

**BEFORE THE
RAILROAD COMMISSION OF TEXAS**

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| APPLICATION FILED BY ATMOS PIPELINE - TEXAS FOR TEST YEAR 2016 ANNUAL INTERIM RATE ADJUSTMENT FILING. | § § § | GAS UTILITIES DOCKET NO. 10652 |
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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 (2013). The Railroad Commission of Texas adopts the following findings of fact and conclusions of law and orders:

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 (Atmos PT), a division of Atmos, owns and operates a gas pipeline transportation system.
3. On September 1, 2017, Atmos PT filed an application for an annual interim rate adjustment (IRA) applicable to customers located on Atmos PT's system.
4. On September 1, 2017, Atmos PT requested that the interim rate adjustment (IRA) for all customer classes become effective on October 31, 2017.
5. On September 6, 2017, the Commission suspended implementation of the Company's proposed IRA until December 15, 2017, which would be 45 days following the 60th day after the propose implementation date.
6. Neither TEX. UTIL. CODE § 104.301(2007) nor 16 TEX. ADMIN. CODE, § 7.7101 (2010) provides the opportunity for parties to intervene in the Commission's review of an application for an annual IRA.
7. Title 16 TEX. ADMIN. CODE §7 .7101 allows written comments or a protest, concerning the proposed IRA, to be filed with the Oversight and Safety Division.

8. As of the date of this interim order, no comments or protests concerning this application have been received by the Commission.
9. This docket represents the first annual IRA for Atmos PT since Gas Utilities Docket (GUD) No. 10580.¹
10. Until promulgation of TEX. UTIL. CODE § 104.301 (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.
11. The proposed IRA will allow Atmos PT 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 the Company's comprehensive cost of service.

Applicability

12. This docket applies to only those rates over which the Commission has original jurisdiction, which includes the entire Atmos PT system.
13. Atmos PT's negotiated rate customers are not allocated any of the interim rate adjustment amounts, consistent with the rate design approved in GUD No. 10580.

Most Recent Comprehensive Rate Case

14. Atmos PT's most recent rate case for the area in which the IRA will be implemented is GUD No. 10580, *Statement of Intent to Change the Rate CGS and Rate PT Rates of Atmos Pipeline - Texas*.
15. GUD No. 10580 was filed on January 6, 2017.
16. The data used in GUD No. 10580 was based on a test year ending September 30, 2016.
17. The Commission signed GUD No. 10580 Final Order on August 1, 2017, and the rates became effective the same day.
18. The following chart shows the factors that were established in GUD No. 10580 to calculate the return on investment, depreciation expense, and incremental federal income taxes for Atmos PT:

¹ *Statement of Intent to Change the Rate CGS and Rate PT Rates of Atmos Pipeline - Texas.*

| Factor | Percentage |
|-------------------------|----------------------|
| Rate of Return | 8.872% |
| Depreciation Rate | Various ² |
| Depreciation Rate - SSU | Various ³ |
| Federal Income Tax Rate | 35% |

19. It is reasonable for the Commission to approve use of the allocation factors shown in the following chart that were established in GUD No. 10580 to allocate the interim rate adjustment amount to the customer classes:

| Customer Class | Allocation Factor |
|-----------------------------------|-------------------|
| Rate CGS (City Gate Service) | 0.9738 |
| Rate PT (Pipeline Transportation) | 0.0262 |

Interim Rate Adjustment

20. The revenue amounts to be recovered through Atmos PT's proposed annual IRA are incremental to the revenue requirement established in the Company's most recent rate case for the area in which the IRA is to be implemented, GUD No. 10580.
21. Under TEX. UTIL. CODE § 7.7101(f)(3), for the first IRA following the most recent rate case, a utility may adjust its rates based on the difference between invested capital at the end of the most recent rate case test-year and the invested capital at the end of the calendar year following the end of the most recent rate case test-year.
22. In this first interim rate adjustment following the most recent rate case, GUD No. 10580, Atmos PT adjusted its rates based on the difference between its invested capital at the end of its SOI rate case test year ended September 30, 2016 and the incremental invested capital at the end of December 31, 2016.
23. Atmos PT 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. The incremental change in the revenue requirement to be recovered through this IRA filing from all rate classes using the approved component factors is **\$28,988,035** (Exhibit B).
24. The value of Atmos PT'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 the Company's interim rate adjustments.
25. Atmos PT's incremental net utility plant investment increase is **\$168,996,504** (Exhibit B).

² GUD 10580, Final Order Finding of Fact 110 and Schedule F-3.

³ GUD 10580, Final Order Finding of Fact 110 and Schedule F-3.

