMBER 31, 2007

Line No.	Description (a)	Ref (b)	Adjustments (c)	Total Adjustment (d)
1	Utility Plant Investment Adjustments:			
2	Beginning Balance, Prior Years: IRA Adjustments Rolled Forward	1	\$ 2,962,552	
3	a) Year 2005 Addition to include Shared Services 2005 Additions		(461,970)	
4	b) Year 2005 Reduction to exclude Ancillary workplace improvements from Pipeline 2005 Additions		(200,755)	
5	c) Year 2005 Reduction to exclude Project 180.10932 and other signage cost from Pipeline 2005 Additions		(2,886,857)	
6	d) Year 2006 Reallocation Adjustment for Shared Services 2005 Additions		2,779,516	
7	e) Year 2006 Addition to include Shared Services 2006 Additions		(29,706)	
8	f) Year 2006 Reduction to exclude Ancillary Equipment from Shared Services 2006 Additions		1,280	
9	g) Year 2006 Reduction to exclude Ancillary Equipment from Pipeline 2006 Additions		(55,079)	
10	h) Year 2006 Reduction to exclude Expense Account Costs from Shared Services 2006 Additions		(59,084)	
11	i) Year 2006 Reduction to exclude Direct Expense Account Charges from Pipeline 2006 Additions		(56,172)	
12	j) Year 2006 Reduction to exclude Expense Account Charges for Shared Services Overheads from Pipeline 2006 Additions		(68,006)	
13	k) Year 2006 Reduction to exclude Expense Account Charges for Business Unit Overheads from Pipeline 2006 Additions			
14	Year 2007 Adjustments			
15	l) Reallocation Adjustment for Shared Services 2005 Additions	2	2,451	
16	m) Reallocation Adjustment for Shared Services 2006 Additions	2	90,014	
17	n) Reallocation Adjustment for Year 2006 Reduction to exclude Ancillary Equipment from Shared Services 2006 Additions	2	(962)	
18	o) Reallocation Adjustment for Year 2006 Reduction to exclude Expense Account Costs from Shared Services 2006 Additions	2	(1,784)	
19	p) Addition to include Shared Services 2007 Additions	3	1,978,802	
20	q) Reduction to exclude Ancillary Equipment from Shared Services 2007 Additions	4	(282,290)	
21	r) Reduction to exclude Ancillary Equipment from Pipeline 2007 Additions	4		
22	s) Reduction to exclude Expense Account Costs from Shared Services 2007 Additions	5	(14,644)	
23	t) Reduction to exclude Direct Expense Account Charges from Pipeline 2007 Additions	5	(66,084)	
24	u) Reduction to exclude Expense Account Charges for Shared Services Overheads from Pipeline 2007 Additions	5	(31,356)	
25	v) Reduction to exclude Expense Account Charges for Business Unit Overheads from Pipeline 2007 Additions	5	(51,579)	
26	Ending Balance, Utility Plant Investment Adjustments		<u>\$ 3,548,287</u>	

