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RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

GUD NO. 10743
Proposal for Decision

**STATEMENT OF INTENT FILED BY ATMOS ENERGY CORPORATION TO
CHANGE GAS UTILITY RATES WITHIN THE UNINCORPORATED AREAS OF ITS
WEST TEXAS DIVISION**

Administrative Law Judge: John Dodson
Technical Examiners: James Currier, Rose Ruiz

PARTIES

APPLICANT: **Atmos Energy Corporation (Atmos)**
Ann M. Coffin, Esq.
Mark A. Santos, Esq.
Evan D. Johnson, Esq.
Coffin Renner LLP
Counsel for Atmos

INTERVENOR: **Staff of the Railroad Commission of Texas (Staff)**
Natalie Dubiel, Esq.
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Railroad Commission of Texas
Counsel for Staff

PROCEDURAL HISTORY:

Statement of Intent Filed:	June 29, 2018
Suspension Order:	August 21, 2018
Settlement Filed:	October 9, 2018
Hearing on the Merits:	October 26, 2018
Evidentiary Record Closed:	November 13, 2018
PFD Issued:	November 15, 2018
Deadline for Commission Action:	January 19, 2019

STATEMENT OF THE CASE

On June 29, 2018, Atmos Energy Corporation, West Texas Division (Atmos), filed with the Railroad Commission a statement of intent (SOI) to change gas utility rates for its unincorporated customers in its West Texas Division, which includes approximately 23,000 environs customers.

The only intervening party is Commission Staff (Staff). The parties—Atmos and Staff—ultimately reached a settlement agreement that resolved all issues. In the settlement, Atmos and Staff agree to the following:

- a *decrease* of \$866,090 in current annual revenues from the unincorporated areas in the West Texas Division, calculated based on a system-wide decrease of \$9,024,921. This decrease is a reduced settled amount and is not tied to any specific expense in the underlying cost of service within Atmos's West Texas Division;
- cost of equity set at 9.8 percent;
- Atmos's interim rate adjustments made in 2013, 2014, 2015, 2016, and 2017 were just and reasonable;
- affiliate expenses totaling \$174,299.43;
- reduction of the corporate income tax rate from 35 percent to 21 percent to reflect the Tax Cuts and Jobs Act of 2017; and
- actual and estimated rate case expense amounts for Atmos totaling \$48,009.08.

The Commission has original jurisdiction only—over environs rates. The Commission does not have jurisdiction in this proceeding over Atmos's rates in cities.

RECOMMENDATION

The Administrative Law Judge and Technical Examiners recommend that the Commission approve the parties' settlement.

The deadline for Commission action is January 19, 2019.

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PFD Attachments

1. Atmos's West Texas Division Map
2. Evidentiary Exhibit List
3. Settlement Agreement (excludes voluminous receipts and invoices)
4. Atmos Exhibit Nos. 10 (Quality of Service Rules) and 11 (Rider SUR – Surcharge)
5. Atmos Exhibit No. 12 (Supplemental Affidavit relating to rate case expenses)
6. Proposed Final Order

PROPOSAL FOR DECISION

I. INTRODUCTION

On June 29, 2018, Atmos Energy Corporation, West Texas Division ("Atmos"), filed with the Railroad Commission of Texas ("Commission") a statement of intent to change gas utility rates for its unincorporated customers in its West Texas Division (the "SOI"). Atmos filed its SOI pursuant to Subtitle A (Gas Utility Regulatory Act) ("GURA") of the Texas Utilities Code, Chapter 104 (Rates and Services), Subchapter C (Rate Changes Proposed by Utility). The SOI was docketed as GUD No. 10743.

Affected customers in the West Texas Division¹ include approximately 20,327 residential customers, 2,367 commercial customers, 106 industrial and transportation customers, 156 public authority customers, and 37 state institution customers.² The Commission has original jurisdiction only—over environs rates. The Commission does not have jurisdiction in this proceeding over Atmos's rates in cities.

The only intervening party is Staff of the Railroad Commission ("Staff"). The parties—Atmos and Staff—ultimately reached a Unanimous Settlement Agreement ("Settlement") resolving all issues. In the Settlement, Atmos and Staff agree to the following:

- a *decrease* of \$866,090 in current annual revenues from the unincorporated areas in the West Texas Division, calculated based on a system-wide decrease of \$9,024,921. This decrease is a reduced settled amount and is not tied to any specific expense in the underlying cost of service within Atmos's West Texas Division;
- cost of equity set at 9.8 percent;
- Atmos's interim rate adjustments made in 2013, 2014, 2015, 2016, and 2017 were just and reasonable;
- affiliate expenses totaling \$174,299.43;
- reduction of the corporate income tax rate from 35 percent to 21 percent to reflect the Tax Cuts and Jobs Act of 2017; and
- actual and estimated rate case expense amounts for Atmos totaling \$48,009.08.

The average residential customer³ bill impacts are shown below.⁴

Area	Customers	Bill Impact
West Texas Cities	13,173	\$ (4.08)
Lubbock	4,348	\$ (0.35)
Amarillo/Dalhart/Channing	2,806	\$ 1.88

The Administrative Law Judge ("ALJ") and Technical Examiners (together, the "Examiners") recommend that the Commission approve the Settlement.

¹ A map showing Atmos's West Texas Division is attached to this PFD as [Attachment 1](#).

² Atmos Ex. 3 (Settlement) ¶ 17.

³ Atmos currently has three different rate structures for its West Texas Division environs residential customers, each with different consumption charges. The Settlement proposes uniform rates for these customer classes, and so the bill impacts are different for each of these three areas.

⁴ Excludes a temporary surcharge to recover Atmos's rate case expenses, discussed later in this PFD.

II. PARTIES

The parties in this proceeding are Applicant Atmos and Intervenor Staff.

Applicant Atmos is a “gas utility” under GURA Section 101.003 (Definitions)⁵ and a provider of natural gas utility service to its customers located within the West Texas Division.

Intervenor Staff participated in this docket “to assert its interest in assuring that the rules and regulations of the Railroad Commission of Texas, together with the appropriate statutes, have been followed.”⁶

III. PROCEDURAL BACKGROUND

On June 29, 2018, Atmos filed with the Commission its SOI.⁷ Subsequently, Staff timely intervened.⁸ On August 21, 2018, the Commission timely suspended the effective date of Atmos’s proposed rate change for a period of 150 days pursuant to GURA Section 104.107 (Rate Suspension; Deadline).⁹

By August 10, 2018, Atmos timely provided notice of its intent to change rates to each affected Atmos customer by direct mail.¹⁰ On September 14, 2018, Atmos and Staff notified the ALJ that a settlement had been reached.¹¹

On September 26, 2018, the Notice of Hearing was issued, setting the hearing on the merits to commence on October 26, 2018 (“Notice of Hearing”).¹² On October 9, 2018, the Notice of Hearing was provided to the governing body of each affected county in accordance with GURA Section 104.105 (Determination of Propriety of Rate Change; Hearing).¹³ On September 28, 2018, the Commission published the Notice of Hearing in *Gas Utilities Information Bulletin No. 1092*.¹⁴

⁵ Tex. Util. Code § 101.003(7) (Definitions) (defining “gas utility” as “a person or river authority that owns or operates for compensation in this state equipment or facilities to transmit or distribute combustible hydrocarbon natural gas or synthetic natural gas for sale or resale in a manner not subject to the jurisdiction of the Federal Energy Regulatory Commission under the Natural Gas Act (15 U.S.C. Section 717 et seq.). The term includes a lessee, trustee, or receiver of a gas utility.”).

⁶ Staff’s Motion to Intervene, filed July 5, 2018, ¶ 1.

⁷ Atmos Ex. 1 (SOI).

⁸ See Hearings Letter No. 01 (Motion to Intervene by Staff), issued July 9, 2018 (granting Staff’s motion to intervene).

⁹ See Tex. Util. Code § 104.107(a)(2) (Rate Suspension; Deadline) (“Pending the hearing and a decision...the railroad commission may suspend the operation of the schedule for not longer than 150 days after the date the schedule would otherwise be effective.”).

¹⁰ Atmos Ex. 2 (Affidavit of Philip R. Littlejohn, sworn to on September 18, 2018, attesting to Atmos providing public notice to affected customers by direct mail); see also Tex. Util. Code § 104.103(b) (permitting gas utilities to provide notice of proposed rate increases to customers by direct mail).

¹¹ See Letter to the ALJ from Ann M. Coffin, counsel for Atmos, filed September 14, 2018.

¹² See Hearings Letter No. 08 (Notice of Hearing), issued September 26, 2018 (attaching the Notice of Hearing).

¹³ See letters from ALJ to county judges for affected counties, each dated October 9, 2018 (attaching the Notice of Hearing); see also Tex. Util. Code § 104.105(c) (“The regulatory authority shall give reasonable notice of the hearing, including notice to the governing body of each affected municipality and county.”).

¹⁴ See *Gas Utilities Information Bulletin No. 1092*, published by the Railroad Commission of Texas Oversight and Safety Division on September 28, 2018 (“Bulletin”), pp. 6-8.

The hearing on the merits was held on October 26, 2018 (the “Hearing”). After the Hearing, the ALJ admitted into evidence three timely-filed Atmos exhibits and took official notice of Atmos’s response filings to Examiner Request for Information (“RFI”) requests 1-01 through 1-09.¹⁵ The evidentiary exhibit list is attached to this PFD as Attachment 2.

On November 13, 2018, the ALJ closed the evidentiary record.¹⁶

IV. JURISDICTION, BURDEN OF PROOF, AND NOTICE

Jurisdiction

The Commission has jurisdiction over Atmos, which is a gas utility as defined in GURA Section 101.003(7). Pursuant to GURA Section 102.001(a), the Commission has exclusive original jurisdiction to set the rates Atmos requests for its customers located within the unincorporated areas of the West Texas Division.

The Commission has jurisdiction over all matters at issue in this proceeding pursuant to GURA Chapters 102 (Jurisdiction and Powers of Railroad Commission and Other Regulatory Authorities) and 104 (Rates and Services). The statutes and rules involved in this proceeding include, but are not limited to, those contained in GURA Chapters 102, 103, and 104, and Title 16 (Economic Regulation), Part 1 (Railroad Commission of Texas), Chapters 1 (Practice and Procedure) and 7 (Gas Services Division) of the Texas Administrative Code.

Burden of Proof

As the party proposing gas utility rate changes, Atmos has the burden of proving that the rate changes are just and reasonable.¹⁷

Notice

By August 10, 2018, Atmos timely provided notice of its intent to change rates to each affected Atmos customer by direct mail—in accordance with GURA Section 104.103 (Notice of Intent to Increase Rates).¹⁸

On September 26, 2018, the ALJ issued the Notice of Hearing, which complied with Chapter 2001 (Administrative Procedure) of the Texas Government Code, Part 1 (Railroad Commission of Texas) of Title 16 (Economic Regulation) of the Texas Administrative Code, and other applicable authority. On September 28, 2018, the Commission published the Notice of Hearing in *Gas Utilities Information Bulletin No. 1092*, in compliance with Commission Rule § 7.235 (Publication and Service of

¹⁵ See Hearings Letter No. 12 (Close of Evidentiary Record), issued November 13, 2018.

¹⁶ *Id.*

¹⁷ Tex. Util. Code § 104.008 (Burden of Proof) (“In a proceeding involving a proposed rate change, the gas utility has the burden of proving that the rate change is just and reasonable, if the utility proposes the change.”).

¹⁸ Atmos Ex. 2 (Affidavit of Philip R. Littlejohn, sworn to on September 18, 2018, attesting to Atmos providing public notice to affected customers by direct mail); see also Tex. Util. Code § 104.103(b) (permitting gas utilities to provide notice of proposed rate increases to customers by direct mail).

Notice).¹⁹ Pursuant to GURA Section 104.105 (Determination of Propriety of Rate Change; Hearing), the ALJ provided a copy of the Notice of Hearing to the governing body of each affected county.²⁰

Proper notice has been issued in this proceeding in accordance with all applicable statutory and regulatory requirements.

V. COMPLIANCE WITH COMMISSION RULES; BOOKS AND RECORDS

Atmos presented evidence that it maintains its books and records in accordance with Commission requirements.²¹ Atmos maintains its books and records in accordance with Commission Rule § 7.310 (System of Accounts), which requires each gas utility to “utilize the Federal Energy Regulatory Commission’s (FERC) Uniform System of Accounts (USOA) prescribed for Natural Gas Companies subject to the Provisions of the Natural Gas Act (as amended from time to time) (FERC USOA) for all operating and reporting purposes.”²² The information contained within Atmos’s books and records, as well as the summaries and excerpts therefrom, qualify for the presumption set forth in Commission Rule § 7.503 (Evidentiary Treatment of Uncontroverted Books and Records of Gas Utilities).²³

No party disputes that Atmos maintains its books and records in accordance with these requirements.

Considering the evidence, the Examiners find that Atmos has established that it complied with these Commission rules. Accordingly, Atmos is entitled to the presumption set forth in Commission Rule § 7.503 (Evidentiary Treatment of Uncontroverted Books and Records of Gas Utilities) that the unchallenged amounts shown in its books and records are presumed to have been reasonably and necessarily incurred.²⁴

¹⁹ See Bulletin, pp. 6-8 (containing the GUD No. 10743 Notice of Hearing); see also 16 Tex. Admin. Code § 7.235(a)(1)(A) (Publication and Service of Notice) (“The Commission shall publish the notice of hearing in the next Bulletin published after the date of issuance of the notice of hearing.”).

²⁰ Tex. Util. Code § 104.105(c) (Determination of Propriety of Rate Change; Hearing) (“The regulatory authority shall give reasonable notice of the hearing, including notice to the governing body of each affected municipality and county.”).

²¹ See Atmos Ex. 5 (Myers Test.) at 6-17.

²² *Id.*; see 16 Tex. Admin. Code § 7.310(a) (System of Accounts).

²³ Atmos Ex. 5 (Myers Test.) at 13; see 16 Tex. Admin. Code § 7.503(a) (Evidentiary Treatment of Uncontroverted Books and Records of Gas Utilities).

²⁴ See 16 Tex. Admin. Code § 7.503(a) (Evidentiary Treatment of Uncontroverted Books and Records of Gas Utilities) (“In any proceeding before the Commission involving a gas utility that keeps its books and records in accordance with Commission rules, the amounts shown on its books and records as well as summaries and excerpts therefrom shall be considered prima facie evidence of the amount of investment or expense reflected when introduced into evidence, and such amounts shall be presumed to have been reasonably and necessarily incurred; provided, however, that if any evidence is introduced that an investment or expense item has been unreasonably incurred, then the presumption as to that specific investment or expense item shall no longer exist and the gas utility shall have the burden of introducing probative evidence that the challenged item has been reasonably and necessarily incurred.”).

VI. TERMS OF THE SETTLEMENT

The Settlement proposes a *decrease* of \$866,090 in current annual revenues from the unincorporated areas of Atmos's West Texas Division, as adjusted for Accumulated Deferred Income Tax.²⁵ This amount is an agreed settled amount that is not tied to any specific expense in the underlying cost of service within the West Texas Division. This amount is calculated based on a system-wide net revenue requirement of \$119,820,735, which reflects a system-wide decrease of \$(9,024,921).²⁶

The Settlement resolves all issues in GUD No. 10743. The parties—Atmos and Staff—engaged in discovery regarding disputable issues and agree that resolution of this docket by settlement will avoid prolonged litigation, which will significantly reduce the amount of reimbursable rate case expenses associated with this docket.²⁷ Atmos and Staff agree that the rates, terms, and conditions reflected in the Settlement comply with the rate-setting requirements of GURA Chapter 104 (Rates and Services).²⁸

Having read and considered the parties' Settlement and the evidentiary record, the Examiners find that the terms of the Settlement are just and reasonable and consistent with the requirements of the Texas Utilities Code and applicable Commission rules. Accordingly, the Examiners recommend approval of the Settlement. A copy of the Settlement is attached to this PFD as Attachment 3.²⁹ Related "Quality of Services Rules" and "Rider SUR – Surcharge" documents are attached to this PFD as Attachment 4.

A. Revenue Requirement

The Texas Utilities Code requires that "the regulatory authority shall establish the utility's overall revenues at an amount that will permit the utility a reasonable opportunity to earn a reasonable return on the utility's invested capital used and useful in providing service to the public in excess of its reasonable and necessary operating expenses."³⁰

The Settlement proposes a revenue requirement for unincorporated customers totaling \$11,587,977—decreasing Atmos's current base net revenue for the unincorporated areas of the West Texas Division by \$866,090.³¹ This amount is a greater decrease than Atmos's initially-proposed decrease of \$484,404.³² The base rate decrease is 3.26 percent of adjusted test-year base revenues, including gas costs, and 6.95 percent excluding gas costs.³³

²⁵ Atmos Ex. 3 (Settlement) ¶ 1.

²⁶ *Id.*

²⁷ *Id.* at p. 1.

²⁸ *Id.* ¶ 1.

²⁹ Excludes voluminous receipts and invoices related to Atmos's incurred rate case expenses, treated later in the PFD.

³⁰ Tex. Util. Code § 104.051 (Establishing Overall Revenues).

³¹ Atmos Ex. 3 (Settlement) ¶ 1.

³² Atmos Ex. 1 (SOI) at 2.

³³ Atmos Ex. 3 (Settlement) at Exhibit B (Proof of Revenues).

The revenue requirement in the Settlement reflects a reduction of the federal corporate income tax rate from 35 percent to 21 percent, and an adjustment to federal income tax expense for excess deferred income taxes ("EDIT"), to recognize changes to the Federal Tax Code due to the Tax Cuts and Jobs Act of 2017 (the "Tax Cuts and Jobs Act").³⁴ The revenue requirement excludes all expenses associated with the payment of administrative penalties related to the operation of the West Texas Division system, as well as the amortization of any related insurance deductible.³⁵ The revenue requirement includes affiliate expenses, discussed separately below.

Considering the Settlement and evidence, the Examiners find the overall revenues apportioned to the West Texas Division environs to be just and reasonable and consistent with GURA Section 104.051 (Establishing Overall Revenues).

B. Cost of Capital

In the Settlement, Atmos and Staff agree to the below capital structure and weighted cost of capital, including the pre-tax return.

Capital Class	Percent	Cost	Weighted Cost of Capital	Pre-Tax Return
Long-Term Debt	39.82%	5.20%	2.07%	2.07%
Common Equity	60.18%	9.80%	5.90%	7.47%
Weighted Average Cost of Capital	100%		7.97%	9.54%

Considering the evidence, the Examiners find the rate of return contained in the Settlement—including the capital structure, cost of debt, and cost of equity—to be just and reasonable. Atmos presented quantitative analysis supporting that a 9.8-percent return on equity ("ROE") is reasonable and appropriate for Atmos.³⁶ Accordingly, Atmos met its burden in proving that the above capital structure and cost of capital are just and reasonable.

C. Rates

The Settlement rates are designed to recover an annual base revenue requirement of \$11,587,977 from Atmos's approximately 23,000 environs customers.³⁷ The Settlement provides for the following base rates:³⁸

Rate Schedule	Customer Charge	Consumption Charge (Ccf)
Residential Gas Service	\$16.10	\$0.21224
Commercial Gas Service	\$43.25	\$0.11722
Industrial / Transportation Gas Service	\$409.00	\$0.06895
Public Authority Gas Service	\$122.25	\$0.09518

³⁴ *Id.* ¶ 10.

³⁵ *Id.* ¶ 4.

³⁶ See Atmos Ex. 8 (Hevert Test.).

³⁷ Atmos Ex. 3 (Settlement) ¶ 17, Exhibit B (Proof of Revenues).

³⁸ *Id.* ¶ 5.

