

**BEFORE THE  
RAILROAD COMMISSION OF TEXAS**

<b>APPLICATION OF ATMOS ENERGY CORP., MID-TEX DIVISION FOR TEST YEAR 2017 ANNUAL INTERIM RATE ADJUSTMENT FOR THE UNINCORPORATED AREAS.</b>	<b>§ § § § §</b>	<b>GAS UTILITIES DOCKET NO. 10698</b>
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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. 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 is a “gas utility,” as that term is defined in the Texas Utilities Code and is subject to the jurisdiction of the Railroad Commission of Texas (“Commission”).
2. Atmos Energy Corporation, Mid-Tex Division (“Atmos Mid-Tex”) owns and operates a natural gas distribution system.
3. On February 23, 2018, Atmos Mid-Tex filed an application for an annual interim rate adjustment (“IRA”) to its rates for gas service to customers located in the unincorporated areas of the Mid-Tex Division.
4. Atmos Mid-Tex requested that the IRA become effective on April 24, 2018.
5. On February 27, 2018, the Commission suspended implementation of Atmos Mid-Tex’s proposed IRA until June 8, 2018, which is 45 days following the 60<sup>th</sup> day after the application would be considered complete.
6. Neither TEX. UTIL. CODE § 104.301 nor 16 Texas Administrative Code § 7.7101 provides the opportunity for parties to intervene in the Commission’s review of an application for an annual IRA.
7. Chapter 16 TEX. ADMIN. CODE § 7.7101 allows written comments or a protest, concerning the proposed IRA, to be filed with Gas Services, Market Oversight Section.

8. One letter of protest was received as of the date of this order.
9. This docket represents the sixth annual IRA for Atmos Mid-Tex since Gas Utilities Docket (“GUD”) No. 10170.<sup>1</sup>
10. Until promulgation of TEX. UTIL. CODE § 104.301, 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 Mid-Tex 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 most recent rate case, GUD No. 10170, without the necessity of filing a statement of intent rate case and without review by the Commission of Atmos Mid-Tex’s comprehensive cost of service.

#### Applicability

12. This docket applies to only those rates over which the Commission has original jurisdiction, which includes the unincorporated areas of the Mid-Tex Division.
13. In 2017, Atmos Mid-Tex’s year end customer count was 1,514,941 residential customers, 122,544 commercial customers, 116 industrial customers, and 820 transportation customers.
14. In 2017, Atmos Mid-Tex’s year end customer count subject to this order was 56,349 residential customers, 2,198 commercial customers, 20 industrial customers, and 34 transportation customers.

#### Most Recent Comprehensive Rate Case

15. Atmos Mid-Tex’s most recent rate case for the area in which the IRA will be implemented is GUD No. 10170, *Statement of Intent Filed by Atmos Energy Corp., to Increase Gas Utility Rates within the Unincorporated Areas Served by the Atmos Energy Corp., Mid-Tex Division*.
16. GUD No. 10170 was filed on May 31, 2012.
17. The Commission signed the GUD No. 10170 Final Order on December 4, 2012.

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<sup>1</sup> GUD No. 10170 - *Statement of Intent Filed by Atmos Energy Corp., to Increase Gas Utility Rates within the Unincorporated Areas Served by the Atmos Energy Corp., Mid-Tex Division*.

18. The following chart shows the factors that were established in GUD No. 10170 to calculate the return on investment, depreciation expense, ad valorem taxes, revenue related taxes, and federal income taxes for Atmos Mid-Tex as applied in this IRA proceeding.

**GUD No. 10170 CALCULATION FACTORS**

<b>Factor</b>	<b>Percentage</b>
Rate of Return	8.568%
Depreciation Rate	Various
Federal Income Tax Rate	35%
Revenue Related Taxes	N/A <sup>2</sup>

*Interim Rate Adjustment*

19. The revenue amounts to be recovered through Atmos Mid-Tex's proposed annual IRA is incremental to the revenue requirement established in Atmos Mid-Tex's most recent rate case for the area in which the interim rate adjustment is to be implemented, GUD No. 10170, and subsequent interim rate adjustments.
20. Under TEX. ADMIN. 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.
21. In GUD No. 10286, the first IRA following its most recent rate case in GUD No. 10170, Atmos Mid-Tex adjusted its rates based on the difference between its invested capital at the end of its Statement of Intent rate case test year, September 31, 2011 updated through March 31, 2012, and the incremental invested capital at the end of December 31, 2012.
22. In GUD No. 10342, the second IRA, Atmos Mid-Tex adjusted its rates based on the difference between its invested capital from December 31, 2012 and December 31, 2013.
23. In GUD No. 10428, the third IRA, Atmos Mid-Tex adjusted its rates based on the difference between invested capital from December 31, 2013 and December 31, 2014.
24. In GUD No. 10502, the fourth IRA, Atmos Mid-Tex adjusted its rates based on the difference between invested capital from December 31, 2014 and December 31, 2015.
25. In GUD No. 10607, the fifth IRA, Atmos Mid-Tex adjusted its rates based on the difference between invested capital from December 31, 2015 and December 31, 2016.