26. Atmos PT 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 Atmos PT in the most recent rate case for the area in which the IRA is to be implemented (GUD No. 10580).
27. Atmos PT filed the Commission's Annual Earnings Monitoring Report (EMR) as required by 16 TEX. ADMIN. CODE § 7.7101. The Company's actual rate of return is 7.684% for the test year ended December 31, 2016, which does not exceed the 75 basis points above the return established in GUD. No. 10580, which was 8.872%.
28. GUD No. 10580, Atmos PT's most recent SOI rate case and the basis for the key factors in this IRA calculation, was approved by the Commission on August 1, 2017. Capacity Charges, set in GUD No. 10580, are shown in Column B of the table below.⁴
35. The IRA rates proposed in this docket, GUD No. 10652, the *first* IRA applicable to the customers located in Atmos PT's system, are shown in Column C, below.
29. Atmos PT's proposed 2016 Year-ended Maximum Daily Quantity (MDQ) complies with TEXAS UTILITIES CODE, § 104.301, and 16 TEX. ADMIN. CODE, § 7.7101.
30. When the Capacity Charges, as established in GUD No. 10580 and the proposed 2016 IRA (Columns B and C) are added, the resulting capacity charges for the affected customer classes are shown in Column D, below.

| A | B | C | D |
|----------------------|--|-------------------------------|-------------------------------------|
| Rate Schedule | Capacity Charge Per MDQ GUD No. 10580 | 2016 IRA GUD No. 10652 | 2016 Capacity Charge Per MDQ |
| Rate CGS – Mid-Tex | \$10.77665 | \$0.81992 | \$ 11.59657 |
| Rate CGS – Other | \$10.33971 | \$0.81992 | \$ 11.15963 |
| Rate PT | \$5.55392 | \$0.41672 | \$ 5.97064 |

⁴ Note: Capacity charges shown in Column B also include additional approved rates under the annual Rider Rev adjustment in GUD No. 10649.

31. Atmos PT filed its Annual Project Report as required by 16 TEX. ADMIN. CODE § 7.7101.
 - a. Gross Pipeline Additions totaled \$215,857,221.
 - b. Pipeline Retirements totaled \$10,706,656.
 - c. Gross Shared Services Units (SSU) Additions totaled \$3,297,278.
 - d. SSU Retirements totaled \$682,769.
32. Atmos PT Net Utility Plant Investment is calculated on the following as required by 16 TEX. ADMIN. CODE § 7.7101.
 - a. Net change in Atmos PT Utility Plant Investment \$205,150,565.⁵
 - b. Net change in Atmos PT Accumulated Depreciation \$40,931,684.⁶
 - c. Net change in allocated Atmos SSU Utility Plant Investment \$2,614,508.⁷
 - d. Net change in allocated Atmos SSU Accumulated Depreciation \$409,221.⁸
 - e. Net change in Utility Plant Investment \$168,996,504.⁹
 - f. Safety-related improvements/infrastructure projects totaled \$46,506,110 or 21.5% of total additions.¹⁰
 - g. Integrity testing projects totaled \$6,490,060 or 3.0% of total additions.¹¹
33. Atmos PT proposed the IRA as a flat rate to be applied to the monthly Capacity Charge per Maximum Daily Quantity (MDQ) rather than to the usage rate. (Exhibit B).
34. Atmos PT is required to show its annual IRA on its customers' monthly billing statements as a surcharge.
35. The proposed IRA does not require an evidentiary proceeding; rather, TEX. UTIL. CODE § 104.301 and 16 TEX. ADMIN. CODE § 7.7101 require the regulatory authority to review a utility's method of calculating the IRA.
36. Due process protections are deferred until Atmos PT files its next full statement of intent rate case.

Notice

37. Adequate notice by Atmos PT was provided to its City Gate Service (CGS) and Pipeline Transportation (PT) customers by certified direct mail on September 6, 2017, and, as a result, was completed within 45 days of the filing, fulfilling the requirements of under TEX. UTIL. CODE § 104.301(a).

Comprehensive Rate Case Required

⁵ Exhibit B, Schedule A.

⁶ Exhibit B, Schedule A.

⁷ Exhibit B, Schedule A.

⁸ Exhibit B, Schedule A.

⁹ Exhibit B, Schedule A.

¹⁰ Atmos PT's Response to Staff's RFI 1-5.

¹¹ Atmos PT's Response to Staff's RFI 1-6.

38. Atmos PT is not required to initiate a statement of intent rate case at the time it applies for an IRA.
39. Under 16 TEX. ADMIN. CODE § 7.7101 (I) (2010) 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.
40. Atmos PT is required to file a statement of intent rate case no later than June 3, 2023.
41. Under 16 TEX. ADMIN. CODE § 7.7101(j), any change in investment and related expenses and revenues that have been included in any interim rate adjustment shall be fully subject to review for reasonableness and prudence in the next rate case. Per 16 TEX. ADMIN. CODE § 7.7101(i), all amounts collected from customers under an interim rate adjustment tariff are subject to refund until the conclusion of the next rate case.