Atmos's current rates for customers in the West Texas Division environs are the base rates approved in GUD No. 10174 (2012), as adjusted by Interim Rate Adjustment ("IRA") filings approved in GUD Nos. 10349, 10429, 10503, 10608, and 10697, as recently revised for effects of the Tax Cuts and Jobs Act in GUD No. 10711.³⁹ Under the Settlement, residential customers will pay \$6.54 less for the monthly customer charge, but between five and 14 cents more per Ccf for the consumption charge, depending on the area.⁴⁰

Customer Charge

Customer Class	Current	Settled	Difference
Residential	\$ 22.64	\$ 16.10	\$ (6.54)
Commercial	\$ 55.60	\$ 43.25	\$ (12.35)
Industrial & Transportation	\$ 606.18	\$ 409.00	\$ (197.18)
Public Authority	\$ 151.49	\$ 122.25	\$ (29.24)
State Institution	\$ 147.86	moving to public authority	\$ (25.61)

Consumption Charge (Ccf)

West Texas Cities			
Customer Class	Current	Settled	Difference
Residential	\$0.16221	\$ 0.21224	\$ 0.05003
Commercial	\$0.10770	\$ 0.11722	\$ 0.00952
Industrial & Transportation	\$0.05790	\$ 0.06895	\$ 0.01105
Public Authority	\$0.09579	\$ 0.09518	\$(0.00061)
State Institution	\$0.12883	Moving to public authority	\$(0.03365)

Amarillo			
Customer Class	Current	Settled	Difference
Residential	\$0.07184	\$ 0.21224	\$ 0.14040
Commercial	\$0.09310	\$ 0.11722	\$ 0.02412
Industrial & Transportation	\$0.10716	\$ 0.06895	\$(0.03821)
Public Authority	\$0.10113	\$ 0.09518	\$(0.00595)

Lubbock			
Customer Class	Current	Settled	Difference
Residential	\$0.08729	\$ 0.21224	\$ 0.12495
Commercial	\$0.08598	\$ 0.11722	\$ 0.03124
Industrial & Transportation	\$0.07037	\$ 0.06895	\$(0.00142)
Public Authority	\$0.12341	\$ 0.09518	\$(0.02823)
State Institution	\$0.10567	Moving to public authority	\$(0.01049)

³⁹ Atmos Ex. 9 (Smith Test.) at 2.

⁴⁰ See Atmos Ex. 3 (Settlement) at Exhibit B (Proof of Revenues).

The rates are designed for Atmos to recover 6.95 percent less base revenue from its West Texas Division environs customers, which includes 5.2 percent less from residential customers.⁴¹ System-wide, residential customers are 91 percent of the customer base and use 58 percent of the volumes.⁴² Atmos and Staff agree that the below class revenue allocation is reasonable.

Annual Revenue Allocation

Customer Class	Current	Settled	Difference	Percent Change	Allocation Percentage
Residential	\$ 95,520,431	\$ 90,017,993	\$ (5,502,438)	-5.8%	75.1%
Commercial	\$ 24,078,392	\$ 22,037,305	\$ (2,041,087)	-8.5%	18.4%
Industrial and Transportation	\$ 3,214,799	\$ 2,585,801	\$ (628,998)	-20%	2.2%
Public Authority	\$ 6,032,035	\$ 5,179,635	\$ (852,400)	-14%	4.3%
Total	\$ 128,845,656	\$ 119,820,735	\$ (9,024,921)	-7.0%	100%

The table below compares an average usage customer's current bill/rates with the Settlement rates.

Environs Customers Bill Impact⁴³

Customer Class	Ccf	Current Bill	Proposed Bill	Change	Percentage Change	Change excluding gas
Residential						
West Texas Cities	49.1	\$49.81	\$45.73	(\$4.08)	-8.2%	-13%
Amarillo	60	\$50.42	\$52.30	\$1.88	3.7%	6.99%
Lubbock	49.5	\$46.32	\$45.97	(\$0.35)	-0.8%	-1.3%
Commercial						
West Texas Cities	275	\$192.54	\$182.80	(\$9.74)	-5.1%	-11%
Amarillo	313	\$206.98	\$202.17	(\$4.81)	-2.3%	-5.7%
Lubbock	266	\$182.52	\$178.48	(\$4.04)	-2.2%	-5.1%
Industrial						
West Texas Cities	3,770	\$2,299	\$2,144	(\$156)	-6.8%	-19%
Amarillo	10,248	\$5,713	\$5,124	(\$589)	-10%	-35%
Lubbock	10,274	\$5,348	\$5,136	(\$212)	-3.96%	-16%
Transportation						
West Texas Cities	14,046	\$1,419	\$1,377	(\$42)	N/A	-2.96%
Amarillo	49,426	\$5,903	\$3,817	(\$2,086)	N/A	-35%
Lubbock	41,816	\$3,549	\$3,292	(\$257)	N/A	-7.23%
Public Authority						
West Texas Cities	740	\$512	\$482	(\$30)	-5.8%	-13%
Amarillo	1,482	\$881	\$843	(\$38)	-4.3%	-13%
Lubbock	1,076	\$705	\$645	(\$60)	-8.5%	-21%
State Institution						
West Texas Cities	333	\$321	\$284	(\$37)	-11%	-19%

⁴¹ *Id.*

⁴² *Id.* at Exhibit F (Rate Design).

⁴³ Atmos's response to Examiner RFI 1-08, filed November 1, 2018 (official notice taken by ALJ).

Lubbock	2,121	\$1,202	\$1,154	(\$48)	-3.98%	-13%
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Considering the evidence, the Examiners find that the Settlement rates comply with GURA Section 104.003 (Just and Reasonable Rates) because the rates are not unreasonably preferential, prejudicial, or discriminatory, but are sufficient, equitable, and consistent in application to each class of customer. The Examiners also find that the Settlement rates are just and reasonable and comply with GURA Section 104.004 (Unreasonable Preference or Prejudice Prohibited) because the rates do not establish or maintain an unreasonable difference concerning rates of services between localities or between classes of service.

D. Federal Tax Impact

The Settlement reflects a reduction of the corporate income tax rate from 35 percent to 21 percent to recognize changes due to the Tax Cuts and Jobs Act, and the parties agree that Atmos has complied with the Commission's February 2018 Gas Utilities Accounting Order in GUD No. 10695 (together with the related March 2018 Order Nunc Pro Tunc, the "Accounting Order").⁴⁴ Specifically:

- Atmos's net base revenue requirement includes a reduction of the corporate income tax rate from 35 percent to 21 percent to recognize changes due to the Tax Cuts and Jobs Act;
- Atmos's net base revenue requirement reflects an adjustment to federal income tax expense for excess deferred income taxes ("EDIT") resulting from the Tax Cuts and Jobs Act. The EDIT adjustment has been computed based on the Reverse South Georgia Method ("RSG Method") for those amounts required under Internal Revenue Service ("IRS") normalization rules;
- Atmos and Staff agree that it is reasonable to amortize Atmos's protected EDIT liabilities over a 24-year period as determined by the RSG Method, and that Atmos's unprotected EDIT should be amortized over the same 24-year period.
- Atmos and Staff agree that a 24-year amortization of Atmos's unprotected EDIT is a net asset and the use of this amortization period rather than a shorter amortization period benefits the ratepayers by extending the period over which that balance must be repaid to Atmos.⁴⁵

Complying with the Accounting Order, Atmos previously filed with the Commission two separate administrative applications pursuant to GURA Section 104.111 (Approval of Decrease in Rates).⁴⁶ The first filing, GUD No. 10711, was approved on March 29, 2018.⁴⁷ Through this filing, Atmos reduced the base rates established in GUD No. 10174 and the IRA rates established in GUD Nos. 10349, 10429, 10503, and 10608 to reflect the reduction in the federal corporate tax rate from 35 percent to 21 percent.⁴⁸ This action took effect on April 1, 2018, and satisfied Paragraphs 2A and 2B of the Accounting Order.⁴⁹

⁴⁴ Atmos Ex. 3 (Settlement) ¶¶ 10, 11.

⁴⁵ *Id.* ¶ 10.

⁴⁶ Atmos's response to Examiner RFI 1-09, filed November 1, 2018 (official notice taken by ALJ), at p. 2.

⁴⁷ *Id.*

⁴⁸ *Id.*

⁴⁹ *Id.*

The second filing, GUD No. 10771, was approved on September 7, 2018.⁵⁰ Through this filing, Atmos provided customers with a one-time refund that captured the incremental differences in base rates established in GUD No. 10174 and the IRA rates established in GUD Nos. 10349, 10429, 10503, and 10608, and the rates that would have resulted had they been based on the 21 percent income tax rate from January 1, 2018, through March 31, 2018—when Atmos’s rates still reflected a corporate tax rate of 35 percent.⁵¹ This action took effect on October 1, 2018, and satisfied Paragraphs 3A and 3B of the Accounting Order.⁵²

Considering the evidence, the Examiners find that these terms are reasonable and consistent with the Commission’s Accounting Order, and that Atmos has complied with all the requirements of the Accounting Order.

E. Depreciation Rates

Atmos does not propose depreciation rates different from those previously approved by the Commission in GUD No. 10174 (2012). The Examiners find these depreciation rates to be proper and adequate, just and reasonable, supported by the evidence, and consistent with the requirements in GURA Section 104.054 (Depreciation, Amortization, and Depletion).

F. Capital Investment Prudence

The Commission last approved new rates for environs customers in Atmos’s West Texas Division in 2012 following a full rate proceeding in GUD No. 10174. The rates since have been adjusted by the below Interim Rate Adjustment (“IRA”) filings pursuant to GURA Section 104.301 (Interim Adjustment for Changes in Investment).

Docket No.	Test Year	Order Date
GUD No. 10349	April 1, 2012 – December 31, 2013	June 17, 2014
GUD No. 10429	January 1, 2014 – December 31, 2014	June 9, 2015
GUD No. 10503	January 1, 2015 – December 31, 2015	May 3, 2016
GUD No. 10608	January 1, 2016 – December 31, 2016	May 23, 2017
GUD No. 10697	January 1, 2017 – December 31, 2017	June 5, 2018

Here, Atmos requests a prudence determination for the capital investment booked to plant during the period April 1, 2012, through December 31, 2017, which reflects capital investment made since Atmos’s last rate case in GUD No. 10174.⁵³ Atmos and Staff agree that these interim rate adjustments were just and reasonable.⁵⁴

⁵⁰ *Id.*

⁵¹ *Id.*

⁵² *Id.*

⁵³ Atmos Ex. 7 (Brooks Test.) at 23.

⁵⁴ Atmos Ex. 3 (Settlement) ¶ 7.

Atmos provided evidence to support the reasonableness, necessity, and usefulness of the capital investments made by Atmos from April 1, 2012, through December 31, 2017.⁵⁵ According to Atmos, the capital invested in the West Texas Division during this period falls into seven categories: 1) System Integrity; 2) System Improvements; 3) Public Improvements; 4) Growth; 5) Equipment; 6) Information Technology; and 7) Structures, plus miscellaneous additions, retirements, and transfers.⁵⁶ Atmos explains that this capital investment has “made a safe system safer” and relates to Atmos’s compliance with Commission Rule § 8.209 (Distribution Facilities Replacements), which requires that an operator assess the risk of facilities on its system and prioritize, to the extent possible, replacement or removal of higher relative risk facilities compared to lower relative risk facilities.⁵⁷ For example, Atmos has pro-actively reduced risks in the West Texas Division by replacing pipeline facilities that are reaching the end of their service life with more modern, reliable materials.⁵⁸

Considering the evidence, the Examiners find that Atmos’s capital investment booked to plant during the period April 1, 2012, through December 31, 2017, is reasonable and prudent, and used and useful.

G. Future Interim Rate Adjustment (IRA) Factors

Atmos and Staff agree that any IRA filing in Atmos’s West Texas Division pursuant to GURA Section 104.301 (Interim Adjustment for Changes in Investment) shall use the following factors until changed by a subsequent general rate proceeding:⁵⁹

- a. The below capital structure and related components:

Capital Class	Percent	Cost	Weighted Cost of Capital	Pre-Tax Return
Long-Term Debt	39.82%	5.20%	2.07%	2.07%
Common Equity	60.18%	9.80%	5.90%	7.47%
Weighted Average Cost of Capital	100%		7.97%	9.54%

- b. For any initial IRA filing, the beginning ad valorem tax rate at a West Texas Division level is 1.02 percent and the Shared Services Ad Valorem Tax Rate is 0.72 percent. For subsequent IRA filings, the Ad Valorem Tax Rates will be updated annually to include the actual taxes paid in the calculation of the tax rate.
- c. For any initial IRA filing, the system-wide net plant in service amount in the West Texas Division shall be \$631,037,126, as presented in Exhibit C to the Settlement.

⁵⁵ See Atmos Ex. 7 (Brooks Test.).

⁵⁶ *Id.* at 24.

⁵⁷ *Id.* at 25-26.

⁵⁸ *Id.* at 26.

⁵⁹ Atmos Ex. 3 (Settlement) ¶ 8.

- d. For any initial IRA filing and for any subsequent IRA filings, the depreciation rate for each account shall be those approved in GUD No. 10174 as presented in Exhibit C to the Settlement.
- e. For any initial IRA filing, the below customer charges and consumption charges will be the starting rates to which any IRA adjustment is applied.

Rate Schedule	Customer Charge	Consumption Charge (Ccf)
Residential Gas Service	\$16.10	\$0.21224
Commercial Gas Service	\$43.25	\$0.11722
Industrial / Transportation Gas Service	\$409.00	\$0.06895
Public Authority Gas Service	\$122.25	\$0.09518

- f. Federal income taxes will be calculated using a 21 percent rate, unless the federal income tax rate is changed, in which case the new rate will be applied.
- g. The base rate revenue allocation factors to spread any change in IRA increase/decrease to the appropriate customer classes are as follows:

Customer Class	Percentage
Residential Gas Service	75.13%
Commercial Gas Service	18.39%
Industrial / Transportation Gas Service	2.16%
Public Authority Gas Service	4.32%

Considering the evidence, the Examiners find these Settlement terms to be just and reasonable.

H. Tariffs

Atmos and Staff agree to the rates, terms, and conditions reflected in the tariffs attached as Exhibit A to the Settlement, which would replace and supersede those tariffs currently in effect for the unincorporated areas of the West Texas Division.⁶⁰ Atmos and Staff further agree that these tariffs comply with the rate-setting requirements of GURA Chapter 104 (Rates and Services).⁶¹

The tariffs will become effective upon approval by the Commission. Tariff changes include:

- Atmos proposes rate changes to residential, commercial, industrial, transportation, public authority, and state institution, as well as proposed tariff changes to update to its Rider Tax, Rider FF, and the Quality of Service Rules. Atmos proposes to change the applicability of Rider Tax and Rider FF to incorporated areas only and to update the language in the Quality of Service Rules to limit liability.

⁶⁰ *Id.* ¶ 1.

⁶¹ *Id.*

- Atmos proposes to discontinue the State Institution Gas Service Tariff. Atmos and Staff agree that it is reasonable for State Institution customers to be subject to Atmos's Public Authority Gas Service tariff.⁶²
- Atmos proposes removal of the reference to Rider-Tax and Rider-FF from unincorporated tariff sheets (Residential Gas Service, Commercial Gas Service, Industrial Gas Service, Public Authority Gas Service, and Transportation Service). Additionally, the reference to "Entire Division" noted on Rider Tax - Tax Adjustment, and on and Rider FF - Franchise Fee Adjustment, is being modified to reflect that Rider-Tax and Rider-FF are applicable to incorporated areas only.
- Atmos proposes to add the below liability limitation language to its Quality of Service Rules.

9. Non-Liability

- (A) *Furnishing of Gas. The Company shall not be liable for any loss or damage caused by variation in gas pressure, defects in pipes, connections and appliances, escape or leakage of gas, sticking of valves or regulators, or for any other loss or damage not caused by the Company's negligence arising out of or incident to the furnishing of gas to any Consumer.*
- (B) *After Point of Delivery. Company shall not be liable for any damage or injury resulting from gas or its use after such gas leaves the point of delivery other than damage caused by the fault of the Company in the manner of installation of the service lines, in the manner in which such service lines are repaired by the Company, and in the negligence of the Company in maintaining its meter loop. All other risks after the gas left the point of delivery shall be assumed by the Consumer, his agents, servants, employees, or other persons.*
- (C) *Reasonable Diligence. The Company agrees to use reasonable diligence in rendering continuous gas service to all Consumers, but the Company does not guarantee such service and shall not be liable for damages resulting from any interruption to such service.*
- (D) *Force Majeure. Company shall not be liable for any damage or loss caused by stoppage or curtailment of the gas supply pursuant to order of a governmental agency having jurisdiction over Company or Company's suppliers or caused by an event of force majeure. The term "force majeure" as employed herein means acts of God; strikes, lockouts, or other industrial disturbances; acts of the public enemy; wars; blockades; insurrections; riots; epidemics; landslides; lightning; earthquakes; fires; storms; floods; washouts; arrests and restraints of the government, either federal or state, civil or military; civil disturbances; explosions; breakage or accident to machinery or lines of pipe; freezing of wells or lines of pipe; shortage of gas supply, whether resulting from inability or failure of a supplier to deliver gas; partial or entire failure of natural gas wells or gas supply; depletion of gas reserves; and any other causes, whether of the kind herein enumerated or otherwise.*

According to Atmos, the purpose of the new language is to make customers better aware of Atmos's policy concerning liability relating to: loss or damages *not*

⁶² Atmos Ex. 3 (Settlement) ¶ 12. Atmos proposes to move approximately 30 customers that are currently under a State Institution tariff to a Public Authority tariff. This change will align the unincorporated tariff customers with the incorporated areas. See Atmos Ex. 4 (Littlejohn Test.) at 10.

attributable to Atmos's negligence; events that occur after the point of delivery; interruption of service; and force majeure.⁶³

Considering the evidence, the Examiners find the Settlement's tariffs to be just and reasonable and recommend their approval.

I. Post-employment Benefits Expenses

Atmos and Staff agree that the base level of pension-related and other post-employment benefits expenses shall be as follows.⁶⁴

Entity	Pension Account Plan	Post-Employment Benefit Plan	Supplemental Executive Benefit Plan	Total
SSU Allocated to West Texas	\$ 272,401	\$ 180,397	\$ 0	\$ 452,798
West Texas Direct	\$ 721,710	\$ 507,762	\$ 102,033	\$ 1,331,505
Total	\$ 994,111	\$ 688,159	\$ 102,033	\$ 1,784,303

Considering the evidence, the Examiners find the base year level of pension-related and other post-employment benefits expenses to be just and reasonable and consistent with the requirements in GURA Section 104.059 (Pension and Other Postemployment Benefits).

J. Services Provided by Affiliates

The Commission is required to make specific findings related to affiliate transactions before rates may be adopted.⁶⁵ Those findings include: (1) a specific finding of the reasonableness and necessity of each item or class of items allowed; and (2) a finding that the price to the gas utility is not higher than the prices charged by the supplying affiliate to its other affiliates or division or to a non-affiliated person for the same item or class of items.⁶⁶

Here, Atmos requests approval of system-wide West Texas Division affiliate expenses totaling \$174,299.43 for services provided to Atmos by Blueflame Insurance Services, Ltd. ("Blueflame"), an Atmos affiliate that provides insurance for all divisions of Atmos Energy, including the West Texas Division.⁶⁷ Atmos provided evidence supporting that these affiliate services and expenses were reasonable and necessary, and the prices charged by Blueflame are no higher than the prices charged to other affiliates or divisions of Atmos, or to a non-affiliated person for the same item or class of items.⁶⁸ According to Atmos, Blueflame provides broader property insurance coverage and at a lower cost than what Atmos Energy could achieve if it sought insurance on its own through the general property insurance marketplace.⁶⁹

⁶³ Atmos Ex. 4 (Littlejohn Test.) at 14.

⁶⁴ Atmos Ex. 3 (Settlement) ¶ 9.

⁶⁵ See Tex. Util. Code § 104.055 (Net Income; Allowable Expenses).

⁶⁶ *Id.* § 104.055(b).

⁶⁷ Atmos Ex. 3 (Settlement) ¶¶ 2-3.

⁶⁸ Atmos Ex. 4 (Littlejohn Test.) at Exhibit PRL-5 (Affidavit of Derek W. Boyd, sworn to on June 8, 2018).

⁶⁹ *Id.* ¶¶ 4, 5.

