

RAILROAD COMMISSION OF TEXAS

**PETITION OF ATMOS ENERGY
CORP., MID-TEX DIVISION, FOR
DE NOVO REVIEW OF THE DENIAL
BY THE CITY OF DALLAS OF THE
DALLAS ANNUAL RATE REVIEW
(DARR) TARIFF**

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**HEARINGS DIVISION
GUD No. 10855, CONSOLIDATED**

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

Procedural History

1. Atmos Energy Corp., Mid-Tex 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 ("Commission").
2. On January 15, 2019, Atmos filed its annual rate adjustment pursuant to the Dallas Annual Rate Review Mechanism ("DARR") tariff with the City of Dallas.
3. On May 8, 2019, the Dallas City Council passed Ordinance No. 31207, which denied Atmos' requested DARR rate adjustment.
4. On May 31, 2019, Atmos timely appealed the municipal rate decision with the Commission pursuant to Tex. Util. Code § 103.054. The filing was docketed as GUD No. 10855.
5. On June 13, 2019, the City of Dallas timely filed a Motion to Intervene.
6. On June 14, 2019, the Administrative Law Judge ("ALJ") granted the City of Dallas' Motion to Intervene.
7. No other parties intervened.
8. On June 21, 2019, Atmos agreed to voluntarily extend the deadline for Commission action until December 10, 2019.
9. On July 9, 2019, the rate case expenses portion of GUD No. 10855 were severed into GUD No. 10873.

10. On September 10, 2019, the Notice of Hearing was issued and subsequently was published in *Gas Utilities Information Bulletin No. 1115* on September 13, 2019, in accordance with 16 Tex. Admin. Code § 7.235 (Publication and Service of Notice).
11. On September 16, 2019, Atmos voluntarily extended the deadline for Commission action until December 17, 2019.
12. On September 26, 2019, Atmos and the City of Dallas notified the ALJ that the parties had reached a settlement in principle and requested an abatement of certain briefing and prehearing conference deadlines, which the ALJ granted on September 27, 2019.
13. On October 3, 2019, Atmos and the City of Dallas requested the admission of exhibits supporting the *Unanimous Settlement Agreement* into the evidentiary record and the cancellation of the hearing on the merits scheduled for October 7, 2019. These requests were granted on October 4, 2019, and the docket was processed informally without a hearing.
14. On October 4, 2019, after receipt of the *Unanimous Settlement Agreement* and consistent with the agreement of the parties, the ALJ reconsolidated GUD No. 10873 with GUD No. 10855.
15. A Proposal for Decision ("PFD") was not issued. On October 3, 2019, Atmos and the City of Dallas, by written stipulation, waived the issuance of a PFD pursuant to Tex. Gov't Code § 2001.062 and 16 Tex. Admin. Code § 1.121. The parties acknowledged on October 11, 2019 that they understand a waiver of a PFD also waives their right to file exceptions or replies prior to the issuance of a Commission order and that such a waiver does not waive their right to file a motion for rehearing after the Commission issues this Order.
16. The record closed on November 1, 2019.
17. The deadline for Commission action is December 17, 2019.

Settlement Agreement

18. On October 3, 2019, Atmos and the City of Dallas filed the *Unanimous Settlement Agreement* (the "Settlement") and accompanying documents, which resolved all issues. The exhibits to the Settlement are appended to this Order.
 - a. Attachment 1 contains the tariffs that reflect the rates, terms, and conditions agreed to by the parties. These tariffs replace and supersede the tariffs currently in effect for the City of Dallas.

- b. Attachment 2 is the proof of revenues that illustrate an overall increase above current revenues of \$8.5 million from gas service provided within the City of Dallas.
19. The tariffs in Attachment 1 are premised on the agreed \$8.5 million increase of current annual revenues from customers within the City of Dallas. This is a \$250,000 reduction to the originally proposed \$8.75 million increase as reflected in Attachment 2.
 20. The \$8.5 million revenue increase for the City of Dallas is not tied to any specific expense or capital investment included as part of the underlying system-wide cost of service used to calculate the annual DARR rate adjustment.
 21. The overall base rate revenue for customers within the City of Dallas is \$95,263,741, as established by the Settlement and as reflected in Attachment 2.
 22. Atmos's 2020, 2021, and 2022 annual DARR rate adjustment filings will include a downward adjustment to the otherwise calculated overall, system-wide Test Period – 12 months ending September 30th of each preceding calendar year – cost of service in the amount of \$1.5 million, including revenue related tax.
 23. The rates adopted in this Final Order are effective for bills rendered on and after June 1, 2019.
 24. Any refunds owed to customers for the difference between the rates on Attachment 1 and the rates charged customers between June 1, 2019 and the effective date of the rates from this Final Order will be completed within 60 days of the issuance of the Final Order.