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<sup>2</sup> Revenue related taxes are not reflected here because they are recovered through separate riders.

26. In this sixth IRA, GUD No. 10698, Atmos Mid-Tex adjusted its rates based on the difference between invested capital from December 31, 2016 and December 31, 2017.
27. Atmos Mid-Tex seeks approval from the Commission for an adjustment to its revenue based on incremental net utility plant investment regarding the following components: return on investment; depreciation expense; ad valorem taxes; and federal income taxes. The incremental change in revenue requirement to be recovered through this IRA filing from all rate classes using the approved component factors is **\$51,460,090** (Exhibit B), of which **\$1,749,733** is attributable to customers subject to this order.
28. The value of Atmos Mid-Tex'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.
29. Atmos Mid-Tex's incremental net utility plant investment increase is **\$290,248,287** (Exhibit B).
30. Atmos Mid-Tex is required to use the same factors to calculate the interim return on investment, depreciation expense, ad valorem taxes; and federal income taxes as those established or used in the final order setting rates in the Company's most recent rate case for the area in which the interim rate adjustment is to be implemented, GUD No. 10170.
31. Atmos Mid-Tex filed the Commission's Annual Earnings Monitoring Report (EMR) as required by 16 TEX. ADMIN. CODE § 7.7101. Atmos Mid-Tex's actual rate of return was 6.768% for the test year ended December 31, 2017, which is less than the 8.568% allowed rate of return established in GUD No. 10170.
32. GUD No. 10170, Atmos Mid-Tex's most recent Statement of Intent rate case for the unincorporated areas and the basis for the key factors in an IRA calculation, was approved by the Commission on December 4, 2012. Customer Charges are shown in Column B of the table below.
33. GUD No. 10286, the first IRA for the unincorporated areas are shown in Column C below.
34. GUD No. 10342, the second IRA for the unincorporated areas are shown in Column D below.
35. GUD No. 10428, the third IRA for the unincorporated areas are shown in Column E below.
36. GUD No. 10502, the fourth IRA for the unincorporated areas are shown in Column F below.
37. GUD No. 10607, the fifth IRA application for the unincorporated areas are shown in Column G below.

38. This docket, GUD No. 10698, is the sixth IRA application for the unincorporated areas. The proposed IRA to the customer charges are shown in Column H below.
39. When the Customer Charge as established in Gas Utilities Docket No. 10170 and Interim Rate Adjustments (Columns B, C, D, E, F, G and H) are added, the resulting customer charges for affected customer classes are as shown in Column I of the table below.

**Atmos Mid-Tex Customer Charges and Interim Rate Adjustments**

A	B	C	D	E	F	G	H	I
Customer Class	GUD 10170	GUD 10286 (2012 IRA)	GUD 10342 (2013 IRA)	GUD 10428 (2014 IRA)	GUD 10502 (2015 IRA)	GUD 10607 (2016 IRA)	GUD 10698 (2017 IRA)	Total Customer Charge
Residential	\$ 17.70	\$ 1.20	\$ 1.40	\$ 1.71	\$ 1.81	\$ 2.12	\$ 2.21	\$ 28.17*
Commercial	\$ 34.72	\$ 3.55	\$ 4.17	\$ 5.10	\$ 5.38	\$ 6.46	\$ 6.79	\$ 66.13*
Industrial & Transportation	\$600.00	\$ 62.08	\$ 73.50	\$ 90.01	\$ 95.11	\$115.64	\$121.26	\$1,157.60

*\*Includes \$0.02 per monthly charge for the CEE Rider for the Residential Customers and \$0.04 for the Commercial Customer.*

40. Atmos Mid-Tex filed its Annual Project Report as required by 16 TEX. ADMIN. CODE § 7.7101.
- a. Net utility plant investment included in this docket totaled \$290,248,287.<sup>3</sup>
  - b. Gross capital project additions totaled \$409,859,187.<sup>4</sup>
  - c. The percentage of additions in this filing that are safety related is 74.5%.<sup>5</sup>
  - d. The percentage of additions in this filing that are integrity management related is 0.2%.<sup>6</sup>
41. Atmos Mid-Tex proposed the IRA as a flat rate to be applied to the monthly customer charges rather than as a volumetric rate to be applied to the initial block usage rates (Exhibit B).
42. Atmos Mid-Tex is required to show its annual IRA on its customers' monthly billing statements as a surcharge.
43. 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 interim rate adjustment.

<sup>3</sup> Schedule IRA-3.

<sup>4</sup> Schedule IRA-10.