Review of Interim Rate Adjustment

42. Atmos PT presented its IRA calculation using the factors approved in GUD No. 10580 for rate of return, depreciation, and federal income tax, and using a property-related taxes (Ad Valorem) percentage of 1.014% based on the estimated 2016 taxes paid by the Company.¹²
43. Atmos PT's IRA, as adjusted, is \$28,988,035 based on an incremental net utility plant investment increase of \$168,996,504 using the property-related taxes (Ad Valorem) percentage of 1.014% based on the estimated 2016 taxes paid by the Atmos PT (Exhibit B).¹³
44. Atmos PT's proposed allocation methodology complies with TEX. UTIL. CODE § 104.301 and with 16 TEX. ADMIN. CODE § 7.7101.

| Customer Class | Allocation Factor |
|-----------------------------------|-------------------|
| Rate CGS (City Gate Service) | 0.9738 |
| Rate PT (Pipeline Transportation) | 0.0262 |
| Total | 1.00 |

¹¹ Title 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 constant. In Atmos' last statement of intent rate case (GUD No. 10580), Ad Valorem taxes were reconciled between the estimate used in the IRAs and actual Ad Valorem taxes paid.

¹³ Exhibit B, Schedule B of the Application.

45. For calculating the change in the Capacity Charge per year, it is reasonable for the Commission to approve use of Atmos PT's 2016 Year-ended Maximum Daily Quantity (MDQ) times 12. The following total Maximum Daily Quantity (MDQ) used in the calculation of the IRA are reasonable:

| Customer Class | Total Maximum Daily Quantity (MDQ) |
|-----------------------------------|------------------------------------|
| Rate CGS (City Gate Service) | 34,429,956 |
| Rate PT (Pipeline Transportation) | 1,819,884 |

46. It is reasonable for the Commission to approve Atmos PT's application for an IRA. The following amounts of IRA revenue and additional capacity charges by customer class are reasonable:

| Customer Class | IRA | Change in Capacity Charge Per MDQ | New Capacity Charge Per MDQ |
|------------------------------------|--------------|-----------------------------------|-----------------------------|
| Rate CGS (City Gate Service): | \$28,229,650 | | |
| Rate CGS – Mid-Tex | | \$ 0.81992 | \$ 11.59697 |
| Rate CGS – Other | | \$ 0.81992 | \$ 11.15963 |
| Rate PT (Pipeline Transportation): | \$ 758,385 | \$ 0.41672 | \$ 5.97064 |

Reimbursements of Expense

47. 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.
48. After the Commission has finally acted on Atmos PT's application for an IRA, the Director of the Oversight and Safety Division will estimate Atmos PT's proportionate share of the Commission's annual costs related to the processing of such applications.
49. In making the estimate of Atmos PT's proportionate share of the Commission's annual cost 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 cost expected to be incurred in processing such applications.
50. Atmos PT is required to reimburse the Commission for the amount determined by the Director of the Oversight and Safety Division, within thirty days after receipt of notice of the amount of the reimbursement.

CONCLUSIONS OF LAW

1. Atmos PT is a “gas utility” as defined in TEX. UTIL. CODE §§ 101.003(7), and 121.001, and is therefore subject to the jurisdiction of the Railroad Commission of Texas (“Commission”).
2. The Commission has jurisdiction over Atmos PT’s applications for IRAs for incremental changes in investment, and the subject matter of this case under TEX. UTIL. CODE §§ 102.001, 104.001, 104.002, AND 104.301.
3. Under TEX. UTIL. CODE ANN. § 102.001, 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 TEX. UTIL. CODE ANN. § 104.301 and 16 TEX. ADMIN. CODE § 7.7101, Atmos PT is required to seek Commission approval before implementing an IRA tariff to Atmos PT’s customers.
5. Atmos PT filed its application for an IRA for changes in investment in accordance with the provisions of TEX. UTIL. CODE ANN. § 104.301 and 16 TEX. ADMIN. CODE § 7.7101.
6. Atmos PT’s application for an IRA was processed in accordance with the requirements of TEX. UTIL. CODE ANN. § 104.301 and 16 TEX. ADMIN. CODE § 7.7101.
7. In accordance with 16 TEX. ADMIN. CODE § 7.315, within thirty days of the effective date of any change to rates or services, Atmos PT is required to electronically file with the Commission its revised tariffs.
8. Atmos PT may not charge any rate that has not been successfully filed and accepted as a tariff filing pursuant to TEX. UTIL. CODE ANN. §§ 102.151 and 104.002 and 16 TEX. ADMIN. CODE § 7.315.
9. In accordance with TEX. UTIL. CODE ANN. § 104.301(a) and 16 TEX. ADMIN. CODE § 7.7101(a), the filing date of Atmos PT’s most recent rate case, 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 PT filed its initial IRA.