In the Settlement, Atmos and Staff agree that these expenses are recoverable consistent with the provisions of GURA Section 104.055(b)(1).⁷⁰

Considering the evidence, the Examiners find that Atmos has established that the insurance services provided to it by its affiliate, Blueflame, are reasonable and necessary, and that these affiliate expenses (a) are reasonable and necessary costs of providing insurance coverage, and (b) the prices charged to Atmos are not higher than the prices charged to other affiliates or divisions of Atmos, or to a non-affiliated person for the same item or class of items. Accordingly, the Examiners find that these affiliate costs are reasonable, necessary, and recoverable consistent with the provisions of GURA Section 104.055 (Net Income; Allowable Expenses).

K. Rate Case Expenses

In any gas utility rate proceeding, the utility and municipalities participating in the proceeding, if any, may be reimbursed their reasonable rate case expenses.⁷¹ Any gas utility or municipality claiming reimbursement for its rate case expenses shall have the burden to prove the reasonableness of such rate case expenses by a preponderance of the evidence.⁷² Each gas utility and/or municipality shall detail and itemize all rate case expenses and allocations and shall provide evidence showing the reasonableness of the cost of all professional services, including but not limited to:

- (1) the amount of work done;
- (2) the time and labor required to accomplish the work;
- (3) the nature, extent, and difficulty of the work done;
- (4) the originality of the work;
- (5) the charges by others for work of the same or similar nature; and
- (6) any other factors taken into account in setting the amount of the compensation.⁷³

In determining the reasonableness of the rate case expenses, the Commission shall consider all relevant factors including, but not limited to, the above evidence, and the Commission also shall consider whether the request for a rate change was warranted, whether there was duplication of services or testimony, whether the work was relevant and reasonably necessary to the proceeding, and whether the complexity and expense of the work was commensurate with both the complexity of the issues in the proceeding and the amount of the increase sought, as well as the amount of any increase that may be granted.⁷⁴

Here, Atmos requests recovery of rate case expenses totaling \$48,009.08, which includes \$33,009.08 in actual expenses incurred through August 31, 2018, and

⁷⁰ Atmos Ex. 3 (Settlement) ¶¶ 2, 3.

⁷¹ See 16 Tex. Admin. Code § 7.5530 (Allowable Rate Case Expenses) (providing that a utility may be reimbursed its reasonable rate case expenses from certain customers), Tex. Util. Code § 103.022 (Rate Assistance and Cost Reimbursement) (providing that the governing body of a participating municipality may be reimbursed its reasonable rate case expenses from the utility).

⁷² 16 Tex. Admin. Code § 7.5530(a) (Allowable Rate Case Expenses).

⁷³ *Id.*

⁷⁴ *Id.*

up to \$15,000 of estimated expenses through completion of this docket.⁷⁵ Atmos provided evidence supporting reimbursement of its reasonable rate case expenses under Commission Rule § 7.5530 (Allowable Rate Case Expenses).⁷⁶

The amounts and allocation agreed upon by Atmos and Staff are treated separately below.

1. Amounts

Atmos represents that its reasonable rate case expenses are as follows:

	Required Regulatory Expenses	Actual Litigation Expenses	Estimate to Completion	Total Recoverable Expenses
Atmos	\$27,092.08	\$5,917	\$15,000	\$48,009.08

Atmos provided evidence showing the reasonableness of the cost of all professional services, including but not limited to: (1) the amount of work done; (2) the time and labor required to accomplish the work; (3) the nature, extent, and difficulty of the work done; (4) the originality of the work; (5) the charges by others for work of the same or similar nature; and (6) other factors taken into account in setting the amount of compensation.⁷⁷

Attorney hourly rates ranged from \$400 to \$560, with the bulk of attorney work for Atmos billed at \$400 per hour. Atmos's principal consultant's⁷⁸ hourly rate was \$460.

The Examiners reviewed the testimony and documentation supporting the rate case expense amounts shown above. Considering the above factors, the Examiners find that the above rate case expense amounts for Atmos are reasonable and consistent with Commission Rule § 7.5530 (Allowable Rate Case Expenses), and that Atmos proved the reasonableness of its rate case expenses by a preponderance of the evidence. Accordingly, the Examiners recommend these amounts be approved.

2. Allocation and Surcharge

Atmos and Staff agree that the recovery period for the applicable surcharge to recover rate case expenses shall be applied to environs customers in the West Texas Division for a period of 12 months through a monthly customer surcharge, as listed below.⁷⁹

⁷⁵ Atmos Ex. 3 (Settlement) ¶¶ 13-15.

⁷⁶ Atmos Ex. 3 (Settlement) at Exhibit E (Affidavit of Ann M. Coffin, sworn to on September 19, 2018) (attaching receipts and invoices), and Ex. 12 (Supplemental Affidavit of Ann M. Coffin, sworn to on November 12, 2018 (attesting all legal and consultant/witness hourly rates are reasonable for the work performed and comparable to rates charged by other professionals with similar qualifications, for similar duties) (attached to this PFD as Attachment 5).

⁷⁷ *Id.*

⁷⁸ Robert B. Hevert, Partner of ScottMadden, Inc. See Atmos Ex. 8 (Hevert Test.).

⁷⁹ Atmos Ex. 3 (Settlement) ¶ 14, and Ex. 11 (Rider SUR – Surcharge).

Rate Schedule	Monthly Surcharge
Residential	\$0.15
Commercial	\$0.31
Industrial / Transportation	\$0.82
Public Authority	\$0.89

The surcharge will be effective until all approved and expensed rate case expenses are recovered from the applicable customer classes.⁸⁰ Atmos's estimated rate case expenses are recoverable only to the extent they are actually incurred.⁸¹

Consistent with the Settlement, the Examiners find the parties' proposed allocation and surcharge to be just and reasonable and consistent with Commission Rule § 7.5530 (Allowable Rate Case Expenses).

3. Compliance

Under the Settlement, the parties agree to the below compliance terms.⁸²

- Atmos shall file annually, due on or before April 1, a rate case expense recovery compliance filing with the Commission's Oversight and Safety Division, referencing GUD No. 10743, within 90 days after each calendar year end until and including the calendar year end in which the rate case expenses are fully recovered.
- Atmos shall submit to Staff invoices reflecting actual rate case expenses with sufficient detail so that Staff can accurately audit such invoices for the purposes of reconciling estimated rate case expenses to actual rate case expenses. In no case shall the total actual expenses exceed the actual expenses submitted to the Commission as of August 31, 2018, plus the approved estimated expenses of \$15,000.
- Atmos's annual rate case expense compliance filing shall detail the balance of actual plus estimated rate case expenses at the beginning of the annual period, the amount collected by customer class, and the ending or remaining balance.

The Examiners find these terms to be just and reasonable and recommend their approval.

VII. CONCLUSION

The Examiners find that Atmos's request for a rate change pursuant to the Settlement is warranted. The recommendations contained herein are just and reasonable, supported by the weight of reliable and probative evidence, consistent with the public interest, and proper under applicable Texas law. Accordingly, the Examiners respectfully recommend that the Commission approve the Settlement.

⁸⁰ Atmos Ex. 11 (Rider SUR – Surcharge).

⁸¹ Atmos Ex. 3 (Settlement) ¶ 15.

⁸² *Id.*


VIII. FINDINGS OF FACT AND CONCLUSIONS OF LAW

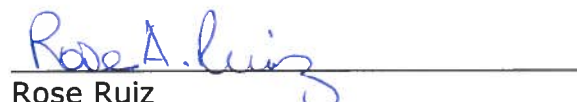
The Findings of Fact and Conclusions of Law contained in the Proposed Final Order, attached to this PFD as Attachment 6, are incorporated herein by reference.

The Proposed Final Order will append as a single attachment the parties' Settlement—Exhibits A, B, C, D, and F—and the Quality of Service Rules and Rider SUR – Surcharge.

SIGNED November 15, 2018.



John Dodson
Administrative Law Judge


James Currier
Technical Examiner


Rose Ruiz
Technical Examiner

Proposal for Decision
GUD No. 10743








ATTACHMENT 1

(Service Area Map)





West Texas Division

-  Texas Boundary
-  Division Boundary
-  County Boundary
-  Operational Center
-  Operational Office
-  Served Community
-  Division Headquarters

0 miles

10 miles

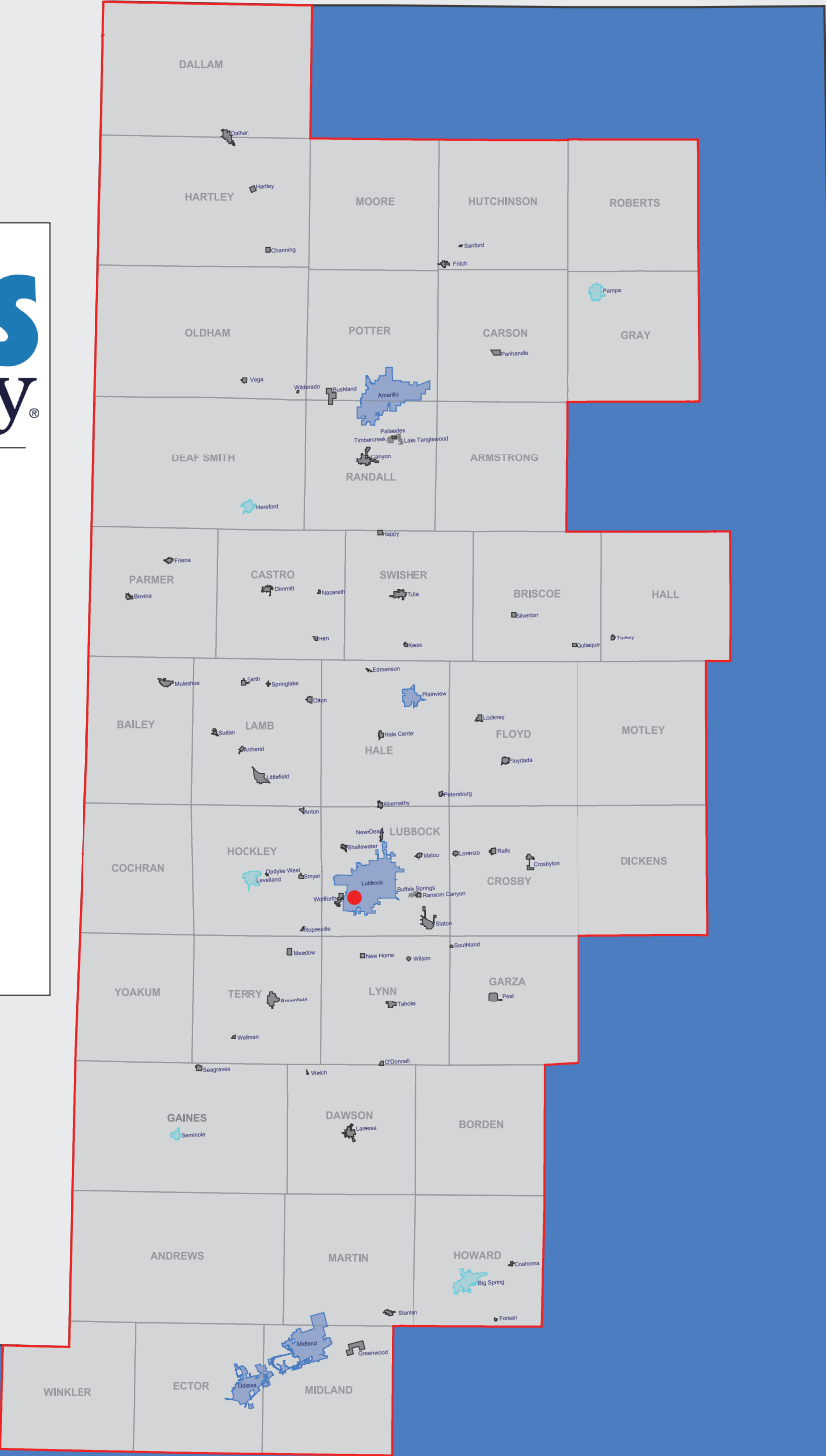
20 miles

30 miles

40 miles

50 miles

60 miles



Proposal for Decision
GUD No. 10743

ATTACHMENT 2

(Exhibit List)

GAS UTILITIES DOCKET NO. 10743

**STATEMENT OF INTENT FILED BY ATMOS ENERGY CORPORATION (ATMOS)
TO CHANGE GAS UTILITY RATES WITHIN THE UNINCORPORATED AREAS
OF ITS WEST TEXAS DIVISION**

ATMOS EXHIBIT LIST REVISED

EX. NO.	DESCRIPTION	OFFERED	ADMITTED/DATE
1	GUD No. 10743 – Statement of Intent Filed by Atmos Energy Corporation (Atmos) to Change Gas Utility Rates Within the Unincorporated Areas of its West Texas Division, Filed on June 29, 2018 (Includes Electronic Files, Workpapers and all Attachments Except Testimony)	✓	10/26/18
1a	Confidential Schedule Workpapers	✓	10/26/18
2	Affidavit of Philip R. Littlejohn attesting to Completion of Public Notice, filed September 19, 2018	✓	10/26/18
3	Unanimous Settlement Agreement (Includes All Attachments)	✓	10/26/18
4	Direct Testimony, Exhibits and Workpapers of Philip R. Littlejohn	✓	10/26/18
5	Direct Testimony, Exhibits and Workpapers of Barbara W. Myers	✓	10/26/18
6	Direct Testimony of Jennifer K. Story	✓	10/26/18
7	Direct Testimony, Exhibits and Workpapers of William W. Brooks (Includes Errata)	✓	10/26/18
8	Direct Testimony, Exhibits and Workpapers of Robert B. Hevert	✓	10/26/18
8a	Confidential Workpapers of Robert B. Hevert	✓	10/26/18
9	Direct Testimony of Gary L. Smith	✓	10/26/18
10	Quality of Service Rules		
11	Rider Sur-Surcharge		
12	Supplemental Affidavit of Ann M. Coffin		

Proposal for Decision
GUD No. 10743

ATTACHMENT 3

(Settlement Agreement)

GUD NO. 10743

STATEMENT OF INTENT FILED BY	§	BEFORE THE
ATMOS ENERGY CORP. TO CHANGE	§	
GAS UTILITY RATES WITHIN THE	§	RAILROAD COMMISSION
UNINCORPORATED AREAS SERVED	§	
BY ITS WEST TEXAS DIVISION	§	OF TEXAS

UNANIMOUS SETTLEMENT AGREEMENT

This Unanimous Settlement Agreement is entered into by and between Atmos Energy Corp., West Texas Division (Atmos Energy) and the Staff of the Railroad Commission of Texas (Staff), (collectively, the “Signatories”).

WHEREAS, on June 29, 2018, Atmos Energy filed its Statement of Intent to Change Gas Utility Rates within the Unincorporated Areas with the Railroad Commission of Texas (Commission); and

WHEREAS, the Commission docketed the rate request as GUD No. 10743; and

WHEREAS, Commission Staff sought intervention and were granted party status in GUD No. 10743; and

WHEREAS, the Company has filed direct testimony and errata to its Statement of Intent; and

WHEREAS, the parties have engaged in discovery regarding the issues in dispute; and

WHEREAS, Staff direct testimony was due on September 28, 2018, but Staff did not file direct testimony in reliance on this Unanimous Settlement Agreement; and

WHEREAS, the Signatories agree that resolution of this docket by unanimous settlement agreement will significantly reduce the amount of reimbursable rate case expenses associated with this docket;

NOW, THEREFORE, in consideration of the mutual agreements and covenants established herein, the Signatories, through their undersigned representatives, agree to and recommend for approval by the Commission the following Settlement Terms as a means of concluding the above-referenced docket filed by Atmos Energy without the need for prolonged litigation:

Settlement Terms

1. As a product of compromise and for the purposes of settlement, the Signatories agree to the rates, terms and conditions reflected in the tariffs attached to this Unanimous Settlement Agreement as Exhibit A. The tariffs attached as Exhibit A replace and supersede those tariffs currently in effect for the unincorporated areas of the West Texas Division. These tariffs are premised on a decrease of \$(866,090) in current annual revenues from the

unincorporated areas as illustrated in the proof of revenues attached as part of Exhibit B to this Unanimous Settlement Agreement. Except as specifically provided herein, the Signatories agree that the \$(866,090) revenue decrease for the unincorporated areas, as adjusted for Accumulated Deferred Income Tax, is not tied to any specific expense in the underlying cost of service within Atmos Energy's West Texas Division. The agreed upon system-wide decrease, as adjusted for excess Accumulated Deferred Income Taxes, is \$(9,024,921). The agreed upon system-wide net revenue requirement is \$119,820,735 as reflected in Exhibit F. The Signatories further agree that the rates, terms and conditions reflected in Exhibit A to this Unanimous Settlement Agreement comply with the rate-setting requirements of Chapter 104 of the Texas Utilities Code. The gas rates, terms and conditions established by this Unanimous Settlement Agreement shall be effective upon approval by the Commission.

2. Signatories agree that the revenue requirement in paragraph 1 includes expenses associated with services acquired by Blueflame, a wholly-owned subsidiary of Atmos Energy that provides insurance for all of the Company's divisions. The rate of insurance included in the Company's filing was \$0.070 per \$100 of gross plant through February 28, 2017, and \$0.065 per \$100 of gross plant through December 31, 2017, which is lower than the previously approved rates that the Commission determined to be reasonable and necessary in GUD No. 10170 and consistent with Tex. Util. Code § 104.055(b)(1).
3. Signatories agree that the system-wide expenses associated with services acquired by Blueflame in the amount of \$174,299.43 are (a) reasonable and necessary and (b) the price charged to Atmos Energy's West Texas Division is not higher than the prices charged by the supplying affiliate to its other affiliates or division or to a non-affiliated person for the same item or class of items as required by Section 104.055 of the Gas Utility Regulatory Act.
4. Signatories agree that the net base revenue requirement in paragraph 1 excludes all expenses associated with the payment of administrative penalties related to the operation of the West Texas Division system, as well as the amortization of any related insurance deductible.
5. The Signatories agree to the following customer charges and consumption charges. These rates are based on test year-end customer count and are reflected in the rate schedules attached as Exhibit A.

Rate Schedule	Customer Charge	Consumption Charge (per Ccf)
Residential Gas Service	\$16.10	\$0.21224
Commercial Gas Service	\$43.25	\$0.11722
Industrial / Transportation Gas Service	\$409.00	\$0.06895
Public Authority Gas Service	\$122.25	\$0.09518

6. The Signatories agree to use of the following capital structure and weighted cost of capital, including the after-tax return, in future Interim Rate Adjustment (IRA) filings, as shown below.

Class of Capital	Percent	Cost	Weighted Cost of Capital	Pre-Tax Return
Long-Term Debt	39.82%	5.20%	2.07%	2.07%
Common Equity	60.18%	9.80%	5.90%	7.47%
Weighted Average Cost of Capital	100.00%		7.97%	9.54%

7. The Signatories agree that the interim rate adjustments made in 2013, 2014, 2015, 2016, and 2017 pursuant to Texas Utilities Code § 104.301 were just and reasonable.
8. The Signatories agree that any IRA filing in Atmos Energy's West Texas Division pursuant to Texas Utilities Code § 104.301 shall use the following factors until changed by a subsequent general rate proceeding:
- The capital structure and related components as shown above in Paragraph 6.
 - For any initial IRA filing, the beginning ad valorem tax rate at a West Texas Division level is 1.02% and the Shared Services Ad Valorem Tax Rate is 0.72%. For subsequent IRA filings, the Ad Valorem Tax Rates will be updated annually to include the actual taxes paid in the calculation of the tax rate.
 - For any initial IRA filing, the system-wide net plant in service amount in the West Texas Division shall be \$631,037,126 as presented in Exhibit C.
 - For any initial IRA filing and for any subsequent IRA filings, the depreciation rate for each account shall be those approved in GUD No. 10174 as presented in Exhibit C.
 - For any initial IRA filing, the customer charges and consumption charges as shown in Paragraph 5 above will be the starting rates to which any IRA adjustment is applied.
 - Federal income taxes will be calculated using a 21% rate, unless the federal income tax rate changed, in which case the new rate will be applied.
 - The base rate revenue allocation factors to spread any change in IRA increase/decrease to the appropriate customer classes are as follows:

	Percentage
Residential Gas Service	75.13%
Commercial Gas Service	18.39%
Industrial / Transportation Gas Service	2.16%
Public Authority Gas Service	4.32%

9. The Signatories agree that the following amounts are reasonable to establish the base-year levels to track changes in pension-related and other post-employment benefits:

Entity	Pension Account Plan	Post-Employment Benefit Plan	Supplemental Executive Benefit Plan	Total
SSU Allocated to West Texas	\$272,401	\$180,397	\$0	\$ 452,798
West Texas Direct	\$721,710	\$507,762	\$102,033	\$1,331,505
Total	\$994,111	\$688,159	\$102,033	\$1,784,303

10. The Signatories agree that the decrease amount and net base revenue requirement in Paragraph 1 include a reduction of the corporate income tax rate from 35% to 21% to recognize changes to the Federal Tax Code due to the Tax Cuts and Jobs Act of 2017.