<sup>5</sup> Atmos Mid-Tex's Response to Staff's RFI No. 2-6.

<sup>6</sup> Atmos Mid-Tex's Response to Staff's RFI No. 2-7.

44. Due process protections are deferred until Atmos Mid-Tex files its next full statement of intent rate case.

Notice

45. Adequate notice by Atmos Mid-Tex was provided to its residential and commercial customers by bill insert between March 6, 2018 and April 9, 2018, and, as a result, was completed within 45 days of the filing, fulfilling the requirements under TEX. UTIL. CODE § 104.301(a).
46. Adequate notice by Atmos Mid-Tex was provided to its industrial and transportation customers by direct mail on March 13, 2018, and, as a result, was completed within 45 days of the filing, fulfilling the requirements under TEX. UTIL. CODE § 104.301(a).

Comprehensive Rate Case Required

47. Atmos Mid-Tex is not required to initiate a statement of intent rate case at the time it applies for an IRA.
48. Under 16 TEX. UTIL. CODE § 7.7101(l), 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 no later than the 180th day after that anniversary.
49. Atmos Mid-Tex is required to file a statement of intent rate case for the Mid-Tex Division no later than March 30, 2019.
50. Under 16 TEX. ADMIN. CODE § 7.7101(j), 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 in the next rate case. Per 16 TEX. ADMIN. CODE § 7.7101(i), all amounts collected from customers under an IRA tariff are subject to refund until the conclusion of the next rate case.

Review of Interim Rate Adjustment

- 51.. Atmos Mid-Tex's proposed allocation methodology complies with TEX. UTIL. CODE § 104.301 and with 16 TEX. ADMIN. CODE § 7.7101.
52. It is reasonable for the Commission to approve use of the allocation methodology used to determine Atmos Mid-Tex'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 Atmos Mid-Tex's IRA is reasonable:

<b>Customer Class</b>	<b>Allocation Factors</b>
Residential	0.779535
Commercial	0.193999
Industrial & Transportation	0.026467

53. Atmos Mid-Tex's proposed customer counts comply with TEX. UTIL. CODE § 104.301 and with 16 TEX. ADMIN. CODE § 7.7101. For calculating the number of customer charges per year, it is reasonable for the Commission to approve use of the 2017 year-end customer bills multiplied by twelve. The following total numbers of customer charges for use in the calculation of the interim rate adjustment are reasonable:

<b>Customer Class</b>	<b>Annual Number of Customer Charges</b>
Residential	18,179,292
Commercial	1,470,528
Industrial	1,392
Transportation	9,840
Total	19,661,052

54. It is reasonable for the Commission to approve Atmos Mid-Tex's application for an interim rate adjustment. The following amounts of interim rate adjustment revenue and additional customer charges by customer class are reasonable:

**IRA Revenue by Customer Class and Service Area**

<b>Customer Class</b>	<b>Interim Rate Adjustment Revenue</b>	<b>IRA Revenue from the Environs</b>	<b>Additional Customer Charge</b>
Residential	\$40,114,933	\$1,492,095	\$ 2.21
Commercial	\$ 9,983,188	\$ 179,063	\$ 6.79
Industrial & Transportation	\$ 1,361,969	\$ 78,575	\$121.26
Total Increase	\$51,460,090	\$1,749,733	

Voluntary Rate Reduction to Reflect the Tax Cuts and Jobs Act of 2017

55. On March 15, 2018, in response to the Commission's Accounting Order established in GUD No. 10695, Atmos Mid-Tex filed for Commission approval to implement a rate reduction to existing rates, including base rates set in GUD No. 10170 and interim rates set in GUD Nos. 10286, 10342, 10428, 10502, and 10607 to reflect the impact of a 21% Federal Corporate Income Tax rate as set in the Tax Cuts and Jobs Act of 2017 ("TCJA"). That filing was docketed as GUD No. 10712. The requested reduced rates were administratively approved on March 29, 2018.
56. In this docket, Atmos Mid-Tex voluntarily requested a reduction to the change in revenue requirement based on implementation of the 21% Federal Corporate Income Tax rate as set in the TCJA.
57. As a result of the change, the Company filed revised schedules and Atmos Mid-Tex seeks approval from the Commission for an adjustment to its revenue based on incremental net utility plant investment regarding the following components: return on investment; depreciation expense; ad valorem taxes; and federal income taxes. The incremental change in revenue requirement to be recovered through this IRA filing from all rate classes using the approved component factors is **\$47,165,189** (Exhibit C), of which **\$1,603,699** is attributable to customers subject to this order.
58. Gas Utilities Docket No. 10170, Atmos Mid-Tex's most recent rate case and the basis for the key factors in an IRA calculation, was approved by the Commission on December 4, 2012. Customer charges, as reduced in GUD No. 10712 to reflect the impact of the TCJA, are shown in Column B of the table below.
59. GUD No. 10286, the first IRA, as reduced in GUD No. 10712, is shown in Column C below.
60. GUD No. 10342, the second IRA, as reduced in GUD No. 10712, is shown in Column D below.
61. GUD No. 10428, the third IRA, as reduced in GUD No. 10712, is shown in Column E below.
62. GUD No. 10502, the fourth IRA, as reduced in GUD No. 10712, is shown in Column F below.
63. GUD No. 10607, the fifth IRA, as reduced in GUD No. 10712, is shown in Column G below.
64. This docket, GUD No. 10698, is the sixth IRA application. The proposed IRA, calculated using the 21% Federal Income Tax Rate as set in the TCJA, is shown in Column H below.



