

**BEFORE THE
RAILROAD COMMISSION OF TEXAS**

APPLICATION OF ATMOS ENERGY, WEST TEXAS DIVISION FOR TEST YEAR 2018 ANNUAL INTERIM RATE ADJUSTMENT FILING FOR THE UNINCORPORATED AREAS.	§ § § § §	GAS UTILITIES DOCKET NO. 10821
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INTERIM RATE ADJUSTMENT ORDER

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

FINDINGS OF FACT

Background

1. Atmos Energy, West Texas Division ("Atmos WTX") is a "gas utility," as that term is defined in the Texas Utilities Code and is subject to the jurisdiction of the Railroad Commission of Texas ("Commission").
2. Atmos WTX, owns and operates a gas distribution system.
3. On February 28, 2019, Atmos WTX filed an application for an annual interim rate adjustment ("IRA") to customers located in the unincorporated areas of the West Texas Division.
4. Atmos WTX requested that the IRA for all customer classes become effective on April 29, 2019.
5. On March 4, 2019, the Commission suspended implementation of Atmos WTX's proposed IRA until June 13, 2019, which would be 45 days following the 60th day after the application would be considered complete.
6. Neither TEX. UTIL. CODE § 104.301 nor 16 Texas Administrative Code § 7.7101 provides the opportunity for parties to intervene in the Commission's review of an application for an annual IRA.

7. 16 TEX. ADMIN. CODE § 7.7101 allows written comments or a protest concerning the proposed interim rate adjustment to be filed with the Commission.
8. As of the date of this interim order, no comments or letters of protest concerning this application have been received by the Commission.
9. This docket represents the first annual IRA for the unincorporated areas of the Atmos WTX Division following GUD No. 10743.¹
10. Until promulgation of TEX. UTIL. CODE § 104.301, a utility could not increase its rates subject to the Commission's jurisdiction without filing with the Commission a formal statement of intent rate case, including a comprehensive cost of service rate review.
11. The proposed IRA will allow Atmos WTX an opportunity to recover, subject to refund, a return on investment, depreciation expense, and related taxes on the incremental cost of infrastructure investment since its most recent rate case, GUD No. 10743, without the necessity of filing a statement of intent rate case and without review by the Commission of Atmos WTX's comprehensive cost of service.

Applicability

12. This docket applies to only those rates over which the Commission has original jurisdiction, which includes the unincorporated areas of the Atmos WTX Division.
13. As of December 31, 2018, Atmos WTX had approximately 303,345 customers in the West Texas Division. Of these, 277,561 were residential customers, 24,328 were commercial customers, 194 were industrial and transportation customers, and 1,262 were public authority customers.²
14. As of December 31, 2018, Atmos WTX had approximately 21,883 customers in the unincorporated areas subject to this order. Of these, 19,366 were residential customers, 2,257 were commercial customers, 100 were industrial and transportation customers, and 160 were public authority customers.³

¹ *Statement of Intent Filed by Atmos Energy Corporation (Atmos) to Change Gas Utility Rates within the Unincorporated Areas of its West Texas Division.*

² Schedule IRA-5.

³ Schedule IRA-5.

Most Recent Comprehensive Rate Case

15. Atmos WTX's most recent rate case for the area in which the IRA will be implemented is GUD No. 10743, *Statement of Intent Filed by Atmos Energy Corporation (Atmos) to Change Gas Utility Rates within the Unincorporated of its West Texas Division*.
16. GUD No. 10743 was filed on June 29, 2018.
17. The Commission signed the GUD No. 10743 Final Order on December 11, 2018.
18. The following chart shows the factors that were established in GUD No. 10743 to calculate the return on investment, depreciation expense, incremental federal income tax, and ad valorem taxes for Atmos WTX as applied in this proceeding:

GUD No. 10743 CALCULATION FACTORS

Factor	Percentage
Rate of return	7.97%
Depreciation Rate	Varies
Federal Income Tax Rate	21%
Ad Valorem Tax Rate	1.02%
Shared Services Ad Valorem Tax Rate	0.72%