The Signatories further agree that the decrease amount and net base revenue requirement in Paragraph 1 reflect an adjustment to federal income tax expense for excess deferred income taxes (EDIT) resulting from the Tax Cuts and Jobs Act of 2017. The EDIT adjustment has been computed based on the Reverse South Georgia Method for those amounts required under Internal Revenue Service (IRS) normalization rules.

Signatories agree that it is reasonable to amortize the Company's protected EDIT liabilities over a 24 year period as determined by the RSG method and shown on Exhibit D. The Signatories further agree that the Company's unprotected EDIT should be amortized over the same 24 year period as shown on Exhibit D. The Signatories have agreed to a 24 year amortization of the Company's unprotected EDIT because this balance is a net asset on the Company's books and the use of this amortization period rather than a shorter amortization period benefits ratepayers by extending the period over which that balance must be repaid to the Company.

11. The Signatories further agree that Atmos Energy has fully complied with all requirements set forth in the Gas Utilities Accounting Order (Feb. 27, 2018) and Order Nunc Pro Tunc (March 20, 2018) issued in GUD No. 10695.
12. The Signatories agree that it is reasonable for State Institution customers to be subject to Atmos Energy's Public Authority Gas Service tariff.
13. Atmos Energy represents that its reasonable rate case expenses incurred through August 2018, and estimated rate case expenses incurred through completion of this case, are as follows:

	Required Regulatory Expenses	Litigation Expenses	Estimate to Completion	Total
Atmos Energy	\$27,201.08, less \$109, totals \$27,092.08	\$5,917.00	\$15,000	\$48,009.08

14. Atmos Energy has attached as Exhibit E an affidavit and invoices in support of these amounts and will supplement with additional invoices as they are processed. The Signatories agree that the amounts represented above are reasonable and recoverable pursuant to Texas Utilities Code § 104.051. The Signatories agree that the recovery period for the applicable surcharge to recover rate-case expenses shall be twelve (12) months. The Signatories intend and advocate that the Commission authorize recovery of the rate case expenses recited above in the same proceeding and at the same time as it approves this Unanimous Settlement Agreement.
15. Atmos Energy shall file annually, due on or before April 1, a rate case expense recovery compliance filing with the Railroad Commission of Texas, Oversight and Safety Division, referencing GUD No. 10743. The Signatories agree to and propose the inclusion of the following Findings of Fact and Ordering Paragraph in the Final Order in this docket:
 - a. Finding of Fact: It is reasonable that Atmos Energy submit to Staff invoices reflecting actual rate case expenses with sufficient detail so that Staff can accurately audit such invoices for the purposes of reconciling estimated rate case expenses to actual rate case expenses. In no case shall the total actual expenses exceed the actual expenses submitted to the Commission as of August 31, 2018, plus the approved estimated expenses of \$15,000.00.
 - b. Finding of Fact: It is reasonable that Atmos Energy file an annual Rate Case Expense Compliance Filing with Staff detailing the balance of actual plus estimated rate case expenses at the beginning of the annual period, the amount collected by customer class, and the ending or remaining balance within ninety (90) days after each calendar year end until and including the calendar year end in which the rate case expenses are fully recovered.
 - c. Ordering Paragraph: IT IS FURTHER ORDERED that Atmos Energy file an annual Rate Case Expense Compliance Filing with Staff detailing recovery of rate case expenses as described in proposed Finding of Fact 37 within ninety (90) days after each calendar year end until the calendar year end until and including the calendar year end in which the rate case expenses are fully recovered.
16. The Signatories agree to and propose the inclusion of the following Ordering Paragraphs in the Final Order in this docket:
 - a. Ordering Paragraph: IT IS FURTHER ORDERED that within thirty (30) days of this Final Order, in accordance with 16 Tex. Admin. Code § 7.315, Atmos Energy SHALL electronically file its rate schedules in proper form that accurately reflect the rates in Exhibit A approved in this Final Order.
 - b. Ordering Paragraph: IT IS FURTHER ORDERED that any incremental change in rates approved by this Final Order and implemented by Atmos Energy shall be subject to refund unless and until Atmos Energy's tariffs are electronically filed and accepted by the Gas Services Department in accordance with 16 Tex. Admin. Code § 7.315.

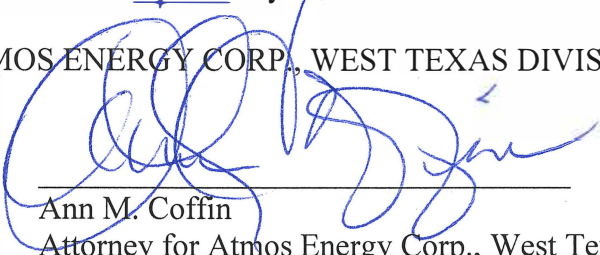
17. The classes and number of customers affected by this Unanimous Settlement Agreement include approximately 20,327 Residential, 2,367 Commercial, 106 Industrial and Transportation, 156 Public Authority, and 37 State Institution customers.
18. The Signatories agree to support and seek Commission approval of this Unanimous Settlement Agreement. The Signatories further agree to make all efforts to present the Commission with this Unanimous Settlement Agreement on or before November 13, 2018.
19. Except as may be allowed under Rule 408 of the Texas Rules of Evidence, the Signatories agree that all negotiations, discussions, and conferences related to the Unanimous Settlement Agreement are privileged and inadmissible to prove the validity or invalidity of any issue raised by or presented in the Statement of Intent to Change Gas Utility Rates within the Unincorporated Areas filed on June 29, 2018.
20. The Signatories agree that neither this Unanimous Settlement Agreement nor any oral or written statements made during the course of settlement negotiations may be used for any purpose other than as necessary to support the entry by the Commission of an order approving this Unanimous Settlement Agreement.
21. The Signatories agree that the terms of the Unanimous Settlement Agreement are interdependent and indivisible, and that if the Commission intends to enter an order that is inconsistent with this Unanimous Settlement Agreement, then any Signatory may withdraw without being deemed to have waived any procedural right or to have taken any substantive position on any fact or issue by virtue of that Signatory's entry into the Unanimous Settlement Agreement or its subsequent withdrawal and further agrees that Atmos Energy's application to increase rates will be remanded for hearings.
22. The Signatories agree that this Unanimous Settlement Agreement is binding on each Signatory only for the purpose of settling the issues set forth herein and for no other purposes. The matters resolved herein are resolved on the basis of a compromise and settlement. Except to the extent the Unanimous Settlement Agreement governs a Signatory's rights and obligations for future periods, this Unanimous Settlement Agreement shall not be binding or precedential upon a Signatory outside this proceeding. Each Signatory acknowledges that a Signatory's support of the matters contained in this Stipulation may differ from the position taken or testimony presented by it in other dockets or other jurisdictions. To the extent that there is a difference, a Signatory does not waive its position in any of those other dockets or jurisdictions. Because this is a stipulated resolution, no Signatory is under any obligation to take the same positions as set out in this Stipulation in other dockets or jurisdictions, regardless of whether other dockets present the same or a different set of circumstances, except as otherwise may be explicitly provided by this Stipulation. Agreement by the Signatories to any provision in this Stipulation will not be used against any Signatory in any future proceeding with respect to different positions that may be taken by that Signatory.
23. The provisions of this Stipulation are intended to relate to only the specific matters referred to herein. By agreeing to this Stipulation, no Signatory waives any claim it may otherwise have with respect to issues not expressly provided for herein. The Signatories further

have with respect to issues not expressly provided for herein. The Signatories further understand and agree that this Stipulation represents a negotiated settlement of all issues in this proceeding.

24. The Signatories agree that this Unanimous Settlement Agreement may be executed in multiple counterparts and may be filed with facsimile signatures.


Agreed to this 9th day of October 2018.

ATMOS ENERGY CORP., WEST TEXAS DIVISION

By: 

Ann M. Coffin
Attorney for Atmos Energy Corp., West Texas Division

STAFF OF THE RAILROAD COMMISSION OF TEXAS

By: 

Natalie Dubiel
Attorney for Staff of the Railroad Commission of Texas

RATE SCHEDULE:	RESIDENTIAL GAS SERVICE	
APPLICABLE TO:	ALL UNINCORPORATED AREAS IN THE WEST TEXAS DIVISION	
EFFECTIVE DATE:		

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

Monthly Rate

Charge	Amount
Customer Charge	\$ 16.10
Consumption Charge per Ccf	\$ 0.21224

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

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

Miscellaneous Charges: Plus an amount for miscellaneous charges calculated in accordance with the applicable rider(s).

RATE SCHEDULE:	COMMERCIAL GAS SERVICE	
APPLICABLE TO:	ALL UNINCORPORATED AREAS IN THE WEST TEXAS DIVISION	
EFFECTIVE DATE:		

Availability

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

Monthly Rate

Charge	Amount
Customer Charge	\$ 43.25
Consumption Charge per Ccf	\$ 0.11722

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

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

Miscellaneous Charges: Plus an amount for miscellaneous charges calculated in accordance with the applicable rider(s).

RATE SCHEDULE:	INDUSTRIAL GAS SERVICE	
APPLICABLE TO:	ALL UNINCORPORATED AREAS IN THE WEST TEXAS DIVISION	
EFFECTIVE DATE:		

Availability

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

Monthly Rate

Charge	Amount
Customer Charge	\$ 409.00
Consumption Charge per Ccf	\$ 0.06895

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

Miscellaneous Charges: Plus an amount for miscellaneous charges calculated in accordance with the applicable rider(s).

RATE SCHEDULE:	PUBLIC AUTHORITY GAS SERVICE	
APPLICABLE TO:	ALL UNINCORPORATED AREAS IN THE WEST TEXAS DIVISION	
EFFECTIVE DATE:		

Availability

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

Monthly Rate

Charge	Amount
Customer Charge	\$ 122.25
Consumption Charge per Ccf	\$ 0.09518

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

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

Miscellaneous Charges: Plus an amount for miscellaneous charges calculated in accordance with the applicable rider(s).

RATE SCHEDULE:	TRANSPORTATION SERVICE	
APPLICABLE TO:	ALL UNINCORPORATED AREAS IN THE WEST TEXAS DIVISION	
EFFECTIVE DATE:		

Application

Applicable, in the event that Company has entered into a Transportation Agreement, to a customer directly connected to the Atmos Energy Corp., West Texas Division Distribution System 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 with an estimated annual usage greater than 100,000 Ccf per 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 bill will be calculated by adding the following Customer and Ccf charges to the amounts and quantities due under the riders listed below:

Charge	Amount
Customer Charge per Meter	\$ 409.00
Consumption Charge per Ccf	\$ 0.06895

Upstream Transportation Cost Recovery: The customer is responsible for all upstream transportation costs.

Retention Adjustment: Plus a quantity of gas equal to the Company's most recently calculated financial L&U percentage for the twelve months ended September multiplied by the gas received into Atmos Energy Corporation's West Texas Division for transportation to the customer.

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

RATE SCHEDULE:	TRANSPORTATION SERVICE	
APPLICABLE TO:	ALL UNINCORPORATED AREAS IN THE WEST TEXAS DIVISION	
EFFECTIVE DATE:		

Miscellaneous Charges: Plus an amount for miscellaneous charges calculated in accordance with the applicable rider(s).

Conversions: Units may be converted from Ccf to Mcf or Mmbtu as necessary to comply with the underlying transportation agreement.

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 a monthly imbalance fee at the end of each month as defined in the applicable Transportation Agreement,

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 "Index" price reported for the month of delivery in Inside FERC's Gas Market Report under the heading "West Texas Waha".

Replacement Index

In the event the "Index" price reported for the month of delivery in Inside FERC's Gas Market Report under the heading "West Texas Waha" 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 transportation service under this tariff, customer must have the type of meter, instrumentation, and communication required by Company. Customer must pay Company all costs associated with the acquisition and installation of the required equipment.

ATMOS ENERGY CORPORATION
WEST TEXAS UNINCORPORATED AREAS STATEMENT OF INTENT
PROOF OF REVENUES
TEST YEAR ENDING DECEMBER 31, 2017

Line No.	Description	Current Revenue	Proposed Revenue	Total Change	Percent Change
	(a)	(b)	(c)	(d)	(e)
1	RESIDENTIAL				
2	Rate Characteristics:				
3	Customer Charge	\$ 22.64	\$ 16.10		
4	Consumption Charge (Ccf)				
5	West Texas	\$ 0.16221	\$ 0.21224		
6	Amarillo	\$ 0.07184	\$ 0.21224		
7	Lubbock	\$ 0.08729	\$ 0.21224		
8					
9	Rider GCA (Ccf)	\$ 0.39117	\$ 0.39117		
10					
11	Number of Bills	243,923	243,923		
12	Volumes (Ccf)				
13	West Texas	8,786,841	8,786,841		
14	Amarillo	2,305,411	2,305,411		
15	Lubbock	3,583,583	3,583,583		
16	Total Volumes	<u>14,675,835</u>	<u>14,675,835</u>		
17					
18	Revenue:				
19	Customer Charge	\$ 5,522,408	\$ 3,927,154		
20	Consumption Charge (Ccf)				
21	West Texas	1,425,313	1,864,919		
22	Amarillo	165,621	489,300		
23	Lubbock	312,811	760,580		
24	Total Margin Revenue	<u>\$ 7,426,154</u>	<u>\$ 7,041,954</u>		
25	Gas Cost	<u>5,740,697</u>	<u>5,740,697</u>		
26	Total Residential Revenue	<u>\$ 13,166,851</u>	<u>\$ 12,782,651</u>	<u>\$ (384,200)</u>	<u>-2.92%</u>
27					

ATMOS ENERGY CORPORATION
WEST TEXAS UNINCORPORATED AREAS STATEMENT OF INTENT
PROOF OF REVENUES
TEST YEAR ENDING DECEMBER 31, 2017

Line No.	Description	Current Revenue	Proposed Revenue	Total Change	Percent Change
	(a)	(b)	(c)	(d)	(e)
28	COMMERCIAL				
29	Rate Characteristics:				
30	Customer Charge	\$ 55.60	\$ 43.25		
31	Consumption Charge (Ccf)				
32	West Texas	\$ 0.10770	\$ 0.11722		
33	Amarillo	\$ 0.09310	\$ 0.11722		
34	Lubbock	\$ 0.08598	\$ 0.11722		
35					
36	Rider GCA (Ccf)	\$ 0.39117	\$ 0.39117		
37					
38	Number of Bills	28,410	28,410		
39	Volumes (Ccf)				
40	West Texas	10,825,945	10,825,945		
41	Amarillo	1,379,640	1,379,640		
42	Lubbock	678,952	678,952		
43	Total Volumes	<u>12,884,538</u>	<u>12,884,538</u>		
44					
45	Revenue:				
46	Customer Charge	\$ 1,579,610	\$ 1,228,743		
47	Consumption Charge (Ccf)				
48	West Texas	1,165,954	1,269,017		
49	Amarillo	128,445	161,721		
50	Lubbock	58,376	79,587		
51	Total Margin Revenue	<u>\$ 2,932,385</u>	<u>\$ 2,739,069</u>		
52	Gas Cost	<u>5,040,002</u>	<u>5,040,002</u>		
53	Total Commercial Revenue	<u>\$ 7,972,387</u>	<u>\$ 7,779,070</u>	<u>\$ (193,316)</u>	<u>-2.42%</u>
54					

ATMOS ENERGY CORPORATION
WEST TEXAS UNINCORPORATED AREAS STATEMENT OF INTENT
PROOF OF REVENUES
TEST YEAR ENDING DECEMBER 31, 2017

Line No.	Description	Current Revenue	Proposed Revenue	Total Change	Percent Change
	(a)	(b)	(c)	(d)	(e)
55	INDUSTRIAL				
56	Rate Characteristics:				
57	Customer Charge	\$ 606.18	\$ 409.00		
58	Consumption Charge (Ccf)				
59	West Texas	\$ 0.05790	\$ 0.06895		
60	Amarillo	\$ 0.10716	\$ 0.06895		
61	Lubbock	\$ 0.07037	\$ 0.06895		
62					
63	Rider GCA (Ccf)	\$ 0.39117	\$ 0.39117		
64					
65	Number of Bills	1,031	1,031		
66	Volumes (Ccf)				
67	West Texas	3,398,711	3,398,711		
68	Amarillo	9,084	9,084		
69	Lubbock	906,227	906,227		
70	Total Volumes	<u>4,314,022</u>	<u>4,314,022</u>		
71					
72	Revenue:				
73	Customer Charge	\$ 624,972	\$ 421,679		
74	Consumption Charge (Ccf)				
75	West Texas	196,785	234,341		
76	Amarillo	973	626		
77	Lubbock	63,771	62,484		
78	Total Margin Revenue	<u>\$ 886,502</u>	<u>\$ 719,131</u>		
79	Gas Cost	<u>1,687,502</u>	<u>1,687,502</u>		
80	Total Industrial Revenue	<u>\$ 2,574,003</u>	<u>\$ 2,406,633</u>	<u>\$ (167,371)</u>	<u>-6.50%</u>
81					

ATMOS ENERGY CORPORATION
WEST TEXAS UNINCORPORATED AREAS STATEMENT OF INTENT
PROOF OF REVENUES
TEST YEAR ENDING DECEMBER 31, 2017

Line No.	Description	Current Revenue	Proposed Revenue	Total Change	Percent Change
	(a)	(b)	(c)	(d)	(e)
82	TRANSPORTATION				
83	Rate Characteristics:				
84	Customer Charge	\$ 606.18	\$ 409.00		
85	Consumption Charge (Ccf)				
86	West Texas	\$ 0.05790	\$ 0.06895		
87	Amarillo	\$ 0.10716	\$ 0.06895		
88	Lubbock	\$ 0.07037	\$ 0.06895		
89					
90	Rider GCA (Ccf) ¹	\$ -	\$ -		
91					
92	Number of Bills	240	240		
93	Volumes (Ccf)				
94	West Texas	4,025,100	4,025,100		
95	Amarillo	317,500	317,500		
96	Lubbock	-	-		
97	Total Volumes	4,342,600	4,342,600		
98					
99	Revenue:				
100	Customer Charge	\$ 145,483	\$ 98,160		
101	Consumption Charge (Ccf)				
102	West Texas	233,053	277,531		
103	Amarillo	34,023	21,892		
104	Lubbock	-	-		
105	Total Margin Revenue	\$ 412,560	\$ 397,582		
106	Gas Cost	-	-		
107	Total Transportation Revenue	\$ 412,560	\$ 397,582	\$ (14,978)	-3.63%
108					

ATMOS ENERGY CORPORATION
WEST TEXAS UNINCORPORATED AREAS STATEMENT OF INTENT
PROOF OF REVENUES
TEST YEAR ENDING DECEMBER 31, 2017

Line No.	Description	Current Revenue	Proposed Revenue	Total Change	Percent Change
	(a)	(b)	(c)	(d)	(e)
109	PUBLIC AUTHORITY				
110	Rate Characteristics:				
111	Customer Charge	\$ 151.49	\$ 122.25		
112	Consumption Charge (Ccf)				
113	West Texas	\$ 0.09579	\$ 0.09518		
114	Amarillo	\$ 0.10113	\$ 0.09518		
115	Lubbock	\$ 0.12341	\$ 0.09518		
116					
117	Rider GCA (Ccf)	\$ 0.39117	\$ 0.39117		
118					
119	Number of Bills	1,875	1,875		
120	Volumes (Ccf)				
121	West Texas	1,195,029	1,195,029		
122	Amarillo	1,738,885	1,738,885		
123	Lubbock	749,202	749,202		
124	Total Volumes	<u>3,683,116</u>	<u>3,683,116</u>		
125					
126	Revenue:				
127	Customer Charge	\$ 283,976	\$ 229,164		
128	Consumption Charge (Ccf)				
129	West Texas	114,472	113,743		
130	Amarillo	175,853	165,507		
131	Lubbock	92,459	71,309		
132	Total Margin Revenue	<u>\$ 666,760</u>	<u>\$ 579,723</u>		
133	Gas Cost	<u>1,440,712</u>	<u>1,440,712</u>		
134	Total Public Authority Revenue	<u>\$ 2,107,472</u>	<u>\$ 2,020,435</u>	<u>\$ (87,037)</u>	<u>-4.13%</u>
135					

ATMOS ENERGY CORPORATION
WEST TEXAS UNINCORPORATED AREAS STATEMENT OF INTENT
PROOF OF REVENUES
TEST YEAR ENDING DECEMBER 31, 2017

Line No.	Description	Current Revenue	Proposed Revenue	Total Change	Percent Change
	(a)	(b)	(c)	(d)	(e)
136	STATE INSTITUTION				
137	Rate Characteristics:				
138	Customer Charge	\$ 147.86	\$ 122.25		
139	Consumption Charge (Ccf)				
140	West Texas	\$ 0.12883	\$ 0.09518		
141	Lubbock	\$ 0.10567	\$ 0.09518		
142					
143	Rider GCA (Ccf)	\$ 0.39117	\$ 0.39117		
144					
145	Number of Bills	448	448		
146	Volumes (Ccf)				
147	West Texas	67,800	67,800		
148	Lubbock	517,942	517,942		
149	Total Volumes	585,743	585,743		
150					
151	Revenue:				
152	Customer Charge	\$ 66,241	\$ 54,768		
153	Consumption Charge (Ccf)				
154	West Texas	8,735	6,453		
155	Lubbock	54,731	49,298		
156	Total Margin Revenue	\$ 129,707	\$ 110,519		
157	Gas Cost	229,123	229,123		
158	Total State Institution Revenue	\$ 358,830	\$ 339,642	\$ (19,188)	-5.35%
159					
160	Total Gas Revenue	\$ 26,592,103	\$ 25,726,013	\$ (866,090)	-3.26%
161					
162	Note:				
163	1. Rider GCA does not apply to customers under the Transportation tariff.				