65. When the Customer Charge as established in Gas Utilities Docket No. 10170 and reduced in GUD No. 10712, the following IRAs set in GUD Nos. 10286, 10342, 10428, 10502, and 10607, (Columns B, C, D, E, F, and G) as reduced in GUD No. 10712, and the revised test year 2017 IRA (Column H) are added, the resulting customer charges for the affected customer classes are shown in Column I of the table below.

**Atmos Mid-Tex Customer Charges and Interim Rate Adjustments**

A	B	C	D	E	F	G	H	I
Customer Type	GUD 10170	GUD 10286 (2012 IRA)	GUD 10342 (2013 IRA)	GUD 10428 (2014 IRA)	GUD 10502 (2015 IRA)	GUD 10607 (2016 IRA)	GUD 10698 (2017 IRA)	Total Customer Charge
Residential	\$ 16.72	\$ 1.09	\$ 1.27	\$ 1.56	\$ 1.65	\$ 1.93	\$ 2.02	\$ 26.26*
Commercial	\$ 32.80	\$ 3.23	\$ 3.77	\$ 4.66	\$ 4.91	\$ 5.90	\$ 6.22	\$ 61.45*
Industrial & Transportation	\$566.84	\$ 56.45	\$ 66.46	\$ 82.20	\$ 86.83	\$105.56	\$111.14	\$1,075.48

*\*Includes \$0.02 per monthly charge for the CEE Rider for the Residential Customers and \$0.04 for the Commercial Customer.*

66. It is reasonable for the Commission to approve Atmos Mid-Tex's revised application for an IRA calculated using a 21% Federal Income Tax rate as requested by Atmos Mid-Tex in this docket. The following amounts of interim rate adjustment revenue and additional customer charges by customer class as revised under application of a 21% tax rate are reasonable:

**IRA Revenue by Customer Class and Service Area**

Customer Class	Interim Rate Adjustment Revenue	IRA Revenue from the Environs	Additional Customer Charge
Residential	\$36,766,908	\$1,367,567	\$ 2.02
Commercial	\$ 9,149,983	\$ 164,118	\$ 6.22
Industrial & Transportation	\$ 1,248,298	\$ 72,017	\$111.14
Total Increase	\$47,165,189	\$1,603,699	

**Reimbursements of Expense**

67. 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.

68. After the Commission has finally acted on Atmos Mid-Tex's application for an IRA, the Director of the Oversight and Safety Division will estimate Atmos Mid-Tex's proportionate share of the Commission's annual costs related to the processing of such applications.
69. In making the estimate of Atmos Mid-Tex'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.
70. Atmos Mid-Tex 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 Mid-Tex 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 Mid-Tex, the applications for interim rate adjustment 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 § 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 § 104.301 and 16 TEX. ADMIN. CODE § 7.7101, Atmos Mid-Tex is required to seek Commission approval before implementing an interim rate adjustment tariff for environs customers.
5. Atmos Mid-Tex filed its application for interim rate adjustments for changes in investment in accordance with the provisions of TEX. UTIL. CODE § 104.301 and 16 TEX. ADMIN. CODE § 7.7101.
6. Atmos Mid-Tex's application for an interim rate adjustment was processed in accordance with the requirements of TEX. UTIL. CODE § 104.301 and 16 TEX. ADMIN. CODE § 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 Mid-Tex is required to file with the Commission its revised tariffs.