Interim Rate Adjustment

19. The revenue amounts to be recovered through Atmos WTX's proposed annual IRA are incremental to the revenue requirement established in Atmos WTX's most recent rate case for the area in which the IRA is to be implemented, GUD No. 10743.
20. Under 16 TEX. ADMIN. CODE § 7.7101(f)(3), for the first IRA following the most recent rate case, a utility may adjust its rates based on the difference between invested capital at the end of the most recent rate case test-year and the invested capital at the end of the calendar year following the end of the most recent rate case test-year.
21. In this docket, the first IRA following the most recent rate case, Atmos WTX adjusted its rates based on the difference between invested capital from test year end December 31, 2017 and test year end December 31, 2018.
22. Atmos WTX seeks approval from the Commission for an adjustment to its revenue based on incremental net utility plant investment, with regard to the following components: return on investment; depreciation expense; ad valorem taxes; revenue related taxes; and federal income taxes. The incremental change in revenue requirement to be recovered through this IRA filing from all rate classes using the approved component factors is

- \$11,676,074** (Exhibit B) of which **\$1,005,221** is attributable to customers subject to this order.
23. The value of Atmos WTX's invested capital is equal to the original cost of the investment at the time the investment was first dedicated to public use minus the accumulated depreciation related to that investment for the Company's IRAs.
 24. Atmos WTX's incremental adjusted net utility plant investment increase is **\$76,086,574**, as shown in Exhibit B.
 25. Atmos WTX is required to use the same factors to calculate the interim return on investment, depreciation expense, and incremental federal income tax as those established or used in the final order setting rates in Atmos WTX's most recent rate case for the unincorporated area in which the IRA is to be implemented, GUD 10743.
 26. Atmos WTX filed the Commission's annual Earnings Monitoring Report ("EMR") as required by 16 TEX. ADMIN. CODE § 7.7101. Atmos WTX's actual rate of return was 5.93% for the test year ended December 31, 2018, which is less than the 7.97% allowed rate of return established in GUD No. 10743.
 27. GUD No. 10743, Atmos WTX's most recent Statement of Intent rate case for the unincorporated areas of the West Texas Division, and the basis for the key factors in an IRA calculation, was approved by the Commission on December 11, 2018. Customer charges are shown in Column B of the table below.
 28. This docket, GUD No. 10821, is the first IRA for the unincorporated areas of the Atmos's West Texas Division. The proposed IRA adjustments to the customer charges are shown in Column C of the table below.
 29. When the Customer Charge as established in GUD No. 10743 and Interim Rate Adjustment (Columns B and C) are added, the resulting customer charge for affected customer classes are as shown in Column D of the table below.

Atmos West Texas Division Customer Charges and Interim Rate Adjustments

Customer Class	Customer Charge (GUD 10743)	IRA - 2018 (GUD 10821)	New Customer Charge
A	B	C	D
Residential	\$16.10	\$2.63	\$18.73
Commercial	\$43.25	\$7.36	\$50.61
Industrial / Transportation	\$409.00	\$108.33	\$517.33
Public Authority	\$122.25	\$33.31	\$155.56

30. Atmos WTX filed its Annual Project Report as required by 16 TEX. ADMIN. CODE § 7.7101(d).
- Net capital additions included in this docket totaled \$76,086,574.⁴
 - Gross capital project additions totaled \$102,872,439.⁵
 - Safety-related improvements/infrastructure projects are 87% of total additions.⁶
31. Atmos WTX proposed the IRA as a flat rate to be applied to the monthly customer charges rather than as a volumetric rate to be applied to the initial block usage rates.
32. Atmos WTX is required to show its annual IRA on its customers' monthly billing statements as a surcharge.
33. The proposed IRA does not require an evidentiary proceeding; rather, TEX. UTIL. CODE § 104.301 and 16 TEX. ADMIN. CODE § 7.7101 require the regulatory authority to review a utility's method of calculating the IRA.
34. Due process protections are deferred until the Atmos WTX files its next full statement of intent rate case.

4 Schedule IRA – 5.

5 Schedule IRA – 16, IRA – 16a, & IRA - 18.

6 Response to Staff's RFI No. 1-09.

Notice

35. Atmos WTX provided adequate notice to customers via bill insert in the unincorporated areas of Atmos WTX between March 5, 2019 and April 4, 2019, and as a result, adequate notice was completed within 45 days of the filing, fulfilling the requirements under TEX. UTIL. CODE § 104.301(a).