10. The Atmos PT is required, under TEX. UTIL. CODE ANN. § 104.301(e) and 16 TEX. ADMIN. CODE § 7.7101(d), to file with the Commission an annual project report, including the cost, need, and customers benefited by the change in investment, and describing the investment projects completed and placed in service during the preceding calendar year and the investments retired or abandoned during the preceding calendar year.
11. Atmos PT shall include in all future annual IRA filings relocation project reports that provide additional information about relocation projects included in investment projects in the same format as required in this docket.
12. Atmos PT is required, under TEX. UTIL. CODE ANN. § 104.301(f) and 16 TEX. ADMIN. CODE § 7.7101(e), to file with the Commission an annual earnings monitoring report demonstrating the company's earnings during the preceding calendar year.
13. Atmos PT is required, under 16 TEX. ADMIN. CODE § 7.7101(h), to recalculate its approved IRA annually and is required to file an application for an annual adjustment no later than 60 days prior to the one-year anniversary of the proposed implementation date of the previous IRA application.
14. In accordance with 16 TEX. ADMIN. CODE § 7.7101(i), all amounts collected from customers under Atmos PT'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), in the rate case that Atmos PT files or the Commission initiates after the implementation of an IRA, any change in investment and related expenses and revenues that have been included in any IRA shall be fully subject to review for reasonableness and prudence. Upon issuance of a final order setting rates in the rate case that Atmos PT files or the Commission initiates after the implementation of an IRA, any change in investment and related expenses and revenues that have been included in any IRA shall no longer be subject to review for reasonableness or prudence.
16. The Commission has authority to suspend the implementation of the IRA, under TEX. UTIL. CODE ANN. § 104.301(a) and 16 TEX. ADMIN. CODE § 7.7101(e).
17. Atmos PT provided adequate notice of its IRA, in accordance with TEX. UTIL. CODE ANN. § 104.301(a) and 16 TEX. ADMIN. CODE § 7.7101(b).
18. Atmos PT's application for an IRA, as revised, complies with all provisions of TEX. UTIL. CODE ANN. § 104.301 and 16 TEX. ADMIN. CODE § 7.7101.

19. Atmos PT'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 and 16 TEX. ADMIN. CODE § 7.7101.
20. In accordance with TEX. UTIL. CODE ANN. § 104.301(h) and 16 TEX. ADMIN. CODE § 7.7101(l), Atmos PT shall file a comprehensive rate case for the areas in which the IRA is implemented, no later than the 180th day after the fifth anniversary of the date its initial IRA became effective.
21. The Commission has authority, under TEX. UTIL. CODE ANN. § 104.301(j) and 16 TEX. ADMIN. CODE § 7.7101(m), to recover from Atmos PT the proportionate share of the Commission's annual cost related to the administration of the IRA mechanism.

IT IS THEREFORE ORDERED BY THE RAILROAD COMMISSION OF TEXAS THAT Atmos Pipeline - Texas's IRA as adjusted and to the extent recommended to be approved in the findings of fact and conclusions of law, is **HEREBY APPROVED**, subject to refund, to be effective for bills rendered on or after the date of this order.

IT IS FURTHER ORDERED THAT Atmos Pipeline - Texas **SHALL** file with the Commission no later than June 3, 2023, a statement of intent to change rates as required under TEX. UTIL. CODE ANN. § 104.301(h) and 16 TEX. ADMIN. CODE § 7.7101(l).

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

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

IT IS FURTHER ORDERED THAT Atmos Pipeline - Texas **SHALL** reimburse the Commission for the utility's proportionate share of the Commission's annual costs related to the administration of the IRA mechanism. The amount of this reimbursement shall be determined by the Director of the Oversight and Safety Division. 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.

Any portion of Atmos PT'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 5th day of December 2017.

RAILROAD COMMISSION OF TEXAS

Christi Craddick

CHRISTI CRADDICK
CHAIRMAN

Ryan Sitton

RYAN SITTON
COMMISSIONER

Wayne Christian

WAYNE CHRISTIAN
COMMISSIONER

ATTEST

Kathy Way

SECRETARY



GUD NO. 10652

EXHIBIT A

Tariffs

**ATMOS PIPELINE-TEXAS
ATMOS ENERGY CORPORATION**

| | | |
|------------------------|----------------------|--|
| RATE SCHEDULE: | CGS – MID-TEX | |
| APPLICABLE TO: | Mid-Tex | |
| EFFECTIVE DATE: | | |

Application

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

Type of Service

This service provides firm transportation and storage service to Local Distribution Companies. Where service of the quantity and type required by Customer is not already available at a Point of Delivery, additional charges and special contract arrangements between Company and Customer may be required prior to service being furnished at such Point of Delivery.