8. In accordance with TEX. UTIL. CODE § 104.301(a) and 16 TEX. ADMIN. CODE § 7.7101(a), the filing date of Atmos Mid-Tex's most recent rate case, in which there is a final order setting rates for the area in which the interim rate adjustment will apply, was no more than two years prior to the date Atmos Mid-Tex filed its initial interim rate adjustment.
9. Atmos Mid-Tex is required, under TEX. UTIL. CODE § 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.
10. Atmos Mid-Tex shall include in all future annual interim rate adjustment filings, relocation project reports that provide additional information about relocation project costs included in investment projects, in the same format as required in this docket.
11. Atmos Mid-Tex is required, under TEX. UTIL. CODE § 104.301(f) and 16 TEX. ADMIN. CODE § 7.7101(e), to file with the Commission an annual earnings monitoring report demonstrating Atmos Mid-Tex's earnings during the preceding calendar year.
12. Atmos Mid-Tex is required, under 16 TEX. ADMIN. CODE § 7.7101(h), to recalculate its approved interim rate adjustments 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 interim rate adjustment application.
13. In accordance with 16 TEX. ADMIN. CODE § 7.7101(i), all amounts collected from customers under Atmos Mid-Tex's interim rate adjustment 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 Atmos Mid-Tex files or the Commission initiates after the implementation of an interim rate adjustment and shall be the subjects of specific findings of fact in the Commission's final order setting rates.

14. In accordance with 16 TEX. ADMIN. CODE § 7.7101(j), in the rate case that Atmos Mid-Tex files or the Commission initiates after the implementation of an interim rate adjustment, 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. Upon issuance of a final order setting rates in the rate case that Atmos Mid-Tex files or the Commission initiates after the implementation of an interim rate adjustment, any change in investment and related expenses and revenues that have been included in any interim rate adjustment shall no longer be subject to review for reasonableness or prudence.
15. The Commission has authority to suspend the implementation of the interim rate adjustment, under TEX. UTIL. CODE § 104.301(a) and 16 TEX. ADMIN. CODE § 7.7101(e).
16. Atmos Mid-Tex provided adequate notice, in accordance with TEX. UTIL. CODE § 104.301(a) and 16 TEX. ADMIN. CODE § 7.7101(b).
17. Atmos Mid-Tex's application for interim rate adjustment, as proposed, complies with all provisions of TEX. UTIL. CODE § 104.301 and 16 TEX. ADMIN. CODE § 7.7101.
18. Atmos Mid-Tex's interim rate adjustments established in the findings of fact and conclusions of law, comply with the provisions of TEX. UTIL. CODE § 104.301 and 16 TEX. ADMIN. CODE § 7.7101.
19. In accordance with TEX. UTIL. CODE § 104.301(h) and 16 TEX. ADMIN. CODE § 7.7101(l), Atmos Mid-Tex shall file a comprehensive rate case for the areas in which the interim rate adjustment is implemented, no later than the 180th day after the fifth anniversary of the date its initial interim rate adjustment became effective.
20. The Commission has authority, under TEX. UTIL. CODE § 104.301(j) and 16 TEX. ADMIN. CODE § 7.7101(m), to recover from Atmos Mid-Tex the Company's proportionate share of the Commission's annual costs related to the administration of the interim rate adjustment mechanism.

**IT IS THEREFORE ORDERED BY THE RAILROAD COMMISSION OF TEXAS THAT** Atmos Mid-Tex's interim rate adjustment as recommended for approval in the findings of fact and conclusions of law are **HEREBY APPROVED** to be effective for bills rendered on or after the date of this order.

**IT IS FURTHER ORDERED THAT** within 30 days of this order in accordance with 16 TEX. ADMIN. CODE § 7.315 Atmos Mid-Tex **SHALL** electronically file its interim rate adjustment tariffs in proper form that accurately reflect the rates, as expressed in Exhibit A, approved by the Commission in this Order.

**IT IS FURTHER ORDERED THAT** Atmos Mid-Tex **SHALL** file with the Commission no later than March 30, 2019, a statement of intent to change rates as required under TEX. UTIL. CODE § 104.301(h) and 16 TEX. ADMIN. CODE § 7.7101(l).

**IT IS FURTHER ORDERED THAT** any incremental change in rates approved by this order and implemented by Atmos Mid-Tex shall be subject to refund unless and until Atmos Mid-Tex's interim rate adjustment tariffs are electronically filed and accepted by Gas Services in accordance with 16 TEX. ADMIN. CODE § 7.315.

**IT IS FURTHER ORDERED THAT** Atmos Mid-Tex **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 the Company'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 June, 2018.

RAILROAD COMMISSION OF TEXAS

  
CHRISTI CRADDICK  
CHAIRMAN

  
RYAN SITTON  
COMMISSIONER

  
WAYNE CHRISTIAN  
COMMISSIONER

ATTEST

  
  
SECRETARY

<b>RATE SCHEDULE:</b>	<b>R – RESIDENTIAL SALES</b>	
<b>APPLICABLE TO:</b>	<b>UNINCORPORATED AREAS</b>	
<b>EFFECTIVE DATE:</b>		

**Application**

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

**Type of Service**

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

**Monthly Rate**

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

<b>Charge</b>	<b>Amount</b>
GUD 10170 Customer Charge per Bill	\$ 16.72 per month <sup>1</sup>
Interim Rate Adjustments ("IRA")	\$ 9.52 per month <sup>2</sup>
Rider CEE Surcharge	\$ 0.02 per month <sup>3</sup>
<b>Total Customer Charge</b>	<b>\$ 26.26 per month</b>
Commodity Charge – All Ccf	\$ 0.04071 per Ccf <sup>4</sup>

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

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

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

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

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

Notes:

<sup>1</sup> Customer charge of \$17.70 (GUD 10170) revised to \$16.72 (GUD 10712).