Comprehensive Rate Case Required

36. Atmos WTX is not required to initiate a rate case supporting a statement of intent at the time it applies for an IRA.
37. Under 16 TEX. ADMIN. CODE § 7.7101(l) a gas utility that implements an IRA and does not file a rate case before the fifth anniversary of the date its initial IRA became effective is required to file a rate case not later than the 180th day after that anniversary.
38. Atmos WTX is required to file a statement of intent rate case no later than November 30, 2024.
39. Under 16 TEX. ADMIN. CODE § 7.7101(j), any change in investment and related expenses and revenues that have been included in any IRA shall be fully subject to review for reasonableness and prudence in the next rate case. Per 16 TEX. ADMIN. CODE § 7.7101(i), all amounts collected from customers under and IRA tariff are subject to refund until the conclusion of the next rate case.

Review of Interim Rate Adjustment

40. Atmos WTX's proposed allocation methodology complies with TEX. UTIL. CODE § 104.301, and with 16 TEX. ADMIN. CODE § 7.7101.
41. It is reasonable for the Commission to approve use of the allocation methodology used to determine Atmos WTX's overall cost of services (less other revenue, gas cost, and revenue related taxes) as determined in its most recent rate case. The following overall cost of service allocation factors for use in the calculation of Atmos WTX's interim rate adjustment are reasonable:

Customer Class	Allocation Factors
Residential	75.13%
Commercial	18.39%
Industrial/Transportation	2.16%
Public Authority	4.32%
Total	100.00%

42. Atmos WTX's proposed customer counts comply with TEX. UTIL. CODE § 104.301, and with 16 TEX. ADMIN. CODE § 7.7101. For calculating the number of customer charges per year, it is reasonable for the Commission to approve use of Atmos WTX's 2018 actual number of customer charges. The following total numbers of customer for use in the calculation of the IRA are reasonable:

Customer Class	Annual Number of Customer Charges
Residential (R)	3,330,732
Commercial (C)	291,936
Industrial & Transportation (I & T)	2,328
Public Authority (PA)	15,144
Total	3,640,140

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

Customer Class	Interim Rate Adjustment Revenue	IRA Revenue from the Environs	Additional Customer Charge
Residential (R)	\$8,772,234	\$612,058	\$2.63
Commercial (C)	\$2,147,230	\$199,207	\$7.36
Industrial (I & T)	\$252,203	\$130,002	\$108.33
Public Authority (PA)	\$504,406	\$63,955	\$33.31
Total Increase	\$11,676,074	\$1,005,221	

Reimbursements of Expense

44. As provided for in the statute and the rule, a gas utility that implements an IRA is required to reimburse the Commission for the utility's proportionate share of the Commission's

annual costs related to the administration of the IRA mechanism.

45. After the Commission has finally acted on Atmos WTX's application for an IRA, the Director of the Oversight and Safety Division will estimate Atmos WTX's proportionate share of the Commission's annual costs related to the processing of such applications.
46. In making the estimate of Atmos WTX's proportionate share of the Commission's annual costs related to the processing of such applications, the Director will take into account the number of utilities the Commission reasonably expects to file for IRAs during the fiscal year, and the costs expected to be incurred in processing such applications.
47. Atmos WTX is required to reimburse the Commission for the amount determined by the Director of the Oversight and Safety Division within 30 days after receipt of notice of the amount of the reimbursement.