Monthly Rate

Customer's monthly bill will be calculated by adding the Monthly Customer and Usage charges to the amounts and quantities due under the Riders listed below. The Monthly Customer Charge each month will be equal to the Capacity Charge, as adjusted, multiplied by the Customer's Maximum Daily Quantity (MDQ) as set forth in the Transportation Agreement between Customer and Company. Total Usage Charges each month will be equal to the Usage Charge multiplied by the volume of gas delivered to Customer by Company during such month:

| Charge | Amount |
|--|---|
| Capacity | \$ 10.20461 per MMBtu of MDQ ¹ |
| Capacity Charge related to Mid-Tex Working Gas | \$ 0.43694 per MMBtu of MDQ |
| Annual Rider REV Adjustment | \$ 0.1351 per MMBtu of MDQ |
| Interim Rate Adjustment ("IRA") | \$ 0.81992 per MMBtu of MDQ ² |
| Total Capacity Charge | \$ 11.59657 per MMBtu of MDQ |
| Usage | \$ 0.02785per MMBtu |

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

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

Rider SUR: Plus an amount for surcharges calculated in accordance with Rider SUR.

Rider REV: Plus an amount per MMBtu in accordance with Rider REV as an adjustment to the Capacity Charge per MMBtu of MDQ.

¹ The Capacity Charge per MMBtu will be adjusted annually as calculated pursuant to Rider REV.

² 2016 IRA - \$0.81992.

**ATMOS PIPELINE-TEXAS
ATMOS ENERGY CORPORATION**

| | |
|------------------------|----------------------|
| RATE SCHEDULE: | CGS – MID-TEX |
| APPLICABLE TO: | Mid-Tex |
| EFFECTIVE DATE: | |

MDQ Adjustment: If Shipper's daily usage on any day exceeds Shipper's MDQ as set forth herein by 10% or more, then Shipper's MDQ will be increased to equal such daily usage up to the firm capacity available through the then existing APT facilities. The effective date of such increase in the MDQ will be the first day of the calendar month following the day on which Shipper's daily usage exceeded Shipper's MDQ by 10% or more.

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.

Curtailement Overpull Fee

Upon notification by Company of an event of curtailement or interruption of Customer's deliveries, Customer will, for each MMBtu delivered in excess of the stated level of curtailement 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 – Mid-Tex, 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.

**ATMOS PIPELINE-TEXAS
ATMOS ENERGY CORPORATION**

| | |
|------------------------|--|
| RATE SCHEDULE: | CGS – OTHER |
| APPLICABLE TO: | CoServ, WTG Marketing, Inc., the City of Rising Star, the City of Navasota, Corix Utilities (Texas), Inc., Terra Gas Supply, Texas Gas Service Co., and Other City Gate Service Customers, except Mid-Tex |
| EFFECTIVE DATE: | |

Application

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

Type of Service

This service provides firm transportation and storage service to Local Distribution Companies. Where service of the quantity and type required by Customer is not already available at a Point of Delivery, additional charges and special contract arrangements between Company and Customer may be required prior to service being furnished at such Point of Delivery.

Monthly Rate

Customer's monthly bill will be calculated by adding the Monthly Customer and Usage charges to the amounts and quantities due under the Riders listed below. The Monthly Customer Charge each month will be equal to the Capacity Charge, as adjusted, multiplied by the Customer's Maximum Daily Quantity (MDQ) as set forth in the Transportation Agreement between Customer and Company. Total Usage Charges each month will be equal to the Usage Charge multiplied by the volume of gas delivered to Customer by Company during such month:

| Charge | Amount |
|--|---|
| Capacity | \$ 10.20461 per MMBtu of MDQ ¹ |
| Annual Rider REV Adjustment | \$ 0.1351 per MMBtu of MDQ |
| Interim Rate Adjustment ("IRA") | \$ 0.81992 per MMBtu of MDQ ² |
| Total Capacity Charge | \$11.15963 per MMBtu of MDQ |
| Usage | \$ 0.02785 per MMBtu |

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

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

Rider SUR: Plus an amount for surcharges calculated in accordance with Rider SUR.

Rider REV: Plus an amount per MMBtu in accordance with Rider REV as an adjustment to the Capacity Charge per MMBtu of MDQ.

MDQ Adjustment: If Shipper's daily usage on any day exceeds Shipper's MDQ as set forth herein by 10% or more, then Shipper's MDQ will be increased to equal such daily usage up to the firm capacity available

¹ The Capacity Charge per MMBtu will be adjusted annually as calculated pursuant to Rider REV.
² 2016 IRA - \$0.81992.