ATMOS ENERGY CORPORATION
WEST TEXAS UNINCORPORATED AREAS STATEMENT OF INTENT
INTERIM RATE ADJUSTMENT NET INVESTMENT AND RATE BASE ADJUSTMENTS
PER TEXAS UTILITIES CODE SECTION 104.301
TEST YEAR ENDING DECEMBER 31, 2017

Line No.	Utility Account	Account Description	Plant Balance	Accumulated Depreciation	Net Plant	Depreciation Rate
	(a)	(b)	(c)	(d)	(e) = (c) - (d)	(f)
1	West Texas Direct:					
2	Distribution Plant					
3	374.01	Land	\$ 117,348	\$ -	\$ 117,348	0.00%
4	374.02	Land Rights	255,606	144,272	111,334	1.56%
5	375.00	Structures & Improvements	321,035	207,389	113,647	3.05%
6	375.01	Structures - Frame	6,154	6,154	-	3.05%
7	375.02	Structures - Land Rights	2,740	2,740	-	3.05%
8	375.03	Improvements	23,347	23,347	-	3.05%
9	376.00	Mains - Cathodic Protection	55,371,886	17,913,206	37,458,680	2.68%
10	376.01	Mains - Steel	129,842,578	29,943,969	99,898,609	2.68%
11	376.02	Mains - Plastic	241,218,242	34,231,235	206,987,007	2.68%
12	377.00	Compressor Station Equipment	217,930	217,930	-	3.33%
13	378.00	M&R Station Equipment - General	18,192,084	3,613,576	14,578,508	2.65%
14	379.00	M&R Station Equipment - City Gate	4,034,888	419,266	3,615,622	3.92%
15	380.00	Services	141,621,097	41,529,713	100,091,384	3.55%
16	381.00	Meters	55,624,669	16,466,789	39,157,880	5.97%
17	382.00	Meter installations	54,599,151	(13,098,614)	67,697,766	6.62%
18	383.00	House Regulators	10,648,065	2,982,298	7,665,767	5.89%
19	384.00	House Regulator Installations	1,168,265	1,273,445	(105,181)	5.54%
20	385.00	Industrial M&R Station Equipment	2,159,398	1,583,617	575,781	4.04%
21	386.00	Other Property on Customers' Premises	24,218	24,218	-	1.82%
22	387.00	Other Equipment	1,595,475	765,129	830,346	4.15%
23		Total WTX Distribution Plant (Sum Ln 3 through Ln 22)	\$ 717,044,176	\$ 138,249,678	\$ 578,794,499	

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ATMOS ENERGY CORPORATION
WEST TEXAS UNINCORPORATED AREAS STATEMENT OF INTENT
INTERIM RATE ADJUSTMENT NET INVESTMENT AND RATE BASE ADJUSTMENTS
PER TEXAS UTILITIES CODE SECTION 104.301
TEST YEAR ENDING DECEMBER 31, 2017

Line No.	Utility Account	Account Description	Plant Balance	Accumulated Depreciation	Net Plant	Depreciation Rate
	(a)	(b)	(c)	(d)	(e) = (c) - (d)	(f)
25	General Plant					
26	302.00	Franchises & Consents	\$ 4,264	1,474	\$ 2,790	0.00%
27	389.00	Land & Land Rights	1,993,192	(1,225)	1,994,417	0.00%
28	390.00	Structures & Improvements	8,625,900	1,185,508	7,440,392	3.36%
29	390.01	Structures - Frame	5,867,180	691,997	5,175,183	3.36%
30	390.02	Structures - Brick	2,629,111	736,634	1,892,477	3.36%
31	390.03	Improvements	704,906	140,484	564,422	3.36%
32	390.04	Air Conditioning Equipment	52,092	39,000	13,093	3.36%
33	390.09	Improvements to Leased Premises	1,776,970	1,326,188	450,783	2.67%
34	391.00	Office Furniture & Equipment	1,786,021	788,877	997,144	8.28%
35	392.00	Transportation Equipment	375,666	45,899	329,767	3.10%
36	393.00	Stores Equipment	14,209	1,146	13,063	2.86%
37	394.00	Tools, Shop, and Garage Equipment	6,061,750	1,915,422	4,146,328	7.07%
38	395.00	Laboratory Equipment	-	-	-	6.04%
39	396.00	Power Operated Equipment	914,237	517,401	396,836	8.84%
40	396.03	Ditchers	-	-	-	8.84%
41	396.04	Backhoes	111,262	75,330	35,932	8.84%
42	396.05	Welders	40,594	36,985	3,609	8.84%
43	397.00	Communication Equipment	123,780	(6,530)	130,310	19.12%
44	397.05	Telemetering Equipment	-	(850)	850	19.12%
45	398.00	Miscellaneous Equipment	5,722,429	1,802,726	3,919,703	10.45%
46	399.06	PC Hardware	2,558,662	2,292,575	266,087	19.62%
47	399.07	PC Software	161,117	161,117	-	23.19%
48	RWIP	Retirement Work in Progress	-	(364,694)	364,694	
49		Total WTX General Plant (Sum Ln 26 through Ln 48)	\$ 39,523,342	\$ 11,385,465	\$ 28,137,877	

ATMOS ENERGY CORPORATION
WEST TEXAS UNINCORPORATED AREAS STATEMENT OF INTENT
INTERIM RATE ADJUSTMENT NET INVESTMENT AND RATE BASE ADJUSTMENTS
PER TEXAS UTILITIES CODE SECTION 104.301
TEST YEAR ENDING DECEMBER 31, 2017

Line No.	Utility Account	Account Description	Plant Balance	Accumulated Depreciation	Net Plant	Depreciation Rate
	(a)	(b)	(c)	(d)	(e) = (c) - (d)	(f)
51	WTX General Office (Div 010):					
52	<u>General Plant</u>					
53	389.00	Land & Land Rights	\$ 497,241	\$ -	497,241	0.00%
54	390.00	Structures & Improvements	4,641,728	458,057	4,183,671	3.36%
55	391.00	Office Furniture & Equipment	548,742	112,039	436,704	8.28%
56	392.00	Transportation Equipment	44,217	16,893	27,323	3.10%
57	394.00	Tools, Shop, and Garage Equipment	385,752	9,288	376,465	7.07%
58	397.00	Communication Equipment	249,461	110,569	138,892	19.12%
59	397.01	Mobile Radios	32,950	17,325	15,625	19.12%
60	397.02	Fixed Radios	-	-	-	19.12%
61	397.05	Telemetering Equipment	9,238	1,325	7,913	19.12%
62	398.00	Miscellaneous Equipment	1,325,523	405,426	920,097	10.45%
63	399.01	Servers Hardware	20,153	(34,060)	54,214	18.62%
64	399.03	Network Hardware	138,539	34,897	103,642	14.29%
65	399.06	PC Hardware	3,118,369	420,123	2,698,246	19.62%
66	399.07	PC Software	490,320	308,182	182,138	23.19%
67	RWIP	Retirement Work in Progress	-	47,755	(47,755)	
68		Total WTX General Office (Sum Ln 53 through Ln 67)	\$ 11,502,233	\$ 1,907,818	\$ 9,594,416	
69						
70		Total West Texas Direct (Ln 23 + Ln 49 + Ln 68)	\$ 768,069,752	\$ 151,542,960	\$ 616,526,792	
71						
72	SSU General Office (Div 002):					
73	<u>General Plant</u>					
74	390.00	Structures & Improvements	\$ 88,809	\$ 29,619	\$ 59,190	3.34%
75	390.09	Improvements to Leased Premises	555,873	555,873	-	4.06%
76	391.00	Office Furniture & Equipment	305,895	105,967	199,928	4.03%
77	392.00	Transportation Equipment	448	320	129	10.32%
78	394.00	Tools, Shop, and Garage Equipment	4,787	1,856	2,931	8.88%
79	397.00	Communication Equipment	65,398	31,813	33,585	5.54%
80	398.00	Miscellaneous Equipment	8,590	2,686	5,903	1.72%

ATMOS ENERGY CORPORATION
WEST TEXAS UNINCORPORATED AREAS STATEMENT OF INTENT
INTERIM RATE ADJUSTMENT NET INVESTMENT AND RATE BASE ADJUSTMENTS
PER TEXAS UTILITIES CODE SECTION 104.301
TEST YEAR ENDING DECEMBER 31, 2017

Line No.	Utility Account	Account Description	Plant Balance	Accumulated Depreciation	Net Plant	Depreciation Rate
	(a)	(b)	(c)	(d)	(e) = (c) - (d)	(f)
81	399.00	Other Tangible Property	10,210	10,217	(7)	13.84%
82	399.01	Servers Hardware	2,328,390	1,249,248	1,079,142	8.62%
83	399.02	Servers Software	1,195,883	1,044,918	150,965	8.78%
84	399.03	Network Hardware	223,310	150,526	72,784	8.72%
85	399.06	PC Hardware	154,658	62,480	92,178	8.78%
86	399.07	PC Software	92,702	12,551	80,151	6.64%
87	399.08	Application Software	4,175,365	1,929,624	2,245,742	6.57%
88	399.09	System Software	2,470	2,735	(266)	10.32%
89		Total SSU General Office (Sum Ln 74 through Ln 88)	\$ 9,212,788	\$ 5,190,433	\$ 4,022,355	
90						
91		<u>SSU Greenville Data Center (Div 002):</u>				
92	<u>General Plant</u>					
93	390.05	Structures & Improvements	\$ 255,311	\$ 96,388	\$ 158,923	3.34%
94	391.04	Office Furniture & Equipment	1,771	839	932	4.03%
95		Total SSU Greenville Data Center (Sum Ln 93 through Ln 94)	\$ 257,082	\$ 97,227	\$ 159,855	
96						
97		<u>SSU Distribution & Marketing (Div 002):</u>				
98	<u>General Plant</u>					
99	390.20	Structures & Improvements	\$ -	\$ -	\$ -	3.34%
100	390.29	Improvements to Leased Premises	-	-	-	4.06%
101	391.20	Office Furniture & Equipment	17,443	7,412	10,031	4.03%
102	394.20	Tools, Shop, and Garage Equipment	-	36	(36)	8.88%
103	397.20	Communication Equipment	818	326	492	5.54%
104	398.20	Miscellaneous Equipment	685	65	620	1.72%
105	399.21	Servers Hardware	151,078	101,764	49,314	8.62%
106	399.22	Servers Software	89,155	39,938	49,217	8.78%
107	399.23	Network Hardware	5,581	3,832	1,749	8.72%
108	399.26	PC Hardware	29,158	3,765	25,393	8.78%
109	399.28	Application Software	1,917,660	1,100,666	816,994	6.57%
110		Total SSU Distribution & Marketing (Sum Ln 99 through Ln 109)	\$ 2,211,579	\$ 1,257,805	\$ 953,774	
111						

ATMOS ENERGY CORPORATION
WEST TEXAS UNINCORPORATED AREAS STATEMENT OF INTENT
INTERIM RATE ADJUSTMENT NET INVESTMENT AND RATE BASE ADJUSTMENTS
PER TEXAS UTILITIES CODE SECTION 104.301
TEST YEAR ENDING DECEMBER 31, 2017

Line No.	Utility Account (a)	Account Description (b)	Plant Balance (c)	Accumulated Depreciation (d)	Net Plant (e) = (c) - (d)	Depreciation Rate (f)
112	SSU Align Pipe Project (Div 002):					
113	General Plant					
114	399.31	Servers Hardware	\$ -	\$ -	\$ -	8.62%
115	399.32	Servers Software	-	-	-	8.78%
116	399.38	Application Software	-	-	-	6.57%
117		Total SSU Align Pipe Project (Sum Ln 114 through Ln 116)	\$ -	\$ -	\$ -	
118						
119	SSU Customer Support (Div 012):					
120	General Plant					
121	389.00	Land & Land Rights	\$ 277,672	\$ -	\$ 277,672	0.00%
122	390.00	Structures & Improvements	1,223,918	156,847	1,067,070	3.34%
123	390.09	Improvements to Leased Premises	271,732	154,211	117,521	4.06%
124	391.00	Office Furniture & Equipment	224,411	73,760	150,651	4.03%
125	397.00	Communication Equipment	184,821	94,623	90,198	5.54%
126	398.00	Miscellaneous Equipment	5,090	825	4,264	1.72%
127	399.00	Other Tangible Property	60,782	40,373	20,409	13.84%
128	399.01	Servers Hardware	999,233	418,430	580,803	8.62%
129	399.02	Servers Software	195,527	102,330	93,197	8.78%
130	399.03	Network Hardware	60,788	31,525	29,262	8.72%
131	399.06	PC Hardware	96,590	46,756	49,834	8.78%
132	399.07	PC Software	18,379	12,041	6,338	6.64%
133	399.08	Application Software				6.57%
134		Total SSU Customer Support (Sum Ln 121 through Ln 133)	\$ 8,707,666	2,509,093	\$ 6,198,573	
135			\$ 12,326,609	\$ 3,640,815	\$ 8,685,794	

ATMOS ENERGY CORPORATION
WEST TEXAS UNINCORPORATED AREAS STATEMENT OF INTENT
INTERIM RATE ADJUSTMENT NET INVESTMENT AND RATE BASE ADJUSTMENTS
PER TEXAS UTILITIES CODE SECTION 104.301
TEST YEAR ENDING DECEMBER 31, 2017

Line No.	Utility Account	Account Description	Plant Balance	Accumulated Depreciation	Net Plant	Depreciation Rate
	(a)	(b)	(c)	(d)	(e) = (c) - (d)	(f)
136	SSU CKV Training Center (Div 012):					
137		General Plant				
138	389.10	Land & Land Rights	\$ 99,083	\$ -	\$ 99,083	0.00%
139	390.10	Structures & Improvements	646,349	134,363	511,986	3.34%
140	391.10	Office Furniture & Equipment	20,000	1,697	18,303	4.03%
141	392.10	Transportation Equipment	5,058	4,836	222	10.32%
142	394.10	Tools, Shop, and Garage Equipment	20,004	4,270	15,734	8.88%
143	395.10	Laboratory Equipment	1,241	746	495	10.32%
144	397.10	Communication Equipment	15,311	7,510	7,801	5.54%
145	398.10	Miscellaneous Equipment	26,749	6,841	19,908	1.72%
146	399.10	Other Tangible Property	17,840	6,883	10,957	13.84%
147	399.16	PC Hardware	13,514	11,815	1,699	8.78%
148	399.17	PC Software	5,457	3,658	1,799	6.64%
149	399.18	Application Software	1,080	509	570	6.57%
150		Total SSU CKV Center (Sum Ln 138 through Ln 149)	\$ 871,685	\$ 183,128	\$ 688,557	
151						
152		Total Allocated SSU Plant (Sum Lns 89, 95, 110, 117, 134, 150)	\$ 24,879,743	\$ 10,369,408	\$ 14,510,335	
153						
154		Total West Texas Net Plant (Ln 70 + Ln 152)	\$ 792,949,495	\$ 161,912,369	\$ 631,037,126	
155						
156		Rate Base Adjustments			\$ 1,336,719	
157						

Note:

1. The WTX General Office and SSU Plant Balances and Accumulated Depreciation reflect allocated amounts to West Texas.

ATMOS ENERGY CORPORATION
WEST TEXAS UNINCORPORATED AREAS STATEMENT OF INTENT
AMORTIZATION OF PROTECTED REGULATORY LIABILITY
TEST YEAR ENDING DECEMBER 31, 2017

Line No.	Year Ended Dec. 31	Beginning of Year		Annual Amortization (1)	End of Year	
		Rate Base Adjustment Amount	Rate Base Adjustment Amount			
	(a)	(b)	(c)	(d)	(e)	
1	2017					
2	2018	\$	\$		\$	
3	2019					
4	2020					
5	2021					
6	2022					
7	2023					
8	2024					
9	2025					
10	2026					
11	2027					
12	2028					
13	2029					
14	2030					
15	2031					
16	2032					
17	2033					
18	2034					
19	2035					
20	2036					
21	2037					
22	2038					
23	2039					
24	2040					
25	2041				(0)	

Notes:

1. The annual amortization of a 24 year recovery period is based on the Reverse South Georgia Method.

2. An adjustment to the December 2017 balance for Account 253 Subaccount 27909 was recorded in March 2018. This balance has been utilized in the filing.

GUD NO. 10743

STATEMENT OF INTENT FILED BY	§	BEFORE THE
ATMOS ENERGY CORP. TO CHANGE	§	
GAS UTILITY RATES WITHIN THE	§	RAILROAD COMMISSION
UNINCORPORATED AREAS SERVED	§	
BY ITS WEST TEXAS DIVISION	§	OF TEXAS

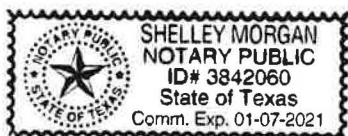
AFFIDAVIT OF ANN M. COFFIN


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

1. "My name is Ann M. Coffin. I am over 18 years of age, of sound mind, and fully competent to make this affidavit. I am a partner in the Austin, Texas law firm of Coffin Renner LLP, and have practiced law in Travis County since 1993. I have extensive experience representing and defending clients before the Railroad Commission of Texas and the Public Utility Commission of Texas. Each statement of fact herein is true and of my own personal knowledge.
2. I am counsel of record for Atmos Energy Corp., West Texas Division ("Atmos Energy") in GUD No. 10743. Based on my experience in proceedings of this type and my knowledge of issues likely to be raised, I estimate that rate case expenses incurred from September 1, 2018 through completion of this matter to be \$15,000.