CONCLUSIONS OF LAW

1. Atmos Energy, West Texas Division is a "gas utility" as defined in TEX. UTIL. CODE §§ 101.003(7) and 121.001 and is therefore subject to the jurisdiction of the Commission.
2. The Commission has jurisdiction over Atmos WTX, Atmos WTX's applications for IRAs for incremental changes in investment, and the subject matter of this case under TEX. UTIL. CODE §§ 102.001, 104.001, 104.002, and 104.301.
3. Under TEX. UTIL. CODE § 102.001, the Commission has exclusive original jurisdiction over the rates and services of a gas utility that distributes natural gas in areas outside of a municipality and over the rates and services of a gas utility that transmits, transports, delivers, or sells natural gas to a gas utility that distributes the gas to the public.
4. Under the provisions of the TEX. UTIL. CODE § 104.301 and 16 TEX. ADMIN. CODE § 7.7101, Atmos WTX is required to seek Commission approval before implementing an IRA tariff for unincorporated customers.
5. Atmos WTX filed its application for an IRA for changes in investment in accordance with the provisions of TEX. UTIL. CODE § 104.301 and 16 TEX. ADMIN. CODE § 7.7101.
6. Atmos WTX's application for an IRA was processed in accordance with the requirements of TEX. UTIL. CODE § 104.301 and 16 TEX. ADMIN. CODE § 7.7101.
7. In accordance with 16 TEX. ADMIN. CODE § 7.315, within 30 days of the effective date of any change to rates or services, Atmos WTX is required to file with the Commission its revised tariffs.

8. In accordance with TEX. UTIL. CODE § 104.301(a) and 16 TEX. ADMIN. CODE § 7.7101(a), the filing date of Atmos WTX's most recent rate case, in which there is a final order setting rates for the area in which the interim rate adjustment will apply, was no more than two years prior to the date Atmos WTX filed its initial interim rate adjustment.
9. Atmos WTX is required, under TEX. UTIL. CODE § 104.301(e) and 16 TEX. ADMIN. CODE § 7.7101(d), to file with the Commission an annual project report, including the cost, need, and customers benefited by the change in investment, and describing the investment projects completed and placed in service during the preceding calendar year and the investments retired or abandoned during the preceding calendar year.
10. Atmos WTX shall include in all future annual IRA filings, relocation project reports that provide additional information about relocation project costs included in investment projects, in the same format as required in this docket.
11. Atmos WTX is required, under TEX. UTIL. CODE § 104.301(f) and 16 TEX. ADMIN. CODE § 7.7101(e), to file with the Commission an annual earnings monitoring report demonstrating the Atmos WTX's earnings during the preceding calendar year.
12. Atmos WTX is required, under 16 TEX. ADMIN. CODE § 7.7101(h), to recalculate its approved IRA annually and is required to file an application for an annual adjustment no later than 60 days prior to the one-year anniversary of the proposed implementation date of the previous IRA application.
13. In accordance with 16 TEX. ADMIN. CODE § 7.7101(i), all amounts collected from customers under Atmos WTX's IRA tariffs or rate schedules are subject to refund. The issues of refund amounts, if any, and whether interest should be included on refunded amounts and, if so, the rate of interest, shall be addressed in the rate case a gas utility files or the Commission initiates after the implementation of an IRA and shall be the subjects of specific findings of fact in the Commission's final order setting rates.
14. In accordance with 16 TEX. ADMIN. CODE § 7.7101(j), in the rate case that Atmos WTX files or the Commission initiates after the implementation of an IRA, any change in investment and related expenses and revenues that have been included in any IRA shall be fully subject to review for reasonableness and prudence. Upon issuance of a final order setting rates in the rate case that Atmos WTX files or the Commission initiates after the implementation of an IRA, any change in investment and related expenses and revenues that have been included in any IRA shall no longer be subject to review for reasonableness or prudence.
15. The Commission has authority to suspend the implementation of the IRA under TEX. UTIL. CODE § 104.301(a) and 16 TEX. ADMIN. CODE § 7.7101(e).

16. Atmos WTX provided adequate notice of its IRA in accordance with TEX. UTIL. CODE § 104.301(a) and 16 TEX. ADMIN. CODE § 7.7101(b).
17. Atmos WTX's application for an IRA complies with all provisions of TEX. UTIL. CODE § 104.301 and 16 TEX. ADMIN. CODE § 7.7101.
18. Atmos WTX's IRA established in the findings of fact and conclusions of law complies with the provisions of TEX. UTIL. CODE § 104.301 and 16 TEX. ADMIN. CODE § 7.7101.
19. In accordance with TEX. UTIL. CODE § 104.301(h) and 16 TEX. ADMIN. CODE § 7.7101(l), Atmos WTX shall file a comprehensive rate case for the areas in which the IRA is implemented, not later than the 180th day after the fifth anniversary of the date its initial interim rate adjustment became effective, or November 30, 2024.
20. The Commission has authority, under TEX. UTIL. CODE § 104.301(j) and 16 TEX. ADMIN. CODE § 7.7101(m), to recover from Atmos WTX the proportionate share of the Commission's annual costs related to the administration of the IRA mechanism.