Rate Case Expenses

25. The recovery of reasonable rate case expenses associated with the 2019 DARR filing and Appeal will be reflected in Atmos's 2020 DARR filing.

CONCLUSIONS OF LAW

1. Atmos 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. Under Tex. Util. Code § 103.051 *et seq.*, the Commission has jurisdiction over the appeal of a municipal order establishing gas utility rates.
3. This proceeding was conducted in accordance with the requirements of Tex. Util. Code §§ 103.051 *et seq.* and the Administrative Procedure Act, Tex. Gov't Code §§ 2001.001 *et seq.*

4. Adequate notice was properly provided under Tex. Gov't Code § 2001.051.
5. The overall base rate revenue for customers within the City of Dallas of \$95,263,741 is reasonable and will permit Atmos 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; and otherwise comply with Chapter 104 of the Texas Utilities Code.
6. The rate schedules reflected in this Order in Attachment 1 are consistent with applicable statutory and Commission requirements.

IT IS THEREFORE ORDERED that the proposed rate schedules in Attachment 1 and the proof of revenues in Attachment 2 are hereby **APPROVED**.

IT IS FURTHER ORDERED that the terms of the *Unanimous Settlement Agreement* as set out in this Order are hereby **APPROVED**.

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 by 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 any refunds owed to customers for the difference between the rates on Attachment 1 and the rates charged customers between June 1, 2019, and the effective date of the rates from this Order shall be completed within 60 days of the issuance of this Order.

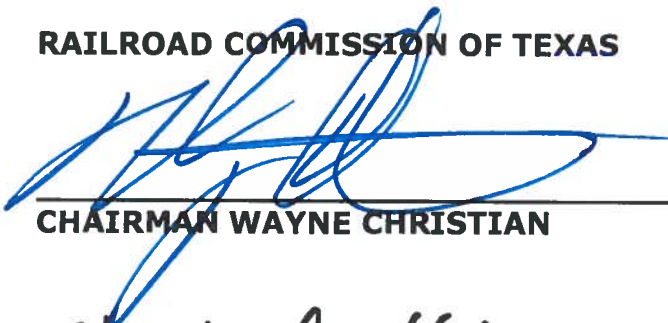
IT IS FURTHER ORDERED that all proposed findings of fact and conclusions of law not specifically adopted in this Order are hereby **DENIED**.

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 on December 17, 2019.

RAILROAD COMMISSION OF TEXAS



CHAIRMAN WAYNE CHRISTIAN



COMMISSIONER CHRISTI CRADDICK



COMMISSIONER RYAN SITTON

ATTEST:



SECRETARY

Deputy

Final Order
GUD No. 10855
Attachment 1
(The Tariffs)

**MID-TEX DIVISION
ATMOS ENERGY CORPORATION**

RRC Tariff No:

RATE SCHEDULE:	R – RESIDENTIAL SALES	
APPLICABLE TO:	Customers within the City of Dallas	
EFFECTIVE DATE:	Bills Rendered on or after	PAGE:

Application

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

Type of Service

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

Monthly Rate

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

Charge	Amount
Customer Charge per Bill	\$ 21.25 per month
Commodity Charge – All Ccf	\$ 0.14351 per Ccf

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

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

Franchise Fee Adjustment: Plus an amount for franchise fees calculated in accordance with Rider FF. Franchise Fees are to be assessed solely to customers within municipal limits. This does not apply to Environs Customers.

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

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

Agreement

An Agreement for Gas Service may be required.