<sup>2</sup> 2012 IRA of \$1.20 (GUD 10286) revised to \$1.09 (GUD 10712); 2013 IRA of \$1.40 (GUD 10342) revised to \$1.27 (GUD 10712); 2014 IRA of \$1.71 (GUD 10428) revised to \$1.56 (GUD 10712); 2015 IRA of \$1.81 (GUD 10502) revised to \$1.65 (GUD 10712); 2016 IRA of \$2.12 (GUD 10607) revised to \$1.93 (GUD 10712); 2017 IRA - \$2.02.

<sup>3</sup> Reference Rider CEE – Conservation and Energy Efficiency as approved in GUD 10170. Surcharge billing effective July 1, 2017.

<sup>4</sup> Commodity charge of \$0.04172 (GUD 10170) revised to \$0.04071 (GUD 10712).

<b>RATE SCHEDULE:</b>	<b>R – RESIDENTIAL SALES</b>	
<b>APPLICABLE TO:</b>	<b>UNINCORPORATED AREAS</b>	
<b>EFFECTIVE DATE:</b>		

**Agreement**

An Agreement for Gas Service may be required.

**Notice**

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



<b>RATE SCHEDULE:</b>	<b>C – COMMERCIAL SALES</b>	
<b>APPLICABLE TO:</b>	<b>UNINCORPORATED AREAS</b>	
<b>EFFECTIVE DATE:</b>		

**Application**

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

**Type of Service**

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

**Monthly Rate**

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

<b>Charge</b>	<b>Amount</b>
GUD 10170 Customer Charge per Bill	\$ 32.80 per month <sup>1</sup>
Interim Rate Adjustments ("IRA")	\$ 28.69 per month <sup>2</sup>
Rider CEE Surcharge	\$ (0.04) per month <sup>3</sup>
<b>Total Customer Charge</b>	<b>\$ 61.45 per month</b>
Commodity Charge - All Ccf	\$ 0.06276 per Ccf <sup>4</sup>

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

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

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

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

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

Notes:

<sup>1</sup> Customer charge of \$34.72 (GUD 10170) revised to \$32.80 (GUD 10712).

<sup>2</sup> 2012 IRA of \$3.55 (GUD 10286) revised to \$3.23 (GUD 10712); 2013 IRA of \$4.17 (GUD 10342) revised to \$3.77 (GUD 10712); 2014 IRA of \$5.10 (GUD 10428) revised to \$4.66 (GUD 10712); 2015 IRA of \$5.38 (GUD 10502) revised to \$4.91 (GUD 10712); 2016 IRA of \$6.46 (GUD 10607) revised to \$5.90 (GUD 10712); 2017 IRA - \$6.22.

<sup>3</sup> Reference Rider CEE – Conservation and Energy Efficiency as approved in GUD 10170. Surcharge billing effective July 1, 2017.

<sup>4</sup> Commodity charge of \$0.06589 (GUD 10170) revised to \$0.06276 (GUD 10712).

<b>RATE SCHEDULE:</b>	<b>C -- COMMERCIAL SALES</b>	
<b>APPLICABLE TO:</b>	<b>UNINCORPORATED AREAS</b>	
<b>EFFECTIVE DATE:</b>		

**Agreement**

An Agreement for Gas Service may be required.

**Notice**

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

<b>RATE SCHEDULE:</b>	<b>T – TRANSPORTATION</b>	
<b>APPLICABLE TO:</b>	<b>UNINCORPORATED AREAS</b>	
<b>EFFECTIVE DATE:</b>		

**Application**

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

**Type of Service**

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

**Monthly Rate**

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

<b>Charge</b>	<b>Amount</b>
GUD 10170 Customer Charge per Meter	\$ 566.84 per month <sup>1</sup>
Interim Rate Adjustments ("IRA")	\$ 508.64 per month <sup>2</sup>
<b>Total Customer Charge</b>	<b>\$ 1,075.48 per month</b>
First 0 MMBtu to 1,500 MMBtu	\$ 0.2353 per MMBtu <sup>3</sup>
Next 3,500 MMBtu	\$ 0.1724 per MMBtu
All MMBtu over 5,000 MMBtu	\$ 0.0370 per MMBtu

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

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

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

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

Notes:

<sup>1</sup> Customer charge of \$600.00 (GUD 10170) revised to \$566.84 (GUD 10172).