**ATMOS PIPELINE-TEXAS
ATMOS ENERGY CORPORATION**

| | |
|------------------------|--|
| RATE SCHEDULE: | CGS – OTHER |
| APPLICABLE TO: | CoServ, WTG Marketing, Inc., the City of Rising Star, the City of Navasota, Corix Utilities (Texas), Inc., Terra Gas Supply, Texas Gas Service Co., and Other City Gate Service Customers, except Mid-Tex |
| EFFECTIVE DATE: | |

through the then existing APT facilities. The effective date of such increase in the MDQ will be the first day of the calendar month following the day on which Shipper's daily usage exceeded Shipper's MDQ by 10% or more.

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.

Curtailement Overpull Fee

Upon notification by Company of an event of curtailement or interruption of Customer's deliveries, Customer will, for each MMBtu delivered in excess of the stated level of curtailement 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 - Other, 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.

**ATMOS PIPELINE-TEXAS
ATMOS ENERGY
CORPORATION**

| | | |
|------------------------|-------------------------------------|--|
| RATE SCHEDULE: | PT - PIPELINE TRANSPORTATION | |
| APPLICABLE TO: | Entire System | |
| EFFECTIVE DATE: | | |

Applicability

This rate schedule is applicable to service by the Company under 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 for delivery to Customer at one Point of Delivery.

Not applicable for service to City Gate Service customers.

Type of Service

This service provides interruptible transportation service to end use customers. Where service of the quantity and type desired by Customer is not already available at a Point of Delivery, additional charges and special contract arrangements between Company and Customer may be required prior to service being furnished at such Point of Delivery.

Monthly Rate

Customer's monthly bill will be calculated by adding the Monthly Customer and Usage charges to the amounts and quantities due under the Riders listed below. The Monthly Customer Charge each month will be equal to the Capacity Charge, as adjusted, multiplied by the Customer's Maximum Daily Quantity (MDQ) as set forth in the Transportation Agreement between Customer and Company. Total Usage Charges each month will be equal to the Usage Charge multiplied by the volume of gas delivered to Customer by Company during such month:

| Charge | Amount |
|--|--|
| Capacity | \$ 5.46962 per MMBtu of MDQ ¹ |
| Annual Rider REV Adjustment | \$ 0.0843 per MMBtu of MDQ |
| Interim Rate Adjustment ("IRA") | \$ 0.41672 per MMBtu of MDQ ² |
| Total Capacity Charge | \$ 5.97064 per MMBtu of MDQ |
| Usage | \$ 0.01325 per MMBtu |

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

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

Rider MF: Plus an amount for municipal fees calculated in accordance with Rider MF.

¹ The Capacity Charge per MMBtu will be adjusted annually as calculated pursuant to Rider REV.
² 2016 IRA - \$0.41672.

**ATMOS PIPELINE-TEXAS
ATMOS ENERGY
CORPORATION**

| | | |
|------------------------|-------------------------------------|--|
| RATE SCHEDULE: | PT - PIPELINE TRANSPORTATION | |
| APPLICABLE TO: | Entire System | |
| EFFECTIVE DATE: | | |

Rider SUR: Plus an amount for surcharges calculated in accordance with Rider SUR.

Rider REV: Plus an amount per MMBtu in accordance with Rider REV as an adjustment to the Capacity Charge per MMBtu of MDQ.

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.

Curtailement Overpull Fee

Upon notification by Company of an event of curtailement or interruption of Customer's deliveries, Customer will, for each MMBtu delivered in excess of the stated level of curtailement 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.

MDQ Adjustment

If a Customer's daily usage on any day exceeds the Customer's MDQ as set forth in the applicable Transportation Agreement by 10% or more, the Customer's MDQ shall be increased to equal such daily usage. The effective date of such increase in the MDQ shall be the first day of the calendar month that begins following the day on which the Customer's daily usage exceeded the Customer's MDQ.

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.

GUD NO. 10652

EXHIBIT B

Schedules

**ATMOS PIPELINE - TEXAS
INTERIM COST RECOVERY AND RATE ADJUSTMENT REPORT
GUD NO. 10652**

Change to Capacity Charge Per MDQ for 2016 Interim Rate Adjustment (1)

| Line No. | Rate Class (a) | Capacity Charge Per MDQ per GUD 10580 (2) | Interim Cost Recovery Adjustment to Capacity Charge (3) | Proposed Capacity Charge (d) = (b) + (c) |
|----------|---------------------------------|---|---|--|
| 1 | Rate Schedule CGS - Mid-Tex (4) | \$ 10.77665 | \$ 0.81992 | \$ 11.59657 |
| 2 | | | | |
| 3 | Rate Schedule CGS - Other | \$ 10.33971 | \$ 0.81992 | \$ 11.15963 |
| 4 | | | | |
| 5 | Rate Schedule PT | \$ 5.55392 | \$ 0.41672 | \$ 5.97064 |
| 6 | | | | |
| 7 | | | | |

Notes:

1. The capacity charge times each customer's MDQ equals the monthly customer capacity charge.
2. Column (b) is from GUD 10580, Sch K, Col (c) plus the approved Rider REV adjustment in GUD 10649.
3. Column (c) is 2016 Interim Rate Adjustment per the proposed Tariffs for Rate CGS and PT customers.
4. Rate CGS - Mid-Tex capacity charge includes a charge related to Mid-Tex Working Gas in the amount of \$0.43694.