Notice

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

**MID-TEX DIVISION
ATMOS ENERGY CORPORATION**

RRC Tariff No:

RATE SCHEDULE:	C – COMMERCIAL SALES	
APPLICABLE TO:	Customers within the City of Dallas	
EFFECTIVE DATE:	Bills Rendered on or after	PAGE

Application

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

Type of Service

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

Monthly Rate

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

Charge	Amount
Customer Charge per Bill	\$ 44.50 per month
Commodity Charge - All Ccf	\$ 0.08284 per Ccf

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

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

Franchise Fee Adjustment: Plus an amount for franchise fees calculated in accordance with Rider FF. Franchise Fees are to be assessed solely to customers within municipal limits. This does not apply to Environs Customers.

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

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

Agreement

An Agreement for Gas Service may be required.

Notice

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

**MID-TEX DIVISION
ATMOS ENERGY CORPORATION**

RRC Tariff No:

RATE SCHEDULE:	I – INDUSTRIAL SALES	
APPLICABLE TO:	Customers within the City of Dallas	
EFFECTIVE DATE:	Bills Rendered on or after	PAGE

Application

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

Type of Service

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

Monthly Rate

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

Charge	Amount
Customer Charge per Meter	\$ 837.25 per month
First 0 MMBtu to 1,500 MMBtu	\$ 0.2344 per MMBtu
Next 3,500 MMBtu	\$ 0.1709 per MMBtu
All MMBtu over 5,000 MMBtu	\$ 0.0269 per MMBtu

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

Franchise Fee Adjustment: Plus an amount for franchise fees calculated in accordance with Rider FF. Franchise Fees are to be assessed solely to customers within municipal limits. This does not apply to Environs Customers.

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

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

Curtailement Overpull Fee

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

Replacement Index

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

Agreement

An Agreement for Gas Service may be required.

**MID-TEX DIVISION
ATMOS ENERGY CORPORATION****RRC Tariff No:**

RATE SCHEDULE:	I – INDUSTRIAL SALES	
APPLICABLE TO:	Customers within the City of Dallas	
EFFECTIVE DATE:	Bills Rendered on or after	PAGE

Notice

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

Special Conditions

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

**MID-TEX DIVISION
ATMOS ENERGY CORPORATION**

RRC Tariff No:

RATE SCHEDULE:	T – TRANSPORTATION	
APPLICABLE TO:	Customers within the City of Dallas	
EFFECTIVE DATE:	Bills Rendered on or after	PAGE

Application

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

Type of Service

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

Monthly Rate

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

Charge	Amount
Customer Charge per Meter	\$ 837.25 per month
First 0 MMBtu to 1,500 MMBtu	\$ 0.2344 per MMBtu
Next 3,500 MMBtu	\$ 0.1709 per MMBtu
All MMBtu over 5,000 MMBtu	\$ 0.0269 per MMBtu

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

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

Franchise Fee Adjustment: Plus an amount for franchise fees calculated in accordance with Rider FF. Franchise Fees are to be assessed solely to customers within municipal limits. This does not apply to Environs Customers.

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

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

Imbalance Fees

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

Monthly Imbalance Fees

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

MID-TEX DIVISION
ATMOS ENERGY CORPORATION

RRC Tariff No:

RATE SCHEDULE:	T – TRANSPORTATION	
APPLICABLE TO:	Customers within the City of Dallas	
EFFECTIVE DATE:	Bills Rendered on or after	PAGE

Curtailment Overpull Fee

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

Replacement Index

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

Agreement

A transportation agreement is required.

Notice

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

Special Conditions

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

**MID-TEX DIVISION
ATMOS ENERGY CORPORATION**

RIDER:	WNA – WEATHER NORMALIZATION ADJUSTMENT	
APPLICABLE TO:	Customers within the City of Dallas	
EFFECTIVE DATE:	Bills Rendered on or after	PAGE

Provisions for Adjustment

The base rate per Ccf (100 cubic feet) for gas service set forth in any Rate Schedules utilized by the cities of the Mid-Tex Division service area for determining normalized winter period revenues shall be adjusted by an amount hereinafter described, which amount is referred to as the "Weather Normalization Adjustment." The Weather Normalization Adjustment shall apply to all temperature sensitive residential and commercial bills based on meters read during the revenue months of November through April. The regional weather station is Dallas.