Worksheet/Schedule A

ATMOS PIPELINE - TEXAS
 INTERIM COST RECOVERY AND RATE ADJUSTMENT REPORT
 AS OF DECEMBER 31, 2007

Line No.	Description (a)	Ref (b)	Adjustments (c)	Total Adjustment (d)
27	Accumulated Depreciation Adjustments:			
28	Beginning Balance, Prior Years' IRA Adjustments Rolled Forward	1	\$	
29	a) Year 2005 Addition for Shared Services Year 2005 Depreciation Accumulated on 2005 Additions		267,953	
30	b) Year 2006 Reallocation Adjustment for Year 2005 Depreciation Accumulated on Shared Services 2005 Additions		(252,690)	
31	c) Year 2006 Addition for Year 2006 Depreciation Accumulated on Shared Services 2005 Additions		15,263	
32	d) Year 2006 Addition for Depreciation Accumulated on Shared Services 2006 Additions		278,262	
33	e) Year 2006 Reduction to exclude Depreciation Accumulated on Shared Services 2006 Ancillary Equipment		(2,080)	
34	f) Year 2006 Reduction to exclude Year 2005 and Year 2006 Depreciation Accumulated on Pipeline 2005 Ancillary Improvements and Signage		(26,745)	
35	g) Year 2006 Reduction to exclude Depreciation Accumulated on Pipeline 2006 Ancillary Equipment		35	
36	h) Year 2006 Reduction to exclude Depreciation Accumulated on Shared Services 2006 Expense Account Costs		(4,557)	
37	i) Year 2006 Reduction to exclude Depreciation Accumulated on Pipeline 2006 Direct Expense Account Charges		(1,239)	
38	j) Year 2006 Reduction to exclude Depreciation Accumulated on Pipeline 2006 Expense Account Charges for Shared Services Overheads		(1,178)	
39	k) Year 2006 Reduction to exclude Depreciation Accumulated on Pipeline 2006 Expense Account Charges for Business Unit Overheads		(1,426)	
40	Year 2007 Adjustments			
41	l) Reallocation Adjustment for Year 2005 Depreciation Accumulated on Shared Services 2005 Additions	2	494	
42	m) Reallocation Adjustment for Year 2006 Depreciation Accumulated on Shared Services 2005 Additions	2	494	
43	n) Reallocation Adjustment for Year 2006 Depreciation Accumulated on Shared Services 2006 Additions	2	9,011	
44	o) Reallocation Adjustment for Reduction to exclude Year 2006 Depreciation Accumulated on Shared Services 2006 Ancillary Equipment	2	(67)	
45	p) Reallocation Adjustment for Reduction to exclude Year 2006 Depreciation Accumulated on Shared Services 2006 Expense Account Costs	2	(148)	
46	q) Addition for Year 2007 Depreciation Accumulated on Shared Services 2005 Additions	3	15,757	
47	r) Addition for Year 2007 Depreciation Accumulated on Shared Services 2006 Additions	3	287,274	
48	s) Addition for Year 2007 Depreciation Accumulated on Shared Services 2007 Additions	3	189,232	
49	t) Reduction to exclude Year 2007 Depreciation Accumulated on Shared Services 2006 Ancillary Equipment	4	(2,147)	
50	u) Reduction to exclude Year 2007 Depreciation Accumulated on Shared Services 2007 Ancillary Equipment	4	(14,417)	
51	v) Reduction to exclude Year 2007 Depreciation Accumulated on Pipeline 2005 Ancillary Improvements and Signage	4	(13,373)	
52	w) Reduction to exclude Year 2007 Depreciation Accumulated on Pipeline 2006 Ancillary Equipment	4	35	
53	x) Reduction to exclude Year 2007 Depreciation Accumulated on Shared Services 2006 Expense Account Costs	5	(4,705)	
54	y) Reduction to exclude Year 2007 Depreciation Accumulated on Shared Services 2007 Expense Account Costs	5	(1,210)	
55	z) Reduction to exclude Year 2007 Depreciation Accumulated on Pipeline 2006 Direct Expense Account Charges	5	(1,239)	
56	aa) Reduction to exclude Year 2007 Depreciation Accumulated on Pipeline 2007 Direct Expense Account Charges	5	(1,386)	
57	ab) Reduction to exclude Year 2007 Depreciation Accumulated on Pipeline 2006 Expense Account Charges for Shared Services Overheads	5	(1,178)	
58	ac) Reduction to exclude Year 2007 Depreciation Accumulated on Pipeline 2007 Expense Account Charges for Shared Services Overheads	5	(657)	
59	ad) Reduction to exclude Year 2007 Depreciation Accumulated on Pipeline 2006 Expense Account Charges for Business Unit Overheads	5	(1,426)	
60	ae) Reduction to exclude Year 2007 Depreciation Accumulated on Pipeline 2007 Expense Account Charges for Business Unit Overheads	5	(1,426)	
61	Ending Balance, Accumulated Depreciation Adjustments		\$	730,866

ATMOS PIPELINE - TEXAS
INTERIM COST RECOVERY AND RATE ADJUSTMENT REPORT
AS OF DECEMBER 31, 2007

Line No.	Description (a)	Ref (b)	Adjustments (c)	Total Adjustment (d)
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62 Notes:
63 1. These balances roll forward the adjustments to Net Utility Plant authorized in GUD 9664 and GUD 9726 Final Order.
64 2. These adjustments reduce the prior Shared Services Additions authorized in GUD 9664 and GUD 9726 to the level of service provided by SSU at the end of 2007, with related adjustment
65 for accumulated depreciation.
66 3. These adjustments include the Shared Services 2007 Additions based upon the level of service provided by SSU at the end of 2007, with related adjustment for accumulated depreciation.
67 4. These adjustments have been made in compliance with GUD 9664 Final Order, Finding of Fact Nos. 41 and 42.
68 5. In compliance with the spirit of GUD 9670 Final Order, Finding of Fact Nos. 92, 93 and 94, the Company has voluntarily elected to reduce Net Utility Plant for the costs of meals and
69 entertainment, travel and lodging, and other employee related expenses capitalized during 2007 pending the Company's filing of its next formal case.

**ALLOCATION OF INVESTMENT RECOVERY
ATMOS PIPELINE - TEXAS**

Allocation Factors Per Rate Case - Docket No. 9400		
Rate CGS:	0.670958	GUD 9400 Final Order, Schedule F (P), Line 44, Page 1
Rate PT	0.329042	GUD 9400 Final Order, Schedule F (P), Line 44, Page 1
Total System:	1.000000	

Allocation Factors Requested in this filing		
Rate CGS:	0.731657	GUD 9560, Final Order, Finding of Fact #46
Rate PT	0.268343	GUD 9560, Final Order, Finding of Fact #46
Total System:	1.000000	

New Investment Recovery Distribution		
Requested Recovery Amount	\$	6,969,743 (IRA-3, Ln. 8, Col. d)
Rate CGS:	\$	5,099,458 (IRA-Company, Sch A, Ln. 15, Col g)
Rate PT		1,870,284 (IRA-Company, Sch A, Ln. 16, Col g)
Total System		6,969,743