ATMOS PIPELINE - TEXAS
INTERIM COST RECOVERY AND RATE ADJUSTMENT REPORT
GUD No 10652

| Line No. | Description (a) | Total Approved Per GUD 10580 At 9/30/16 (1) | Per Book As of 12/31/16 (c) | Adjustments (2) (d) | Per Book Adjusted As of 12/31/16 (e) | Ref (f) | Change in Investment (Col. e - Col. b) (g) |
|----------|---|---|-----------------------------|---------------------|--------------------------------------|---------|--|
| 1 | Utility Plant Investment | \$ 2,429,522,604 | \$ 2,632,570,963 | \$ 2,102,205 | \$ 2,634,673,168 | 2 | \$ 205,150,564 |
| 2 | Accumulated Depreciation | 480,340,279 | 521,272,322 | (359) | 521,271,963 | 2 | 40,931,684 |
| 3 | Allocated SSU Utility Plant Investment | 49,962,760 | 53,233,442 | (656,174) | 52,577,268 | 2, 3 | 2,614,508 |
| 4 | Allocated SSU Accumulated Depreciation | 19,222,098 | 19,885,685 | (254,366) | 19,631,319 | 2, 3 | 409,221 |
| 5 | Removal of Expense Account Amounts, and Other | | | | | | |
| 6 | Adjustments | (3,591,145) | - | (1,018,810) | (1,018,810) | 2 | 2,572,335 |
| 7 | Net Utility Plant Investment (Ln 1 - 2 + 3 - 4 + 5) | \$ 1,976,331,841 | \$ 2,144,646,398 | \$ 681,946 | \$ 2,145,328,344 | | \$ 168,996,504 |

8 Calculation of the Interim Rate Adjustment Amount:

| | | | | | | | |
|----|--|--|--|--|--|--|--|
| 10 | Return | | | | | | |
| 11 | Depreciation Expense | | | | | | |
| 12 | Property-related Taxes (Ad Valorem) | | | | | | |
| 13 | Revenue-related Taxes | | | | | | |
| 14 | Federal Income Tax | | | | | | |
| 15 | Interim Rate Adjustment Amount | | | | | | |
| 16 | | | | | | | |
| 17 | Total Interim Rate Adjustment Amount times the Allocation Factors: | | | | | | |
| 18 | Rate Schedule CGS | | | | | | |
| 19 | Rate Schedule PT | | | | | | |
| 20 | Total | | | | | | |
| 21 | | | | | | | |
| 22 | Total Change in Capacity Charge: | | | | | | |
| 23 | Rate Schedule CGS | | | | | | |
| 24 | Rate Schedule PT | | | | | | |
| 25 | | | | | | | |
| 26 | Notes: | | | | | | |

17 Total Interim Rate Adjustment Amount times the Allocation Factors:

| | | | | | | | |
|----|---|--|--|--|--|--|--|
| 18 | Rate Schedule CGS | | | | | | |
| 19 | Rate Schedule PT | | | | | | |
| 20 | Total | | | | | | |
| 21 | | | | | | | |
| 22 | Total Change in Capacity Charge: | | | | | | |
| 23 | Rate Schedule CGS | | | | | | |
| 24 | Rate Schedule PT | | | | | | |
| 25 | | | | | | | |
| 26 | Notes: | | | | | | |
| 27 | 1. Amounts are the approved amounts per GUD 10580 Final Order. As per GUD 10580, Finding of Fact 110, Col. (b), (Ln 1 - Ln 2 + Ln 3 - Ln 4 = \$1,979,922,986). Col (b) Ln 5 shown above is as per GUD 10580 Final Order Schedule B, Col (e), Ln 18. | | | | | | |
| 28 | 2. See Workpaper/Schedule A for adjustment details related to Column (d). | | | | | | |
| 29 | 3. The SSU amounts in Column (c) represent the per book amounts multiplied by the allocation factors as of December 31, 2016. | | | | | | |
| 30 | 4. Revenue-related taxes are recovered through Rider TAX. | | | | | | |