Ann M. Coffin

SWORN AND SUBSCRIBED before me on this 19th day of September, 2018.




Notary Public in and for the State of Texas

ATMOS ENERGY CORPORATION
WEST TEXAS UNINCORPORATED AREAS STATEMENT OF INTENT
RATE DESIGN
TEST YEAR ENDING DECEMBER 31, 2017

Line No.	(a)	(b)	(c)	(d)	(e)	(f)
1	Proposed Base Revenue Requirement		\$ 122,255,119			
2	Less: Amortization of Excess ADIT		(2,434,385)			
3	Net Proposed Base Revenue Requirement		<u>\$ 119,820,735</u>			
4						
5						
6		Revenue Requirement	Allocations	Allocation of		
7	Residential	\$ 65,538,316	75.13%	Change in Rates		
8	Commercial	16,044,436	18.39%	\$ 90,017,993		
9	Industrial and Transportation	1,882,613	2.16%	22,037,305		
10	Public Authority	3,771,075	4.32%	2,585,801		
11		<u>\$ 87,236,439</u>		<u>\$ 119,820,735</u>		
12						
13						
14						
15		Residential	Commercial	Industrial &		
16				Transportation	Public Authority ¹	
17	Total Margin Per Class	\$ 90,017,993	22,037,305	2,585,801	5,179,635	
18						
19	Proposed Customer Charge	\$ 16.10	\$ 43.25	\$ 409.00	\$ 122.25	
20	Annual Number of Bills	3,318,518	288,804	2,477	24,914	
21	Total Customer Charge Revenue	<u>\$ 53,428,140</u>	<u>\$ 12,490,773</u>	<u>\$ 1,013,093</u>	<u>\$ 3,045,737</u>	<u>\$ 69,977,742</u>
22						
23	Proposed Consumption Charge	\$ 0.21224	\$ 0.11722	\$ 0.06895	\$ 0.09518	
24	Total Volumes	172,395,190	81,442,324	22,809,914	22,419,458	
25	Total Consumption Charge Revenue	<u>\$ 36,589,155</u>	<u>\$ 9,546,669</u>	<u>\$ 1,572,744</u>	<u>\$ 2,133,884</u>	<u>\$ 49,842,452</u>
26						
27	Total Proposed Revenue	<u>\$ 90,017,295</u>	<u>\$ 22,037,442</u>	<u>\$ 2,585,837</u>	<u>\$ 5,179,621</u>	<u>\$ 119,820,194</u>

Note:

¹ The state institution customers have been combined with public authority.

Proposal for Decision
GUD No. 10743

ATTACHMENT 4

(Quality of Service Rules and Rider SUR -
Surcharge)

**WEST TEXAS DIVISION
ATMOS ENERGY CORPORATION**

RATE SCHEDULE:	QUALITY OF SERVICE	
APPLICABLE TO:	WEST TEXAS SERVICE AREA	
EFFECTIVE DATE:		

The following minimum service standards are applicable to residential, commercial, public authority and industrial sales customers residing in the unincorporated areas of Atmos Energy Corporation, West Texas Division's ("Atmos Energy, West Texas Division") service territory. These minimum service standards are applicable to residential, commercial, public authority and industrial customers residing in the incorporated areas only to the extent that the minimum service standards do not conflict with standards lawfully established by a particular municipality for Atmos Energy, West Texas Division.

1. Continuity of Service

(A) Service Interruptions.

(i) Atmos Energy, West Texas Division will make all reasonable efforts to prevent interruptions of service. When interruptions occur, Atmos Energy, West Texas Division will reestablish service within the shortest possible time consistent with prudent operating principles so that the smallest numbers of customers are affected.

(ii) Atmos Energy, West Texas Division will make reasonable efforts to meet emergencies resulting from interruptions of service, and will issue instructions to its employees covering procedures to be followed in the event of an emergency in order to prevent or mitigate interruption or impairment of service.

(iii) In the event of national emergency or local disaster resulting in disruption of normal service, Atmos Energy, West Texas Division may, in the public interest, interrupt service to other customers to provide necessary service to civil defense or other emergency service agencies on a temporary basis until normal service to these agencies can be restored.

(iv) Curtailment of gas service will be done in accordance with the utility's curtailment program as authorized by the appropriate regulatory body. When notified by the utility, the customer will curtail gas service. In the event of any curtailment, utility personnel may physically turn off or restrict gas deliveries and only utility personnel will thereafter be permitted to restore gas service. The customer assumes any and all risk and will indemnify the utility against all damages, losses and expenses resulting from a curtailment of gas service under the utility's authorized curtailment program, except to the extent such damages, losses and expenses result from the gross negligence of the utility.

(B) Record of interruption. Except for momentary interruptions which do not cause a major disruption of service, Atmos Energy, West Texas Division will keep a complete record of all interruptions, both emergency and scheduled. This record will show the cause of interruptions, date, time duration, location, approximate number of customers affected, and, in cases of emergency interruptions, the remedy and steps taken to prevent recurrence.

(C) Report to Commission. Atmos Energy, West Texas Division will notify the Railroad Commission in writing within 48 hours of interruptions in service affecting the entire system or any major division thereof, lasting more than four hours. The notice will also state the cause of such interruptions. If any service interruption is otherwise reported to the Commission (for example, as curtailment report or safety report), such other report will be intended to be sufficient to comply with the terms of this paragraph.

**WEST TEXAS DIVISION
ATMOS ENERGY CORPORATION**

RATE SCHEDULE:	QUALITY OF SERVICE	
APPLICABLE TO:	WEST TEXAS SERVICE AREA	
EFFECTIVE DATE:		

2. Customer Relations

(A) Information to customers. Atmos Energy, West Texas Division will:

- (i) maintain a current set of maps showing the physical locations of its facilities. All distribution facilities will be labeled to indicate the size and any pertinent information which will accurately describe the utility's facilities. These maps, or such other maps as may be required by the regulatory authority, will be kept by Atmos Energy, West Texas Division in a central location and will be available for inspection by the regulatory authority during normal working hours. Each business office or service center will have available up-to-date maps, or records of its immediate area, with other such information as may be necessary to enable Atmos Energy, West Texas Division to advise applicants and others entitled to the information as to the facilities available for serving the locality;
- (ii) assist the customer or applicant in selecting the most economical rate schedule;
- (iii) in compliance with applicable law or regulations, notify customers affected by a change in rates or schedule or classification;
- (iv) post a notice in a conspicuous place in each business office of Atmos Energy, West Texas Division where applications for service are received informing the public that copies of the rate schedules and rules relating to the service of the utility as filed with the Commission are available for inspection;
- (v) upon request, inform its customers as to the method of reading meters;
- (vi) provide to new customers, at the time service is initiated or as an insert in the first billing, a pamphlet or information packet containing the following information, in English and Spanish:
 - (1) the customer's right to information concerning rates and services and the customer's right to inspect or obtain at reproduction cost a copy of the applicable tariffs and service rules;
 - (2) the customer's right to have his or her meter checked without charge under Section (7) of this Rule, if applicable;
 - (3) the time allowed to pay outstanding bills;
 - (4) grounds for termination of service;
 - (5) the steps Atmos Energy, West Texas Division must take before terminating service;
 - (6) how the Customer can resolve billing disputes with Atmos Energy, West Texas Division and how disputes and health emergencies may affect termination of service;

**WEST TEXAS DIVISION
ATMOS ENERGY CORPORATION**

RATE SCHEDULE:	QUALITY OF SERVICE	
APPLICABLE TO:	WEST TEXAS SERVICE AREA	
EFFECTIVE DATE:		

2. Customer Relations (continued)

(7) information on alternative payment plans, if any, offered by Atmos Energy, West Texas Division;

(8) the steps necessary to have service reconnected after involuntary termination;

(9) the appropriate regulatory authority with whom to register a complaint and how to contact such authority;

(10) the hours, addresses, and telephone numbers of utility offices where bills may be paid and information may be obtained; and

(11) the customer's right to be instructed by Atmos Energy, West Texas Division how to read his or her meter.

(vii) at least once each calendar year, notify each customer that information is available upon request, at no charge to the customer, concerning the items listed in paragraph (vi) (1-11) of this subsection. This notice may be accomplished by use of a billing insert or a printed statement upon the bill itself.

(B) Customer complaints. Upon complaint to Atmos Energy, West Texas Division by residential, commercial, public authority or industrial sales customers either at its office, by letter, or by telephone, Atmos Energy, West Texas Division will promptly make a suitable investigation and advise the complainant of the results thereof. Atmos Energy, West Texas Division will keep a record of all complaints which will show the name and address of the complainant, the date and nature of the complaint, and the adjustment or disposition thereof for a period of one year subsequent to the final disposition of the complaint.

(C) Utility response. Upon receipt of a complaint, either by letter or by telephone, from the regulatory authority on behalf of a customer, Atmos Energy, West Texas Division will promptly make a suitable investigation and advise the regulatory authority and complainant of the results thereof. An initial response will be made by the next working day. Unless additional reply time is granted by the regulatory authority, Atmos Energy, West Texas Division will make a final and complete response within 15 days. The Commission encourages all customer complaints to be made in writing to assist the regulatory authority in maintaining records of the quality of service of each utility; however, telephone communications will be acceptable.

(D) Deferred payment plan. If a deferred payment plan for delinquent residential accounts is offered, it will conform to the following guidelines:

(i) Every deferred payment plan entered into due to the customer's inability to pay the outstanding bill in full must provide that service will not be discontinued if the customer pays current bills and a reasonable amount of the outstanding bill and agrees to pay the balance in reasonable installments until the bill is paid.

**WEST TEXAS DIVISION
ATMOS ENERGY CORPORATION**

RATE SCHEDULE:	QUALITY OF SERVICE	
APPLICABLE TO:	WEST TEXAS SERVICE AREA	
EFFECTIVE DATE:		

2. Customer Relations (continued)

(ii) For purposes of determining reasonableness under these rules, the following shall be considered: size of delinquent account; customer's ability to pay; customer's payment history; time that the debt has been outstanding; reasons why debt has been outstanding; and other relevant factors concerning the circumstances of the customer.

(iii) A deferred payment plan, if reduced to writing, offered by Atmos Energy, West Texas Division will state, immediately preceding the space provided for the customer's signature and in bold-face print at least two sizes larger than any other used, that: "If you are not satisfied with this agreement, do not sign. If you are satisfied with this agreement, you give up your right to dispute the amount due under the agreement except for the utility's failure or refusal to comply with the terms of this agreement."

(iv) A deferred payment plan if offered at all, may include a one-time 5.0% penalty for late payment on the gross amount of the outstanding bill with no prompt payment discount allowed except in cases where the outstanding bill is unusually high as a result of the utility's error (such as an inaccurately estimated bill or an incorrectly read meter). A deferred payment plan will not include a finance charge.

(v) If a customer for utility service has not fulfilled terms of a deferred payment agreement or refuses to sign the same if it is reduced to writing, Atmos Energy, West Texas Division will have the right to disconnect pursuant to disconnection rules herein, and under such circumstances, it shall not be required to offer a subsequent negotiation of a deferred payment agreement prior to disconnection.

(vi) Any utility which institutes a deferred payment plan shall not refuse a customer participation in such a program on the basis of race, color, creed, sex, marital status, age, or any other form of discrimination prohibited by law.

(E) Delayed payment of bills by elderly persons to residential customers.

(i) Applicability. This subparagraph applies only to:

(1) a utility that assesses late payment charges to residential customers and that suspends service before the 26th day after the date of the bill for which collection action is taken;

(2) utility bills issued on or after August 30, 1993; and

(3) an elderly person, as defined in clause (ii) of this subparagraph, who is a residential customer and who occupies the entire premises for which a delay is requested.

(ii) Definitions.

(1) Elderly person – A person who is 60 years of age or older

(2) Utility – A gas utility or municipally owned utility as defined in Texas Utilities Code, 101.003(7), 101.003(8), and 121.001 – 121.006.

(iii) An elderly person may request that the utility implement the delay for either the most recent utility bill or for the most recent utility bill and each subsequent utility bill.

**WEST TEXAS DIVISION
ATMOS ENERGY CORPORATION**

RATE SCHEDULE:	QUALITY OF SERVICE	
APPLICABLE TO:	WEST TEXAS SERVICE AREA	
EFFECTIVE DATE:		

(iv) On request of an elderly person, a utility shall delay without penalty the payment date of a bill for providing utility services to that person until the 25th day after the date on which the bill is issued.

(v) Atmos Energy, West Texas Division may require the requesting person to present reasonable proof that the person is 60 years of age or older.

(vi) Every utility shall notify its customers of this delayed payment option no less often than yearly. A utility may include this notice with other information provided pursuant to subparagraph (A) of this paragraph.

(F) Budget Billing - The Company offers an optional budget billing plan to moderate seasonal differences in customer bills. The details of the plan are published on the Company's website

**WEST TEXAS DIVISION
ATMOS ENERGY CORPORATION**

RATE SCHEDULE:	QUALITY OF SERVICE	
APPLICABLE TO:	WEST TEXAS SERVICE AREA	
EFFECTIVE DATE:		

3. Refusal of Service

(A) Compliance by applicant. Atmos Energy, West Texas Division may decline to serve an applicant for whom service is available from previously installed facilities until such applicant has complied with applicable state and municipal regulations and approved rules and regulations and tariff provisions of Atmos Energy, West Texas Division on file with the Commission governing the service applied for or for any of the following reasons:

(i) Applicant's facilities inadequate. If the applicant's installation, equipment or possible misuse of gas service is believed to be hazardous or of such character that satisfactory service cannot be given.

(ii) For indebtedness. If the applicant is indebted to any utility for the same kind of service as that applied for; provided, however, that in the event the indebtedness of the applicant for service is in dispute, the applicant shall be served upon complying with the applicable deposit requirement.

(iii) Refusal to make deposit. For refusal to make a deposit if applicant is required to make a deposit under these rules.

(B) Applicant's recourse. In the event that Atmos Energy, West Texas Division refuses to serve an applicant under the provisions of these rules, Atmos Energy, West Texas Division will inform the applicant of the basis of its refusal and that the applicant may file a complaint with the municipal regulatory authority or commission, whichever is appropriate.

(C) Insufficient grounds for refusal to serve. The following do not constitute sufficient cause for refusal of service to a present customer or applicant:

(i) Delinquency in payment for service by a previous occupant of the premises to be served.

(ii) Failure to pay for merchandise or charges for non-utility service purchased from Atmos West Texas.

(iii) Failure to pay a bill to correct previous under billing due to misapplication of rates more than six months prior to the date of application;

(iv) Violation of Atmos Energy, West Texas Division' rules pertaining to operating of nonstandard equipment or unauthorized attachments which interfere with the service of others unless the customer has first been notified and been afforded reasonable opportunity to comply with these rules. [Please see 4(D)(ii) below]

(v) Failure to pay a bill of another customer as guarantor thereof unless the guaranty was made in writing to the utility as a condition precedent to service.

(vi) Failure to pay the bill of another customer at the same address except where the change of customer identity is made to avoid or evade payment of a utility bill.

**WEST TEXAS DIVISION
ATMOS ENERGY CORPORATION**

RATE SCHEDULE:	QUALITY OF SERVICE	
APPLICABLE TO:	WEST TEXAS SERVICE AREA	
EFFECTIVE DATE:		

4. Discontinuance of Service

(A) The due date of the bill for utility service will not be less than 15 days after issuance, or such other period of time as may be provided by order of the regulatory authority. A bill for utility service is delinquent if unpaid by the due date.

(B) Atmos Energy, West Texas Division may offer an inducement for prompt payment of bills to residential and commercial customers by allowing a discount in the amount of five percent (or such other amount as allowed by the appropriate regulatory authority) for payment of bills within 10 days after their issuance. This provision shall not apply where it conflicts with existing orders or ordinances of the appropriate regulatory authority.

(C) A customer's utility service may be disconnected if the bill has not been paid or a deferred payment plan pursuant to (2) (D) above has not been entered into within five working days after the bill has become delinquent and proper notice has been given. Proper notice consists of a deposit in the United States mail, postage prepaid, or hand delivery to the customer at least five working days prior to the stated date of disconnection, with the words "Termination Notice" or similar language prominently displayed on the notice. The notice will be provided in English and Spanish as necessary to adequately inform the customer, and will include the date of termination, the hours, address, and telephone number where payment may be made, and a statement that if a health or other emergency exists, Atmos Energy, West Texas Division may be contacted concerning the nature of the emergency and the relief available, if any, to meet such emergency.

(D) Utility service may be disconnected for any of the following reasons:

(i) Failure to pay a delinquent account or failure to comply with the terms of a deferred payment plan for installment payment of a delinquent account.

(ii) Violation of Atmos Energy, West Texas Division' rules pertaining to the use of service or in a manner which interfered with the service of others or the operation of nonstandard equipment, if a reasonable attempt has been made to notify the customer and the customer is provided with a reasonable opportunity to remedy the situation.

(iii) Failure to comply with the deposit or guarantee arrangements required by paragraph (5) of this subsection.

(iv) Without notice where a known dangerous condition exists, for as long as the condition exists.

(v) Tampering with Atmos Energy, West Texas Division' meter or equipment or bypassing the same.

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APPLICABLE TO:	WEST TEXAS SERVICE AREA	
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4. Discontinuance of Service (continued)

(E) Utility service may not be disconnected for any of the following reasons:

- (i) Delinquency in payment for service by a previous occupant of the premises.
- (ii) Failure to pay for merchandise or charges for non-utility service by Atmos Energy, West Texas Division.
- (iii) Failure to pay for a different type or class of utility service unless fee for such service is or could have been included on same bill.
- (iv) Failure to pay the account of another customer as guarantor thereof, unless the utility has in writing the guarantee as a condition precedent to service.
- (v) Failure to pay charges arising from an under billing occurring due to any misapplication of rates more than six months prior to the current billings.
- (vi) Failure to pay charges arising from an under billing due to any faulty metering, unless the meter has been tampered with or unless such under billing charges are due.
- (vii) Failure to pay an estimated bill other than a bill rendered pursuant to an approved meter reading plan, unless Atmos Energy, West Texas Division was unable to read the meter due to circumstances beyond its control.

(F) Unless a dangerous or potentially fraudulent condition exists, or unless the customer request disconnection, service will not be disconnected on a day, or on a day immediately preceding a day, when Atmos Energy, West Texas Division personnel are not available to the public for the purpose of making collections and reconnecting service.

(G) Atmos Energy, West Texas Division may not abandon a residential or commercial customer without written approval from the regulatory authority.

(H) Atmos Energy, West Texas Division will not discontinue service to a delinquent residential customer permanently residing in an individually metered dwelling unit when that customer established that discontinuance of service will result in some person residing at that residence becoming seriously ill if service is discontinued. Any customer seeking to avoid termination of service under this section must make a written request supported by a written statement from a licensed physician. Both the request and the statement must be received by Atmos Energy, West Texas Division not more than five working days after the date of delinquency of the bill. The prohibition against service termination provided by this section will last twenty days from the date of receipt by Atmos Energy, West Texas Division of the request and statement or such lesser period as may be agreed upon by Atmos Energy, West Texas Division and the customer. The customer who makes such request shall sign an installment agreement which provides for such service contingent upon timely payment for subsequent monthly billings.

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4. Discontinuance of Service (continued)

(I) Suspension of Gas Utility Service Disconnection during an Extreme Weather Emergency

(A) Applicability and scope. This rule applies to gas utilities, as defined in Texas Utilities Code, §101.003(7) and §121.001, and to owners, operators, and managers of mobile home parks or apartment houses who purchase natural gas through a master meter for delivery to a dwelling unit in a mobile home park or apartment house, pursuant to Texas Utilities Code, §§124.001-124.002, within the jurisdiction of the Railroad Commission pursuant to Texas Utilities Code, §102.001. For purposes of this section, all such gas utilities and owners, operators and managers of master meter systems shall be referred to as "providers." Providers shall comply with the following service standards. A gas distribution utility shall file amended service rules incorporating these standards with the Railroad Commission in the manner prescribed by law.