<sup>2</sup> 2012 IRA of \$62.08 (GUD 10286) revised to \$56.45 (GUD 10712); 2013 IRA of \$73.50 (GUD 10342) revised to \$66.46 (GUD 10712); 2014 IRA of \$90.01 (GUD 10428) revised to \$82.20 (GUD 10712); 2015 IRA of \$95.11 (GUD 10502) revised to \$86.83 (GUD 10712); 2016 IRA of \$115.64 (GUD 10607) revised to \$105.56 (GUD 10712); 2017 IRA - \$111.14.

<sup>3</sup> Commodity charge Tier 1 of \$0.2473 (GUD 10170) revised to \$0.2353 (GUD 10712); Commodity charge Tier 2 of \$0.1812 (GUD 10170) revised to \$0.1724 (GUD 10712); Commodity charge Tier 3 of \$0.0389 (GUD 10170) revised to \$0.0370 (GUD 10712).

<b>RATE SCHEDULE:</b>	<b>T – TRANSPORTATION</b>	
<b>APPLICABLE TO:</b>	<b>UNINCORPORATED AREAS</b>	
<b>EFFECTIVE DATE:</b>		

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

**Imbalance Fees**

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

**Monthly Imbalance Fees**

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

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

**Special Conditions**

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

<b>RATE SCHEDULE:</b>	<b>I – INDUSTRIAL SALES</b>	
<b>APPLICABLE TO:</b>	<b>UNINCORPORATED AREAS</b>	
<b>EFFECTIVE DATE:</b>		

**Application**

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

**Type of Service**

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

**Monthly Rate**

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

<b>Charge</b>	<b>Amount</b>
GUD 10170 Customer Charge per Meter	\$ 566.84 per month <sup>1</sup>
Interim Rate Adjustments ("IRA")	\$ 508.64 per month <sup>2</sup>
<b>Total Customer Charge</b>	<b>\$ 1,075.48 per month</b>
First 0 MMBtu to 1,500 MMBtu	\$ 0.2353 per MMBtu <sup>3</sup>
Next 3,500 MMBtu	\$ 0.1724 per MMBtu
All MMBtu over 5,000 MMBtu	\$ 0.0370 per MMBtu

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

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

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

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

Notes:

<sup>1</sup> Customer charge of \$600.00 (GUD 10170) revised to \$566.84 (GUD 10172).

<sup>2</sup> 2012 IRA of \$62.08 (GUD 10286) revised to \$56.45 (GUD 10712); 2013 IRA of \$73.50 (GUD 10342) revised to \$66.46 (GUD 10712); 2014 IRA of \$90.01 (GUD 10428) revised to \$82.20 (GUD 10712); 2015 IRA of \$95.11 (GUD 10502) revised to \$86.83 (GUD 10712); 2016 IRA of \$115.64 (GUD 10607) revised to \$105.56 (GUD 10712); 2017 IRA - \$111.14.

<sup>3</sup> Commodity charge Tier 1 of \$0.2473 (GUD 10170) revised to \$0.2353 (GUD 10712); Commodity charge Tier 2 of \$0.1812 (GUD 10170) revised to \$0.1724 (GUD 10712); Commodity charge Tier 3 of \$0.0389 (GUD 10170) revised to \$0.0370 (GUD 10712).

<b>RATE SCHEDULE:</b>	<b>I – INDUSTRIAL SALES</b>	
<b>APPLICABLE TO:</b>	<b>UNINCORPORATED AREAS</b>	
<b>EFFECTIVE DATE:</b>		

**Curtailment Overpull Fee**

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

**Replacement Index**

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

**Agreement**

An Agreement for Gas Service may be required.

**Notice**

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

**Special Conditions**

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

**SUMMARY**  
**ATMOS ENERGY CORP., MID-TEX DIVISION - UNINCORPORATED AREAS**  
**For the Period Ending December 31, 2017**

Line No.	Description (a)	12/31/2016 GUD 10607 (b)	Reference (c)	12/31/2017 Current Year (d)	Reference (e)
1	Net Investment	\$ 2,908,060,547	(IRA-7, Ln. 30, Col. h)	\$ 3,198,308,834	(IRA-8, Ln. 30, Col. h)
2	Increase in Net Investment			\$ 290,248,287	(Ln. 1, Col. d) minus (Ln. 1, Col. b)
3	Authorized Return on Capital			8.57%	(IRA-15, Ln. 7, Col. d)
4					
5	Change in Return on Net Investment			\$ 24,869,604	(Ln. 2, Col. d) times (Ln. 3, Col. d)
6	Change in Depreciation Expense			\$ 11,488,066	(IRA-10, Ln. 28, Col. f) plus (IRA-13, Ln. 28, Col. f)
7	Change in Federal, Revenue, and Other Taxes			\$ 15,102,420	(IRA-5, Ln. 3, Col. g) plus (IRA-6, Ln. 22, Col. c)
8	Change in Revenue Requirement			\$ 51,460,090	(Sum Ln. 5 thru 7, Col. d)
9					
10	Year-End Number of Bills * 12			19,661,052	(IRA-Company, Sch B, Col (b), Ln 29)
11	Increase Per Bill Per Month			See Below	
12	(to be applied to monthly customer charge or initial block rate, check one)				
13	<input checked="" type="checkbox"/> Monthly Customer Charge				
14	<input type="checkbox"/> Initial Block Rate				
15					