18 (Sch A, Col (g), Ln 6) times (Sch B, Col (b), Ln 1) \$ 14,993,370
 (Sch B, Col (b), Ln 7) plus (Sch B, Col (b), Ln 11) 6,810,844
 [(Sch A, Col (g), Ln 1 minus Ln 2), times (Sch B, Col (b), Ln 18)] plus [(Sch A, Col (g), Ln 3 minus Ln 4) times (Sch B, Col (b), Ln 23)] 1,675,160
 (Sch C, Col (b), Ln 7) 5,508,662
 \$ 28,988,035

(Sch A, Col (g), Ln 15) times (Sch B, Col (b), Ln 28) \$ 28,229,650
 (Sch A, Col (g), Ln 15) times (Sch B, Col (b), Ln 29) 758,385
 \$ 28,988,035

(Sch A, Col (g), Ln 18) divided by (Sch B, Col (b), Ln 33) \$ 0.81992
 (Sch A, Col (g), Ln 19) divided by (Sch B, Col (b), Ln 34) \$ 0.41672

**ATMOS PIPELINE - TEXAS
INTERIM COST RECOVERY AND RATE ADJUSTMENT REPORT
#REF1**

| Line No. | Description (a) | Total (b) | Reference (c) |
|----------|---|------------------|---|
| 1 | Return Factor | 8.872% | GUD 10580, Sch. G, Col. (b), Ln. 23 |
| 2 | | | |
| 3 | Depreciation Expense Calculations: | | |
| 4 | | | |
| 5 | Total Pipeline Depreciation Expense (Current Filing) | \$ 84,432,153 | Calculated APT Direct Depreciation Expense by Account as of December 31, 2016, per GUD 10580 Finding of Fact 110. |
| 6 | Total Pipeline Depreciation Expense (Prior Filing) | \$ 77,860,123 | GUD 10580, Sch F-3, Col (g), Ln 54 |
| 7 | Total Change in Pipeline Depreciation Expense | \$ 6,572,030 | Ln 5 minus Ln 6 |
| 8 | | | |
| 9 | Total SSU Depreciation Expense (Current Filing) | \$ 3,415,164 | Calculated SSU Depreciation Expense Allocated to APT by Account as of December 31, 2016, per GUD 10580 Finding of Fact 110. |
| 10 | Total SSU Depreciation Expense (Prior Filing) | \$ 3,176,350 | GUD 10580, Sch F-3, Col (g), Ln 113 |
| 11 | Total Change in SSU Depreciation Expense | \$ 238,814 | Ln 9 minus Ln 10 |
| 12 | | | |
| 13 | Pipeline Property Tax Factor Calculation: | | |
| 14 | Property-Related Taxes (Ad Valorem) | \$ 20,319,797 | Amount of Ad Valorem taxes paid for 2016 for Pipeline and Gas Storage Property |
| 15 | North Loop Tax Reimbursement | \$ 563,787 | Amount of Energy Transfer Reimbursement for 50% of North Loop Taxes |
| 16 | Total Property-Related Taxes (Ad Valorem) | \$ 19,756,010 | Ln 14 minus Ln 15 |
| 17 | Total Net Plant | \$ 1,949,182,324 | GUD 10580, Sch C, Col (e), Ln 54 minus Sch D, Col (e), Ln 55 |
| 18 | Pipeline Property Tax Factor | 1.014% | Ln 16 divided by Ln 17 |
| 19 | | | |
| 20 | SSU Property Tax Factor Calculation: | | |
| 21 | Property-Related Taxes (Ad Valorem) | \$ 149,335 | Amount of Ad Valorem taxes paid for 2016 |
| 22 | Total Net Plant | \$ 30,740,661 | GUD 10580, Sch C, Col (e), Ln 113 minus Sch D, Col (e), Ln 114 |
| 23 | SSU Property Tax Factor | 0.486% | Ln 21 divided by Ln 22 |
| 24 | | | |
| 25 | Federal Income Tax Factor Calculation (1 / .65) * (.35) | 53.846% | GUD 10580, Sch F-6, Page 2, Col (b), Ln 10 |
| 26 | | | |
| 27 | Allocation Factors | | |
| 28 | Rate Schedule CGS | 0.9738 | GUD 10580 Final Order, Finding of Fact 110 |
| 29 | Rate Schedule PT | 0.0262 | GUD 10580 Final Order, Finding of Fact 110 |
| 30 | Total | 1.0000 | Sum of Ln 28 through Ln 29 |
| 31 | | | |
| 32 | 2016 Year-end Maximum Daily Quantity (MDQ) times 12: | | |
| 33 | Rate Schedule CGS | 34,429,956 | Current Year-end MDQs per Contract |
| 34 | Rate Schedule PT | 1,819,884 | Current Year-end MDQs per Contract |
| 35 | Total | 36,249,840 | Sum of Ln 33 through Ln 34 |