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

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

IT IS FURTHER ORDERED THAT Atmos WTX **SHALL** file with the Commission no later than November 30, 2024, a statement of intent to change rates as required under TEX. UTIL. CODE § 104.301(h) and 16 TEX. ADMIN. CODE § 7.7101(l).

IT IS FURTHER ORDERED THAT any incremental change in rates approved by this order and implemented by Atmos WTX shall be subject to refund unless and until Atmos WTX's interim rate adjustment 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 Atmos WTX **SHALL** reimburse the Commission for the utility's proportionate share of the Commission's annual costs related to the administration of the IRA mechanism. The amount of this reimbursement shall be determined by the Director of the Oversight and Safety Division. This Order will not be final and effective until 20 days after a party is notified of the Commission's order. A party is presumed to have been notified of the Commission's order three days after the date on which the notice is actually mailed. If a timely

motion for rehearing is filed by any party at interest, this order shall not become final and effective until such motion is overruled, or if such motion is granted, this order shall be subject to further action by the Commission. Pursuant to TEX. GOV'T CODE § 2001.146(e), the time allotted for Commission action on a motion for rehearing in this case prior to its being overruled by operation of law, is hereby extended until 90 days from the date the order is served on the parties.

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

SIGNED this 4th day of June, 2019.

RAILROAD COMMISSION OF TEXAS

Christi Craddick

CHRISTI CRADDICK
CHAIRMAN

Ryan Sitton

RYAN SITTON
COMMISSIONER

Wayne Christian

WAYNE CHRISTIAN
COMMISSIONER

ATTEST

Kathy Way

SECRETARY



**WEST TEXAS DIVISION
 ATMOS ENERGY CORPORATION**

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

Availability

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

Monthly Rate

Charge	Amount
Customer Charge ¹	\$ 16.10
Interim Rate Adjustment ("IRA") ²	\$ 2.63
Total Customer Charge	\$ 18.73
Consumption Charge per Ccf ¹	\$ 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).

Notes:

¹Per GUD No. 10743

²2018 IRA - \$2.63

WEST TEXAS DIVISION
 ATMOS ENERGY CORPORATION

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 ¹	\$ 43.25
Interim Rate Adjustment ("IRA") ²	\$ 7.36
Total Customer Charge	\$ 50.61
Consumption Charge per Ccf ¹	\$ 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).

Notes:

¹Per GUD No. 10743

²2018 IRA - \$7.36

WEST TEXAS DIVISION
ATMOS ENERGY CORPORATION

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 ¹	\$ 409.00
Interim Rate Adjustment ("IRA") ²	\$108.33
Total Customer Charge	\$517.33
Consumption Charge per Ccf ¹	\$ 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).

Notes:

¹Per GUD No. 10743

²2018 IRA - \$108.33

WEST TEXAS DIVISION
ATMOS ENERGY CORPORATION

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 ¹	\$ 122.25
Interim Rate Adjustment ("IRA") ²	\$ 33.31
Total Customer Charge	\$155.56
Consumption Charge per Ccf ¹	\$ 0.09518

Notes:

¹Per GUD No. 10743

²2018 IRA - \$33.31

**WEST TEXAS DIVISION
ATMOS ENERGY CORPORATION**

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 ¹	\$ 409.00
Interim Rate Adjustment ("IRA") ²	\$ 108.33
Total Customer Charge	\$ 517.33
Consumption Charge per Ccf ¹	\$ 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).