Current and Proposed Bill Information - With Gas Cost				
	Current	Proposed	Difference	% Change
16				
17				
18				
19	Residential Customers:			
20	\$ 60.34	\$ 62.55	\$ 2.21	3.66%
21				
22				
23	Commercial Customers:			
24	\$ 280.53	\$ 287.32	\$ 6.79	2.42%
25				
26	Industrial Customers:			
27	\$ 15,423.91	\$ 15,545.17	\$ 121.26	0.79%
28	* Average Bill Volume/Quantity per GUD 10170. Gas Cost calculated per the average of the 2017 Rider GCR Factors.			

Current and Proposed Bill Information - Without Gas Cost				
	Current [1]	Proposed	Difference	% Change
29				
30				
31				
32	Residential Customers:			
33	\$ 27.80	\$ 30.01	\$ 2.21	7.94%
34				
35	Commercial Customers:			
36	\$ 81.86	\$ 88.65	\$ 6.79	8.29%
37				
38	Industrial Customers:			
39	\$ 1,841.67	\$ 1,962.93	\$ 121.26	6.58%
40				
41	* Average Bill Volume/Quantity per GUD 10170.			

**SUMMARY**  
**ATMOS ENERGY CORP., MID-TEX DIVISION - UNINCORPORATED AREAS**  
**For the Period Ending December 31, 2017**

GUD NO. 10698  
 Exhibit C  
 ATTACHMENT 5  
 TO STAFF RFI NO. 5-01

Line No.	Description (a)	12/31/2016 GUD 10607 (b)	Reference (c)	12/31/2017 Current Year (d)	Reference (e)
1	Net Investment	\$ 2,908,060,547	(IRA-7, Ln. 30, Col. h)	\$ 3,198,308,834	(IRA-8, Ln. 30, Col. h)
2	Increase in Net Investment			\$ 290,248,287	(Ln. 1, Col. d) minus (Ln. 1, Col. b)
3	Authorized Return on Capital			8.57%	(IRA-15, Ln. 7, Col. d)
4					
5	Change in Return on Net Investment			\$ 24,869,604	(Ln. 2, Col. d) times (Ln. 3, Col. d)
6	Change in Depreciation Expense			\$ 11,488,066	(IRA-10, Ln. 28, Col. f) plus (IRA-13, Ln. 28, Col. f)
7	Change in Federal, Revenue, and Other Taxes			\$ 10,807,518	(IRA-5, Ln. 3, Col. g) plus (IRA-6, Ln. 22, Col. c)
8	Change in Revenue Requirement			\$ 47,165,189	(Sum Ln. 5 thru 7, Col. d)
9					
10	Year-End Number of Bills * 12			19,661,052	(IRA-Company, Sch B, Col (b), Ln 29)
11	Increase Per Bill Per Month			See Below	
12	(to be applied to monthly customer charge or initial block rate, check one)				
13	<input checked="" type="checkbox"/> Monthly Customer Charge				
14	<input type="checkbox"/> Initial Block Rate				
15					

Current and Proposed Bill Information - With Gas Cost				
	Current	Proposed	Difference	% Change
16				
17				
18				
19	Residential Customers:			
20	Average Monthly Bill* @ 44 Ccf	\$60.60	\$ 2.02	3.45%
21				
22	Commercial Customers:			
23	Current Average Monthly Bill* @ 342 Ccf	\$281.57	\$ 6.22	2.26%
24				
25	Industrial Customers:			
26	Current Average Monthly Bill* @ 3,897 MMBtu	\$15,423.95	\$ 111.14	0.73%
27				
28	* Average Bill Volume/Quantity per GUD 10170. Gas Cost calculated per the average of the 2017 Rider GCR Factors.			

Current and Proposed Bill Information - Without Gas Cost				
	Current [1]	Proposed	Difference	% Change
29				
30				
31				
32	Residential Customers:			
33	Average Monthly Bill* @ 44 Ccf	\$26.04	\$ 2.02	7.77%
34				
35	Commercial Customers:			
36	Current Average Monthly Bill* @ 342 Ccf	\$82.90	\$ 6.22	8.11%
37				
38	Industrial Customers:			
39	Current Average Monthly Bill* @ 3,897 MMBtu	\$1,841.71	\$ 111.14	6.42%
40				
41	* Average Bill Volume/Quantity per GUD 10170.			