(B) Disconnection prohibited. Except where there is a known dangerous condition or a use of natural gas service in a manner that is dangerous or unreasonably interferes with service to others, a provider shall not disconnect natural gas service to:

(1) a delinquent residential customer during an extreme weather emergency. An extreme weather emergency means a day when the previous day's highest temperature did not exceed 32 degrees Fahrenheit and the temperature is predicted to remain at or below that level for the next 24 hours according to the nearest National Weather Station for the county where the customer takes service.

(2) a delinquent residential customer for a billing period in which the provider receives a written pledge, letter of intent, purchase order, or other written notification from an energy assistance provider that it is forwarding sufficient payment to continue service; or

(3) a delinquent residential customer on a weekend day, unless personnel or agents of the provider are available for the purpose of receiving payment or making collections and reconnecting service.

(C) Payment plans. Providers shall defer collection of the full payment of bills that are due during an extreme weather emergency until after the emergency is over, and shall work with customers to establish a payment schedule for deferred bills as set forth in paragraph (2)(D) of §7.45 of this title, relating to Quality of Service.

(D) Notice. Beginning in the September or October billing periods utilities and owners, operators, or managers of master metered systems shall give notice as follows:

(1) Each utility shall provide a copy of this rule to the social services agencies that distribute funds from the Low Income Home Energy Assistance Program within the utility's service area.

(2) Each utility shall provide a copy of this rule to any other social service agency of which the provider is aware that provides financial assistance to low income customers in the utility's service area.

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4. Discontinuance of Service (continued)

(3) Each utility shall provide a copy of this rule to all residential customers of the utility and customers who are owners, operators, or managers of master metered systems.

(4) Owners, operators, or managers of master metered systems shall provide a copy of this rule to all of their customers.

(E) In addition to the minimum standards specified in this section, providers may adopt additional or alternative requirements if the provider files a tariff with the Commission pursuant to §7.315 of this title (relating to Filing of Tariffs). The Commission shall review the tariff to ensure that at least the minimum standards of this section are met.

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5. Applicant Deposit

(A) Establishment of credit for residential applicants. Atmos Energy, West Texas Division may require a residential applicant for service to satisfactorily establish credit but such establishment of credit shall not relieve the customer from complying with rules for prompt payment of bills. Subject to these rules, a residential applicant will not be required to pay a deposit:

(i) if the residential applicant has been a customer of any utility for the same kind of service within the last two years and is not delinquent in payment of any such utility service account and during the last 12 consecutive months of service did not have more than one occasion in which a bill for such utility service was paid after becoming delinquent and never had service disconnected for nonpayment.

(ii) if the residential applicant furnishes in writing a satisfactory guarantee to secure payment of bills for other service required; or

(iii) if the residential applicant furnishes in writing a satisfactory credit rating by appropriate means, including but not limited to the production of generally acceptable credit cards, letters of credit reference, the names of credit references which may be quickly and inexpensively contacted by Atmos Energy, West Texas Division, or ownership of substantial equity.

(B) Reestablishment of credit. Every applicant who has previously been a customer of Atmos Energy, West Texas Division and whose service has been discontinued for nonpayment of bills shall be required before service is rendered to pay all amounts owed to Atmos Energy, West Texas Division by the customer or execute a written deferred payment agreement, if offered, and reestablish credit as provided in subparagraph (A) of this part.

(C) Amount of deposit and interest for residential service, and exemption from deposit.

(i) The required deposit will not exceed an amount equivalent to 1/6 of the estimated annual billings. However, if actual use is at least twice the amount of the estimated billings, a new deposit requirement may be calculated and an additional deposit may be required within two days. If such additional deposit is not made, Atmos Energy, West Texas Division may disconnect service under the standard disconnection procedure for failure to comply with deposit requirements. In the absence of billing history, the default deposit amount is \$90.00.

(ii) All applicants for residential service who are 65 years of age or older will be considered as having established credit if such applicant does not have an outstanding account balance with Atmos Energy, West Texas Division or another utility for the same utility service which accrued within the last two years. No cash deposit shall be required of such applicant under these conditions.

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5. Applicant Deposit (continued)

(iii) Atmos Energy, West Texas Division will pay a minimum interest on such deposits according to the rate as established by law. If refund of deposit is made within 30 days of receipt of deposit, no interest payment is required. If the utility retains the deposit more than 30 days, payment of interest shall be made retroactive to the date of deposit.

(1) Payment of interest to the customer will be annually or at the time the deposit is returned or credited to the customer's account.

(2) The deposit shall cease to draw interest on the date it is returned or credited to the customers account.

(iv) Atmos Energy, West Texas Division shall waive any deposit requirement for residential service for an applicant who has been determined to be a victim of family violence as defined in Texas Family Code, §71.004, by a family violence center, by treating medical personnel, by law enforcement agency personnel, or by a designee of the Attorney General in the Crime Victim Services Division of the Office of the Attorney General. This determination shall be evidenced by the applicant's submission of a certification letter developed by the Texas Council on Family Violence and made available on its web site.

(D) Atmos Energy, West Texas Division may require a deposit from commercial or industrial customer sufficient to reasonably protect it against the risk exposure, provided such a policy is applied in a uniform and nondiscriminatory manner.

(E) Records of deposits.

(i) Atmos Energy, West Texas Division shall keep records to show:

- (1) the name and address of each depositor;
- (2) the amount and date of the deposit; and
- (3) each transaction concerning the deposit.

(ii) Atmos Energy, West Texas Division will issue a receipt of deposit to each applicant from whom a deposit is received and shall provide means whereby a depositor may establish claim if the receipt is lost.

(iii) A record of each unclaimed deposit will be maintained for at least four years, during which time Atmos Energy, West Texas Division will make a reasonable effort to return the deposit.

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5. Applicant Deposit (continued)

(F) Refund of deposit.

(i) If service is not connected or after disconnection of service, Atmos Energy, West Texas Division will promptly and automatically refund the customer's deposit plus accrued interest or the balance, if any, in excess of the unpaid bills for service furnished. The transfer of service from one premise to another within Atmos Energy, West Texas Division' service area will not be deemed a disconnection within the meaning of these rules, and no additional deposit may be demanded unless permitted by these rules.

(ii) When the customer has paid bills for 12 consecutive residential bills without having service disconnected for nonpayment of bill and without having more than two occasions in which a bill was delinquent and when the customer is not delinquent in the payment of the current bill, Atmos Energy, West Texas Division will promptly and automatically refund the deposit plus accrued interest to the customer in the form of cash or credit to a customer's account.

(G) Upon sale or transfer of utility or company. Atmos Energy, West Texas Division will comply with Railroad Commission regulations which provide that upon the sale or transfer of any public utility or operating units thereof, the seller shall file with the Commission under oath, in addition to other information, a list showing the names and addresses of all customers served by such utility or units thereof who have to their credit a deposit, the date such deposit was made, the amount thereof, and the unpaid interest thereon.

(H) Complaint by applicant or customer. Atmos Energy, West Texas Division will direct its personnel engaged in initial contact with customer or applicant for service seeking to establish or reestablish credit under the provisions of these rules to inform the customer, if dissatisfaction is expressed with the utility's decision, of the customer's right to file a complaint with the regulatory authority.

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6. Billing

(A) Bills for gas service will be rendered monthly, unless otherwise authorized or unless service is rendered for a period less than a month. Bills will be rendered as promptly as possible following the reading meters.

(B) The customer's bill will show all the following information. The information will be arranged and displayed in such a manner as to allow the customer to compute his bill with the applicable rate schedule. The applicable rate schedule will be mailed to the customer on request of the customer.

- (i) If the meter is read by Atmos Energy, West Texas Division, the date and reading of the meter at the beginning and end of the period for which rendered.
- (ii) The number and kind of units billed.
- (iii) The applicable rate schedule title or code.
- (iv) The total base bill.
- (v) The total of any adjustments to the base bill and the amount of adjustments per billing unit.
- (vi) The date by which the customer must pay the bill to get prompt payment discount.
- (vii) The total amount due before and after any discount for prompt payment within a designated period.
- (viii) A distinct marking to identify an estimated bill.

(C) Where there is a good reason for doing so, estimated bills may be submitted, provided that an actual meter reading is taken at least every six months, if possible. For the second consecutive month in which the meter reader is unable to gain access to the premises to read the meter on regular meter reading trips, or in months where meters are not read otherwise, Atmos Energy, West Texas Division will provide the customers with a postcard and request that the customer read the meter and return the card to Atmos Energy, West Texas Division if the meter is of a type that can be read by the customer without significant inconvenience or special tools or equipment. If such a postcard is not received by Atmos Energy, West Texas Division in time for billing, Atmos Energy, West Texas Division may estimate the meter reading and render the bill accordingly.

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6. Billing (continued)

(D) Disputed bills.

(i) In the event of a dispute between the customer and Atmos Energy, West Texas Division regarding the bill, Atmos Energy, West Texas Division will make such investigation as is required by the particular case and report the results to the customer. If the customer wishes to obtain the benefits of subsection (ii) hereunder, notification of the dispute must be given to Atmos Energy, West Texas Division before the date the bill becomes delinquent. In the event the dispute is not resolved, Atmos Energy, West Texas Division will inform the customer of the complaint procedures of the appropriate regulatory authority.

(ii) Notwithstanding any other subsection of this section, the customer will not be required to pay the disputed portion of the bill which exceeds the amount of that customer's average usage for the billing period at current rates until the earlier of the following: (1) resolution of the dispute, (2) the expiration of the sixty day period beginning on the day the disputed bill is issued. For purposes of this section only, the customer's average usage for the billing period shall be the average of the customer's usage for the same billing period during the preceding two years. Where no previous usage history exists, the average usage shall be estimated on the basis of usage levels of similar customers and under similar conditions.

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7. Meters

(A) Meter requirements.

(i) Use of meter. All gas sold by Atmos Energy, West Texas Division will be charged for by meter measurements, except where otherwise provided for by applicable law, regulation of the regulatory authority, or tariff.

(ii) Installation by utility. Unless otherwise authorized by the regulatory authority, Atmos Energy, West Texas Division will provide, install and continue to own and maintain all meters necessary for measurement of gas delivered to its residential and commercial customers.

(iii) Standard type. Atmos Energy, West Texas Division will not furnish, set up, or put in use any meter which is not reliable and of a standard type which meets generally accepted industry standards; provided, however, special meters not necessarily conforming to such standard types may be used for investigation, testing, or experimental purposes.

(iv) Access to premises and access to company owned meters and service lines. Atmos Energy, West Texas Division' representatives shall have the right at all reasonable hours to enter upon the premises and property of a customer to read a company owned meter, to remove, to inspect, or to make necessary repairs and adjustments to, or replacements of, service lines, meter loop, and any property of the utility located thereon, and for any other purpose connected with the utility's operation. The Atmos Energy, West Texas Division representative shall have the right at all time to enter upon the premises and property of the customer in emergencies pertaining to the company's service. All animals which might hinder the performance of such operations on the customer's property shall be kept away from such operations by the customer upon notice by Atmos Energy, West Texas Division' representatives of their intention to enter upon the customer's premises.

(B) Meter records. Atmos Energy, West Texas Division will keep the following records:

(i) Meter equipment records. Atmos Energy, West Texas Division will keep a record of all of its meters, showing the customer's address and the date of the last test.

(ii) Records of meter tests. All meter tests will be properly referenced to the meter record provided for therein. The record of each test made on request of a customer will show the identifying number and constants of the meter, the standard meter and other measuring devices used, the date and kind of test made, by whom made, the error (or percentage of accuracy) at each load tested, and sufficient data to permit verification of all calculations.

(iii) Meter units of service. In general, each meter will indicate clearly the units of service for which charge is made to the customer.

(iv) Meter tests on request of customer.

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7. Meters (continued)

(I) Upon request of a customer, Atmos Energy, West Texas Division will make a test of the accuracy of the meter serving that customer. Atmos Energy, West Texas Division will advise the customer that they may be present at the time and place of the test and arrange a schedule to permit the customer or his authorized representative to witness the test if the customer so desires. If no such test has been performed within the previous four years for the same customer at the same location, the test is to be performed without charge. If such a test has been performed for the same customer at the same location within the previous four years, Atmos Energy, West Texas Division may charge a fee for the test not to exceed \$15 or such other fee for the testing of meters as may be set forth in the utility's tariff properly on file with the regulatory authority. The customer will be informed of the result of any test on a meter that serves him or her.

(II) Notwithstanding sub clause (I) of this clause, if the meter is found to be more than normally defective, to either the customer's or Atmos Energy, West Texas Division' disadvantage, any fee charged for the meter test will be refunded to the customer. More than nominally defective means a deviation of more than 2.0% from accurate registration for residential and commercial customers and 1% for industrial customers.

(V) Bill adjustments due to meter error.

(I) If any meter test reveals a meter to be more than nominally defective, Atmos Energy, West Texas Division must correct previous readings consistent with the inaccuracy found in the meter for the period of either:

(a) the last six months; or

(b) the time since the last test of the meter, whichever is shorter. Any resulting under billings or over billings is to be corrected in subsequent bills, unless service is terminated in which event a monetary adjustments to be made. This requirement for a correction may be foregone by Atmos Energy, West Texas Division if the error is to the utility's disadvantage.

(II) If a meter is found not to register for any period of time, Atmos Energy, West Texas Division may make a charge for units used but not metered for a period not to exceed three months previous to the time the meter is found not to be registering. The determination of amounts used but not metered is to be based on consumption during other like periods by the same customer at the same location, when available, and on consumption under similar conditions at the same location or of other similarly situated customers, when not available.

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8. New Construction

(A) Standards of construction. Atmos Energy, West Texas Division will endeavor to construct, install, operate, and maintain its plant, structures, equipment, and lines in accordance with the provisions of such codes and standards as are generally accepted by the industry, as modified by rule or regulation of the regulatory authority or otherwise by law and in such manner to best accommodate the public and to prevent interference with service furnished by other public utilities insofar as practical.

(B) Line extension and construction charge policy. In the absence of a line extension policy specific to a city franchise agreement, the following policy shall apply. Atmos Energy, West Texas Division may require, on a consistent and non-discriminatory basis, pre-payment, reimbursement, or adequate security for all costs (including, but not limited to, materials, labor, allocated overhead, permit costs and right-of-way acquisition costs) of extending its existing pipeline system to serve a new customer to the extent that extension would exceed 75 feet. The applicable provisions of city franchise agreements, which set forth line extension and construction charge policies that differ from the above policy are on file with the applicable municipality and the Railroad Commission of Texas.

Atmos Energy, West Texas Division reserves the sole discretion to designate the routes of all new extensions and the construction materials and manner of fabrication and installation. Atmos Energy, West Texas Division may, on a consistent and non-discriminatory basis, provide for refunds, credits or security releases based upon factors such as additional customers subsequently attaching, the level of sales experienced through the new facility, or other criteria chosen by Atmos Energy, West Texas Division. Atmos Energy, West Texas Division may apply similar cost responsibility and arrangements to a customer requesting an increase in the capacity of existing Atmos Energy, West Texas Division facilities to accommodate an increase in the customer's service requirements. In no event will contribution in aid of construction be required of any residential customer unless provided for in this extension policy.

(C) Response to request for service. Atmos Energy, West Texas Division will endeavor to serve each qualified applicant for residential or commercial service within its service area as rapidly as practical. As a general policy, those applications not involving line extensions or new facilities should be filled within seven working days. Those applications for individual residential service requiring line extensions should be filled within 90 days unless unavailability of materials or other causes beyond the control of Atmos Energy, West Texas Division result in unavoidable delays. In the event that residential service is delayed in excess of 90 days after an applicant has met credit requirements and made satisfactory arrangements for payment of any required construction charges, a report will be made to the regulatory authority listing the name of the applicant, location, and cause for delay. If such delays are due to causes which are reasonably beyond the control of Atmos Energy, West Texas Division, a delay in excess of 90 days will not constitute a refusal to serve.

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9. Non-Liability

(A) **Furnishing of Gas.** The Company shall not be liable for any loss or damage caused by variation in gas pressure, defects in pipes, connections and appliances, escape or leakage of gas, sticking of valves or regulators, or for any other loss or damage not caused by the Company's negligence arising out of or incident to the furnishing of gas to any Consumer.

(B) **After Point of Delivery.** Company shall not be liable for any damage or injury resulting from gas or its use after such gas leaves the point of delivery other than damage caused by the fault of the Company in the manner of installation of the service lines, in the manner in which such service lines are repaired by the Company, and in the negligence of the Company in maintaining its meter loop. All other risks after the gas left the point of delivery shall be assumed by the Consumer, his agents, servants, employees, or other persons.

(C) **Reasonable Diligence.** The Company agrees to use reasonable diligence in rendering continuous gas service to all Consumers, but the Company does not guarantee such service and shall not be liable for damages resulting from any interruption to such service.

(D) **Force Majeure.** Company shall not be liable for any damage or loss caused by stoppage or curtailment of the gas supply pursuant to order of a governmental agency having jurisdiction over Company or Company's suppliers, or caused by an event of force majeure. The term "force majeure" as employed herein means acts of God; strikes, lockouts, or other industrial disturbances; acts of the public enemy; wars; blockades; insurrections; riots; epidemics; landslides; lightning; earthquakes; fires; storms; floods; washouts; arrests and restraints of the government, either federal or state, civil or military; civil disturbances; explosions; breakage or accident to machinery or lines of pipe; freezing of wells or lines of pipe; shortage of gas supply, whether resulting from inability or failure of a supplier to deliver gas; partial or entire failure of natural gas wells or gas supply; depletion of gas reserves; and any other causes, whether of the kind herein enumerated or otherwise.

**WEST TEXAS DIVISION
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RIDER:	SUR – SURCHARGES	
APPLICABLE TO:	UNINCORPORATED AREAS	
EFFECTIVE DATE:	BILLS RENDERED ON OR AFTER	PAGE:

Applicability

The Rate Case Expense Surcharge (RCE) rate as set forth below is pursuant to the Final Order in GUD No. 10743. This monthly rate shall apply to residential, commercial, industrial / transportation, and public authority rate classes of Atmos Energy Corporation's West Texas Division in the rate area and amounts shown below. The fixed-price surcharge rate will be in effect for approximately 12 months until all approved and expended rate case expenses are recovered from the applicable customer classes as documented in the Final Order in GUD No.10743. This rider is subject to all applicable laws and orders, and the Company's rules and regulations on file with the regulatory authority.

Monthly Calculation

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

Rate Schedule	Unincorporated Areas
Residential	\$0.15
Commercial	\$0.31
Industrial / Transportation	\$0.82
Public Authority	\$0.89

Proposal for Decision
GUD No. 10743

ATTACHMENT 5

(Supplemental Affidavit Supporting
Rate Case Expense Amounts)

GUD NO. 10743

STATEMENT OF INTENT FILED BY	§	BEFORE THE
ATMOS ENERGY CORP. TO CHANGE	§	
GAS UTILITY RATES WITHIN THE	§	RAILROAD COMMISSION
UNINCORPORATED AREAS SERVED	§	
BY ITS WEST TEXAS DIVISION	§	OF TEXAS

SUPPLEMENTAL AFFIDAVIT OF ANN M. COFFIN

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

1. "My name is Ann M. Coffin. I am over 18 years of age, of sound mind, and fully competent to make this affidavit. Each statement of fact herein is true and of my own personal knowledge.
2. I am a partner in the Austin, Texas law firm of Coffin Renner LLP, and have practiced law in Travis County since 1993. I have held positions at both the Railroad Commission of Texas ("Commission") and the Public Utility Commission of Texas. My law practice encompasses a wide range of administrative areas, including the representation of natural gas distribution companies and pipeline companies, as well as electric and telecommunications utilities. I have extensive experience representing and defending clients before the Commission and the Public Utility Commission of Texas.
3. I have reviewed Hearings Letter No. 11 and have prepared this supplemental affidavit to further attest to the reasonableness of the rate case expenses that Atmos Energy Corp., West Texas Division ("Atmos Energy") seeks to recover in this proceeding.
4. I was retained by Atmos Energy to serve as counsel of record in GUD No. 10743.
5. Included in Hearings Exhibit No. 3, which was entered into evidence on October 26 2018, was documentation: (1) identifying the three (3) categories of rate case expenses incurred in this proceeding as required by 16 Tex. Admin. Code § 7.5530(d)(1-3); (2) invoices supporting \$33,009.08 in actual rate case expenses incurred by Atmos Energy; and (3) an affidavit signed by me that estimated rate case expenses incurred for the completion of this docket to be \$15,000.¹ This estimate is based on my experience in proceedings of this type and my knowledge of issues likely to be raised. Collectively, Atmos Energy seeks recovery of its total actual and estimated future rate case expenses in the amount of \$48,009.08.
6. In GUD No. 10743, my services, and the services of my firm, were associated with efforts that were reasonable and necessary for the presentation and defense of Atmos Energy's

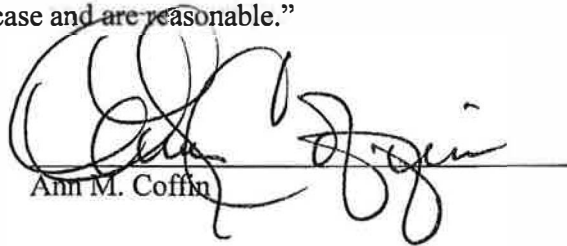
¹ Hearings Exhibit No. 3, Unanimous Settlement Agreement at Exhibit E.

rate filing. The services performed include the preparation of testimony and exhibits, consultation with the expert witnesses, responses to discovery, attention to prehearing matters, attendance at Commission meetings, drafting of various pleadings and other documents throughout the proceeding.