Notes:

¹Per GUD No. 10743

²2018 IRA - \$108.33

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, West Texas Division
Interim Rate Adjustment Application
Twelve (12) Month Period Ending December 31, 2018
Interim Rate Adjustment Summary**

Line No.	Description	Ref	As per GUD No. 10743 At 12/31/17 (1)	Per Book As of 12/31/2018	Adjustments	Per Book Adjusted As of 12/31/2018	Change in Investment
(a)	(b)	(c)	(d)	(e)	(f) = (g) - (e)	(g)	(h) = (g) - (d)
11	Direct Utility Plant Investment (2)		\$ 768,069,752	\$ 850,816,834	\$ 11,037,962	\$ 861,854,796	\$ 93,785,044
12	Direct Accumulated Depreciation (2)		151,542,960	169,107,731	(52,603)	169,055,128	17,512,167
13	Allocated Utility Plant Investment (if applicable)		24,879,743	25,838,973	(159,449)	25,679,525	799,782
14	Allocated Accumulated Depreciation (if applicable)		10,369,408	10,577,037	(99,099)	10,477,939	108,530
15	Miscellaneous Adjustments		(1,336,719)		(2,214,273)	(2,214,273)	(877,554)
16	Net Utility Plant Investment (Ln 11 - 12 + 13 - 14 + 15)		\$ 629,700,408	\$ 696,971,039	\$ 8,815,943	\$ 705,786,982	\$ 76,086,574
17							
18	Calculation of the Interim Rate Adjustment Amount:						
19	Rate of Return					IRA-1	7.97%
20	Return					Col (h), Ln 16 times Col (h), Ln 19	\$ 6,061,817
21	Depreciation Expense					IRA-8 plus IRA-BA plus IRA-11	3,443,807
22	Property-related Taxes (Ad Valorem)					IRA-21	977,547
23	Revenue-related Taxes and State Margin Tax (3)					See Note	-
24	Federal Income Tax					IRA-20	1,192,903
25	Interim Rate Adjustment Amount (Sum of Ln 20 through Ln 24)						\$ 11,676,074
26							

27 Interim Rate Adjustment Amount per Rate Class:	Allocation Factors		Total Service Area:	RRC Jurisdiction:
	per GUD No. 10743:			
28 Residential Gas Service	75.1300%		\$ 8,772,234	\$ 612,058
29 Commercial Gas Service	18.3900%		2,147,230	199,207
30 Industrial / Transportation Gas Service	2.1600%		252,203	130,002
31 Public Authority Gas Service	4.3200%		504,406	63,955
32 Total (Sum of Ln 28 through Ln 31)	100.0000%		\$ 11,676,074	\$ 1,005,221
33				

34 Monthly Customer Charge Adjustment:	Annual Bill Count	Annual RRC Jurisdiction	Monthly Customer
	Per Total System:	Bill Count:	Charge Adjustment:
35 Residential Gas Service	3,330,732	232,392	\$ 2.63
36 Commercial Gas Service	291,936	27,084	7.36
37 Industrial / Transportation Gas Service	2,328	1,200	108.33
38 Public Authority Gas Service	15,144	1,920	33.31
39 Total (Sum of Ln 35 through Ln 38)	3,640,140	262,596	
40	- OR -		

41 Monthly Initial Block Rate Adjustment (Not applicable to West Texas):	Annual Service Area	Annual RRC Jurisdiction	Monthly Initial Block
	Volumes:	Volumes:	Rate Adjustment:
42 Residential Gas Service	N/A	N/A	N/A
43 Commercial Gas Service	N/A	N/A	N/A
44 Industrial / Transportation Gas Service	N/A	N/A	N/A
45 Public Authority Gas Service	N/A	N/A	N/A

46	Current Year IRA			
	Current Customer Charge	Other Adjustments	Adjustment to Customer Charge	Proposed Customer Charge
47 Change to Customer Charge:				
48 Residential Gas Service	\$ 16.10	\$ -	\$ 2.63	\$ 18.73
49 Commercial Gas Service	43.25	-	7.36	50.61
50 Industrial / Transportation Gas Service	409.00	-	108.33	517.33
51 Public Authority Gas Service	122.25	-	33.31	155.56
52				

53 Notes:
 54 1. The amounts are updated as per GUD No. 10743 as noted on IRA-1 General Information, Note 13.
 55 2. Direct Utility Plant and Accumulated Depreciation include the allocated West Texas General Office amounts.
 56 3. Revenue related taxes are collected through Rider TAX and Rider FF.