Computation of Weather Normalization Adjustment

The Weather Normalization Adjustment Factor shall be computed to the nearest one-hundredth cent per Ccf by the following formula:

$$WNAF_i = R_i \frac{(HSF_i \quad (NDD-ADD) \quad)}{(BL_i \quad + \quad (HSF_i \times ADD) \quad)}$$

Where

- i = any particular Rate Schedule or billing classification within any such particular Rate Schedule that contains more than one billing classification
- $WNAF_i$ = Weather Normalization Adjustment Factor for the i^{th} rate schedule or classification expressed in cents per Ccf
- R_i = base rate of temperature sensitive sales for the i^{th} schedule or classification utilized by the Commission in the Relevant Rate Order.
- HSF_i = heat sensitive factor for the i^{th} schedule or classification divided by the average bill count in that class
- NDD = billing cycle normal heating degree days
- ADD = billing cycle actual heating degree days
- Bl_i = base load sales for the i^{th} schedule or classification divided by the average bill count in that class

The Weather Normalization Adjustment for the j^{th} customer in i^{th} rate schedule is computed as:

$$WNA_i = WNAF_i \times q_{ij}$$

Where q_{ij} is the relevant sales quantity for the j^{th} customer in i^{th} rate schedule.

**MID-TEX DIVISION
ATMOS ENERGY CORPORATION**

RIDER:	WNA – WEATHER NORMALIZATION ADJUSTMENT	
APPLICABLE TO:	Customers within the City of Dallas	
EFFECTIVE DATE:	Bills Rendered on or after	PAGE

Base Use/Heat Use Factors

Weather Station	<u>Residential</u>		<u>Commercial</u>	
	Base use Ccf	Heat use Ccf/HDD	Base use Ccf	Heat use Ccf/HDD
Dallas	13.75	.2208	214.83	1.0478

Final Order
GUD No. 10855
Attachment 2
(Proof of Revenues)

Alamos Energy Corp., Mid-Tex Division
FY2018 DARR Appeal
Proof of Revenues - Rate Strike at \$8.5M

Exhibit B

Line	Residential	Commercial	I&T	Total
1	Bills	240,418	1,200	
2	Volumes, block 1	125,147,154	1,504,565 *	
3	Volumes, block 2		2,132,056 *	
4	Volumes, block 3		4,829,366 *	
5	Annual Rate Change - by Settlement			\$8,500,000
6	Revenue Related Taxes %			6.700%
7	Annual Rate Change - by Settlement net of taxes			\$7,966,281
8	Allocation by Class (Rev Req - GUD 9869)	18.70%	2.30%	
9	Net Rate Change - by Class	\$1,489,836	\$183,578	\$7,966,281
Present Rates:				
10	Customer Charge per Month (1)	\$41.50	\$760.75	
11	Commodity Charge per Ccf, block 1	\$0.07670	\$0.2090 *	
12	Commodity Charge per Ccf, block 2		\$0.1524 *	
13	Commodity Charge per Ccf, block 3		\$0.0240 *	
Proposed Rates:				
14	Customer Charge Component			
15	Proposed Monthly Customer Charge	\$44.50	\$837.25	
16	Change in Monthly Customer Charge	\$3.00	\$76.50	
17	Change in Customer Charge Revenue	\$3,105,107	\$91,800	
		49.34%	50.01%	
18	Commodity Charge Component			
19	Change in Commodity Charge Revenue	\$3,187,759	\$91,778	
20	Change in Commodity Charge per Ccf	\$0.02339	\$0.00614	
21	Proposed Commodity Charge per Ccf, block 1	\$0.14351	\$0.2344 *	
22	Proposed Commodity Charge per Ccf, block 2		\$0.1709 *	
23	Proposed Commodity Charge per Ccf, block 3		\$0.0269 *	
Revenue at Present Rates				
24	Monthly Customer Charges, Line 1 x Line 10	\$9,977,343	\$912,900	\$60,571,957
25	Commodity Charges, Lines 2,3,4 x Lines 11,12,13	\$9,598,787	\$755,284	\$26,725,650
26	Total, excluding Other Revenues	\$19,576,130	\$1,668,184	\$87,297,606
Revenue at Proposed Rates				
28	Monthly Customer Charges, Line 1 x Line 15	\$10,698,597	\$1,004,700	\$64,490,118
29	Commodity Charges, Lines 2,3,4 x Lines 21,22,23	\$10,367,190	\$846,948	\$30,773,623
30	Total, excluding Other Revenues	\$21,065,787	\$1,851,648	\$95,263,741
31	Total Change in Base Revenues	\$6,293,013	\$183,464	\$7,966,134

* - units in mmBtu