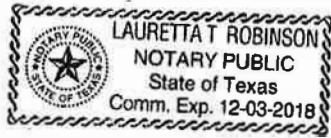
7. I have reviewed the billings of Coffin Renner LLP submitted to Atmos Energy for legal services performed in this proceeding and I affirm that those billings accurately reflect the time spent and expenditures incurred by Coffin Renner LLP on Atmos Energy's behalf. The charges and rates of my firm are reasonable and consistent with those billed by others for similar work, and the legal rates charged by the Coffin Renner attorneys that worked on this matter are comparable to rates charged by other professionals with the same level of expertise and experience and commensurate with the complexity of the issues in the proceeding. The calculation of the charges is correct and there was no duplication of services and no double billing of charges.
8. I have reviewed the consultant and expert witness fees and expenses and, based upon my experience, I believe the consultant and expert witness fees and expenses are reasonable for the work performed, the complexity of the issues presented, and as compared to similar work performed by other consultants.
9. I am familiar with the Commission Rule on Rate Case Expenses, 16 Tex. Admin. Code § 7.5530, as well as past decisions rendered by the Commission regarding the types of expenses that are eligible for rate case expenses. Based upon my experience, my review of the work done in this proceeding, the invoices of my firm and of the various consultants, I believe that the work done was reasonable, the time and labor to accomplish the work was reasonable and commensurate with the nature, extent, difficulty and complexity of the work done. The filing in this case was necessitated by regulatory requirements set forth in Tex. Util. Code Ann. § 104.301.
10. As required by Rule 7.5530(d), Atmos Energy's reasonably and necessarily incurred required regulatory expenses and estimated expenses are as follows:


	Required Regulatory Expenses	Litigation Expenses	Estimate to Completion	Total
Atmos Energy	27,201.08, less \$109, totals \$27,092.08	\$5,917.00	\$15,000	\$48,009.08

11. No portion of fees or expenses is or will be for luxury items, such as limousine service, sporting events, alcoholic beverages, hotel movies, or other entertainment. The charges for copies, printing, overnight courier service, transcripts, and other expenses and costs were necessary for the prosecution of the case and are reasonable."


Ann M. Coffin

SWORN AND SUBSCRIBED before me on this 12th day of November, 2018.




Notary Public in and for the State of Texas

Proposal for Decision
GUD No. 10743

ATTACHMENT 6

(Proposed Final Order)

GUD NO. 10743

STATEMENT OF INTENT FILED BY	§	BEFORE THE
ATMOS ENERGY CORP. TO CHANGE	§	
GAS UTILITY RATES WITHIN THE	§	RAILROAD COMMISSION
UNINCORPORATED AREAS SERVED	§	
BY ITS WEST TEXAS DIVISION	§	OF TEXAS

PROPOSED FINAL ORDER

Notice of Open Meeting to consider this Order was duly posted with the Secretary of State within the time period provided by law pursuant to Tex. Gov't Code Chapter 551, *et seq.* (West 2017 & Supp. 2018). The Railroad Commission of Texas adopts the following findings of fact and conclusions of law and orders as follows:

FINDINGS OF FACT

1. Atmos Energy Corp., West Texas Division ("Atmos"), 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 (the "Commission").
2. On June 29, 2018, Atmos Energy filed a Statement of Intent to change gas utility rates within the unincorporated areas of its West Texas Division (the "SOI") with the Commission. That filing was docketed as GUD No. 10743.
3. On August 21, 2018, the Commission timely suspended the implementation of Atmos's proposed rates for 150 days.
4. For all customers located in unincorporated or environs areas, Atmos provided direct mail notice of its SOI to all affected customers in accordance with Tex. Util. Code § 104.103(a) (West 2007 & Supp. 2017) and 16 Tex. Admin. Code §§ 7.230 and 7.235 (2018).
5. The publication of notice meets the statutory and rule requirements of notice and provides sufficient information to ratepayers about the proposed rate change in the SOI, in accordance with Tex. Util. Code § 104.103(a) (West 2007 & Supp. 2017) and 16 Tex. Admin. Code §§ 7.230 and 7.235 (2018).
6. On July 5, 2018, Staff of the Railroad Commission ("Staff") moved to intervene as a party, and the motion subsequently was granted.
7. On September 14, 2018, Atmos notified the presiding Administrative Law Judge ("ALJ") that the parties had reached a settlement in principle and requested an abatement of Staff's testimony deadline. The motion was granted on September 18, 2018.
8. On October 9, 2018, the parties filed the Unanimous Settlement Agreement ("Settlement"), which resolved all issues and no issues were preserved for further litigation.

9. Atmos established that it maintains its books and records in accordance with the Federal Energy Regulatory Commission's ("FERC") Uniform System of Accounts ("USOA") prescribed for natural gas companies.
10. Atmos established that it has fully complied with the books and records requirements of Commission Rule § 7.310, and the amounts included therein are therefore entitled to the presumption in Commission Rule § 7.503 that these amounts are reasonable and necessary.
11. The test-year in this filing is based upon the financial data for the twelve-month period ending December 31, 2017, adjusted for known and measurable changes.
12. In the SOI, Atmos initially requested an apportioned revenue requirement decrease of approximately \$484,804 for the unincorporated areas of its West Texas Division, calculated based on a decrease of approximately \$5,500,484, as adjusted for excess Accumulated Deferred Income Taxes, for the West Texas Division.
13. The Settlement provides for an apportioned decrease of approximately \$866,090 for the unincorporated areas of its West Texas Division, calculated based on a decrease of approximately \$9,024,921, as adjusted for excess Accumulated Deferred Income Taxes, for the West Texas Division.
14. The Settlement includes a reduction of the corporate income tax rate from 35% to 21% to recognize changes to the Federal Tax Code due to the Tax Cuts and Jobs Act of 2017 (the "Tax Cuts and Jobs Act").
15. The parties have established that the proposed revenue decrease of \$866,090 from current unincorporated revenues is just and reasonable.
16. The proposed division-wide rates will affect the following classes of customers within the unincorporated areas of the West Texas Division: Residential, Commercial Sales, Industrial and Transportation, and Public Authority.
17. The rates reflected in the Settlement, attached to this Order as Attachment 1, and the customer charges set forth therein, are just and reasonable for customers within the unincorporated areas of the West Texas Division.

Rate Schedule	Customer Charge	Consumption Charge (per Ccf)
Residential Gas Service	\$16.10	\$0.21224
Commercial Gas Service	\$43.25	\$0.11722
Industrial / Transportation Gas Service	\$409.00	\$0.06895
Public Authority Gas Service	\$122.25	\$0.09518

18. The following capital structure, cost of debt, cost of equity, weighted cost of capital, overall rate of return, and pre-tax return included in the Settlement for the West Texas Division are just and reasonable.

Class of Capital	Percent	Cost	Weighted Cost of Capital	Pre-Tax Return
Long-Term Debt	39.82%	5.20%	2.07%	2.07%
Common Equity	60.18%	9.80%	5.90%	7.47%
Weighted Average Cost of Capital	100.00%		7.97%	9.54%

19. Consistent with the Settlement, it is just and reasonable that any future interim rate adjustment (“IRA”) filings affecting the unincorporated areas of the West Texas Division, pursuant to Tex. Util. Code § 104.301 (West 2007 & Supp. 2017), shall use the following factors until changed by a subsequent rate proceeding:

- a. The capital structure and related components as shown in Finding of Fact No. 18.
- b. For any initial IRA filing, the beginning ad valorem tax rate at a West Texas Division level is 1.02% and the Shared Services Ad Valorem Tax Rate is 0.72%. For subsequent IRA filings, the Ad Valorem Tax Rates will be updated annually to include the actual taxes paid in the calculation of the tax rate.
- c. For any initial IRA filing, the system-wide net plant in service amount in the West Texas Division shall be \$631,037,126 as presented in Exhibit C to the Settlement.
- d. For any initial IRA filing and for any subsequent IRA filings, the depreciation rate for each account shall be those approved in GUD No. 10174 as presented in Exhibit C to the Settlement.
- e. For any initial IRA filing, the customer charges and consumption charges as shown in Finding of Fact No. 17 above will be the starting rates to which any IRA adjustment is applied.
- f. Federal income taxes will be calculated using a 21% rate, unless the federal income tax rate is changed, in which case the new rate will be applied.
- g. The base rate revenue allocation factors to spread any change in IRA increase/decrease to the appropriate customer classes are as follows:

	Percentage
Residential Gas Service	75.13%
Commercial Gas Service	18.39%
Industrial / Transportation Gas Service	2.16%
Public Authority Gas Service	4.32%

20. Atmos may pursue recovery of a deferred benefit regulatory asset or liability pursuant to Tex. Util. Code § 104.059 (West 2007 & Supp. 2017) in a future filing. The following amounts are established as the base-year levels to track changes in pension-related and other post-employment benefits:

Entity	Pension Account Plan	Post- Employment Benefit Plan	Supplemental Executive Benefit Plan	Total
SSU Allocated to West Texas	\$272,401	\$180,397	\$0	\$ 452,798
West Texas Direct	\$721,710	\$507,762	\$102,033	\$1,331,505
Total	\$994,111	\$688,159	\$102,033	\$1,784,303

21. It is reasonable to continue the use of the depreciation rates established in GUD No. 10174 as presented in Exhibit C to the Settlement.
22. It is reasonable that the revenue requirement includes a reduction of the corporate income tax rate from 35% to 21% to recognize changes due to the Tax Cuts and Jobs Act.
23. It is reasonable that the revenue requirement includes an adjustment to federal income tax expense for excess deferred income taxes (“EDIT”) resulting from the Tax Cuts and Jobs Act and for this amount to be computed based on the Reverse South Georgia Method for those amounts required under Internal Revenue Service (“IRS”) normalization rules.
24. It is reasonable for Atmos’s protected EDIT liabilities to be amortized over a 24-year period as determined by the Reverse South Georgia Method.
25. It is reasonable for Atmos’s unprotected EDIT to be amortized over a 24-year period because this balance is a net asset on Atmos’s books and the use of this amortization period rather than a shorter amortization period benefits ratepayers by extending the period over which that balance must be repaid to Atmos.
26. It is reasonable for State Institution customers to be subject to Atmos’s Public Authority Gas Service tariff.
27. No expenses associated with the payment of administrative penalties related to the operation of the West Texas Division system or the amortization of any related insurance deductible are included in the base revenue requirement.
28. Insurance services required by Atmos are acquired from Blueflame, a wholly owned subsidiary of Atmos Energy that provides insurance for all of Atmos Energy’s divisions.
29. All of the Atmos Energy West Texas Division property, plant, and equipment are covered through property insurance provided by Blueflame.
30. Insurance services provided by Blueflame are at cost and without markup.
31. The cost of insurance coverage is allocated among the Atmos Energy divisions and subsidiaries based upon the annual plant balance.

32. The rate of insurance was \$0.070 per \$100 of gross plant through February 28, 2017, and \$0.065 per \$100 of gross plant through December 31, 2017, which is lower than the previously approved rates that the Commission determined to be reasonable and necessary in GUD No. 10170 and consistent with Tex. Util. Code § 104.055(b)(1).
33. Atmos has established that the system-wide expenses for Blueflame in the amount of \$174,299.43 are (a) reasonable and necessary and (b) the price charged to Atmos is not higher than the prices charged by Blueflame to other affiliates or divisions of Atmos Energy or to a non-affiliated person for the same item or class of items.
34. Atmos has established that the actual and estimated rate case expenses totaling \$48,009.08 are just and reasonable and that the expenses do not include any charges for luxury items and Atmos did not incur any excessive airline, lodging, or meal expenses.
35. Atmos has established that the amount of work done and the time and labor required to accomplish the work was reasonable given the nature of the issues addressed.
36. It is reasonable that the recovery of \$48,009.08 in total rate case expenses be over an approximate twelve (12) month period with the surcharge separately stated on each bill.
37. It is reasonable that Atmos submit to Staff invoices reflecting actual rate case expenses with sufficient detail so that Staff can accurately audit such invoices for the purposes of reconciling estimated rate case expenses to actual rate case expenses. In no case shall the total actual rate case expenses exceed the actual expenses submitted to the Commission as of August 31, 2018, plus the approved estimated expenses of \$15,000.00.
38. It is reasonable that Atmos file an annual Rate Case Expense Compliance Filing with Staff detailing the balance of actual plus estimated rate case expenses at the beginning of the annual period, the amount collected by customer class, and the ending or remaining balance within ninety (90) days after each calendar year end until and including the calendar year end in which rate case expenses are fully recovered.
39. The tariffs attached to this Order are just and reasonable.

CONCLUSIONS OF LAW

1. Atmos is a gas utility as defined in Tex. Util. Code §§ 101.003(7) and 121.001 (West 2007 & Supp. 2017) and is therefore subject to the jurisdiction of the Commission.
2. Under Tex. Util. Code § 102.001 (West 2007 & Supp. 2017), 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.

3. The Commission has jurisdiction over Atmos's SOI under Tex. Util. Code §§ 102.001, 104.001, and 104.201 (West 2007 & Supp. 2017).
4. This proceeding was conducted in accordance with the requirements of GURA §§ 101.001 *et seq.*, (West 2007 & Supp. 2017) and the Administrative Procedure Act, Tex. Gov't Code §§ 2001.001 *et seq.* (West 2017 & Supp. 2018).
5. Tex. Util. Code § 104.107 (West 2007 & Supp. 2017) provides the Commission's authority to suspend the operation of the schedule of proposed rates for 150 days from the date the schedule would otherwise go into effect.
6. In accordance with Tex. Util. Code § 104.103 (West 2007 & Supp. 2017) and 16 Tex. Admin. Code §§ 7.230 and 7.235, adequate notice was properly provided.
7. Atmos filed its SOI in accordance with Tex. Util. Code § 104.102 (West 2007 & Supp. 2017) and 16 Tex. Admin. Code §§ 7.205 and 7.210.
8. Atmos has established that its books and records conform with 16 Tex. Admin. Code § 7.310, and thus Atmos is entitled to the presumption that the amounts included therein are reasonable and necessary in accordance with 16 Tex. Admin. Code § 7.503.
9. The revenue, rates, rate design, and service charges identified in the schedules attached to this Order are just and reasonable, are not unreasonably preferential, prejudicial, or discriminatory, and are sufficient, equitable, and consistent in application to each class of consumer, as required by Tex. Util. Code §§ 101.002, *et seq.* (West 2007 & Supp. 2017).
10. The overall revenues as established by the findings of fact and attached schedules are reasonable; fix an overall level of revenues for Atmos that will permit it a reasonable opportunity to earn a reasonable return on its invested capital used and useful in providing service to the public over and above its reasonable and necessary operating expenses, as required by Tex. Util. Code § 104.051 (West 2007 & Supp. 2017); and otherwise comply with Chapter 104 of the Texas Utilities Code.
11. The revenue, rates, rate design, and service charges proposed will not yield to Atmos more than a fair return on the adjusted value of the invested capital used and useful in rendering service to the public, as required by Tex. Util. Code § 104.052 (West 2007 & Supp. 2017).
12. The rates established in this docket comport with the requirements of Tex. Util. Code § 104.053 (West 2007 & Supp. 2017) and are based upon the adjusted value of invested capital used and useful, where the adjusted value is a reasonable balance between the original cost less depreciation and current cost less an adjustment for present age and condition.
13. The test-year level of pension-related and other post-employment benefits expenses are consistent with Tex. Util. Code § 104.059 (West 2007 & Supp. 2017).

14. The rates established in this case comply with the affiliate transaction standard set out in Tex. Util. Code § 104.055 (West 2007 & Supp. 2017).
15. Atmos has fully complied with all requirements set forth in the Gas Utilities Accounting Order, signed on February 27, 2018, and related Order Nunc Pro Tunc, signed on March 20, 2018, issued in GUD No. 10695.
16. Capital investment made through December 31, 2017, was reasonable and prudent and consistent with Tex. Util. Code, Chapter 104 and Commission Rule § 7.7101.
17. A rate base amount totaling \$506,954,294 for the West Texas Division is just and reasonable.
18. A rate of return of 7.97 percent, including the components specified in this Order, is consistent with the requirements of Tex. Util. Code § 104.052 (West 2007 & Supp. 2017).
19. An overall base revenue requirement of \$11,587,977 for the unincorporated areas and a system-wide base revenue requirement of \$119,820,735 for the West Texas Division is just and reasonable and permits Atmos a reasonable opportunity to earn a reasonable return on Atmos Energy's invested capital used and useful in providing service to the public in excess of its reasonable and necessary operating expenses.
20. Actual rate case expenses not to exceed the amount of \$48,009.08 are reasonable, necessary, and consistent with the requirements of 16 Tex. Admin. Code § 7.5530(a).
21. In accordance with 16 Tex. Admin. Code § 7.7101, Atmos may adjust its revenue in future IRA filings based on the difference between values of the investment amounts only by the constant factors set in this docket for: return on investment; depreciation expenses, for those individual rates for each FERC account; ad valorem taxes; revenue related taxes; and federal income tax.
22. The rate schedules and tariffs reflected in this Order are consistent with applicable statutory and Commission requirements.
23. Atmos is required by 16 Tex. Admin. Code § 7.315 to file electronic tariffs incorporating rates consistent with this Order within thirty days of the date of this Order.

IT IS THEREFORE ORDERED that the Settlement attached to this Order as Attachment 1 is hereby **APPROVED**.

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

IT IS FURTHER ORDERED that the factors established for future Interim Rate Adjustments in Finding of Fact No. 19 are **APPROVED**.

IT IS FURTHER ORDERED that Atmos file an annual Rate Case Expense Compliance Filing with Staff detailing recovery of rate case expenses as described in Finding of Fact Nos. 34-37 within ninety (90) days after each calendar year end until the calendar year end until and including the calendar year end in which the rate case expenses are fully recovered.

IT IS FURTHER ORDERED that within thirty (30) days of this Order, in accordance with 16 Tex. Admin. Code § 7.315, Atmos shall electronically file its rate schedules in proper form that accurately reflect the rates approved in this Order.

IT IS FURTHER ORDERED that any incremental change in rates approved in this Order and implemented by Atmos shall be subject to refund unless and until Atmos's tariffs are electronically filed and accepted by the Gas Services Department in accordance with 16 Tex. Admin. Code § 7.315.

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

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

IT IS FURTHER ORDERED that this Order will not be final and effective until 25 days after the date this Order is signed. If a timely motion for rehearing is filed by any party of 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. 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 100 days from the date this Order is signed.

SIGNED this 11th day of December, 2018.

RAILROAD COMMISSION OF TEXAS

CHAIRMAN CHRISTI CRADDICK

COMMISSIONER RYAN SITTON

COMMISSIONER WAYNE CHRISTIAN

ATTEST:

SECRETARY