

**RAILROAD COMMISSION OF TEXAS
HEARINGS DIVISION**

RATE CASE EXPENSES SEVERED FROM	§	
GUD NO. 10779, CONSOLIDATED,	§	
PETITION FOR DE NOVO REVIEW OF	§	GAS UTILITIES DOCKET
THE DENIAL OF THE STATEMENT OF	§	
INTENT FILED BY ATMOS ENERGY	§	
CORP., MID-TEX DIVISION (ATMOS),	§	NO. 10796
BY THE CITIES OF BALCH	§	
SPRINGS, BANDERA, BELTON, ET AL.	§	

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 Chapter 551 (Open Meetings) of the Texas Government Code. The Railroad Commission of Texas ("Commission") adopts the following findings of fact and conclusions of law and orders as follows:

FINDINGS OF FACT

General

1. This docket is to consider and approve reimbursement of certain rate case expenses associated with the completed GUD No. 10779 rate case and this related docket.

Parties

2. The parties in this proceeding are Atmos Energy Corporation, Mid-Tex Division ("Atmos"), a "gas utility" as defined by GURA Section 101.003, and Atmos Texas Municipalities ("ATM"), a coalition of the forty-seven municipalities.
3. Atmos is a "gas utility" as defined by GURA Section 101.003.

Procedural Background

4. Atmos filed a Statement of Intent ("SOI") with forty-seven cities that included Austin, Balch Springs, Bandera, Belton, Blooming Grove, Burnet, Cameron, Cedar Park, Clifton, Commerce, Copperas Cove, Corsicana, Electra, Fredericksburg, Gatesville, Goldthwaite, Granbury, Greenville, Groesbeck, Hamilton, Heath, Henrietta, Hickory Creek, Hico, Hillsboro, Lampasas, Leander, Longview, Marble Falls, Mart, Mexia, Olney, Pflugerville, Point, Princeton, Ranger, Rice, Riesel, Rockdale, Rogers, Round Rock, San Angelo, Sanger, Somerville, Star Harbor, Trinidad, and Whitney (the "Cities").

5. Following the denial by the forty-seven municipalities of the SOI, Atmos appealed to the Commission and filed three related petitions for *De Novo* review ("Petitions"), which were docketed as follows:
 - a. GUD No. 10779, *Petition for De Novo Review of the Denial of the Statement of Intent filed by Atmos Energy Corp., Mid-Tex Division by the Cities of Balch Springs, Bandera, Belton, et al.*
 - b. GUD No. 10788, *Petition for De Novo Review of the Denial of the Statement of Intent filed by Atmos Energy Corp., Mid-Tex Division by the Cities of Hico, Rogers, and Trinidad.*
 - c. GUD No. 10794, *Petition for De Novo Review of the Denial of the Statement of Intent filed by Atmos Energy Corp., Mid-Tex Division by the City of Clifton.*
6. On December 4, 2018, the Administrative Law Judge (ALJ) consolidated GUD Nos. 10788 and 10794 into GUD No. 10779.
7. ATM intervened and participated in GUD No. 10779.
8. The ALJ severed the issue of rate case expense recovery on December 4, 2018 and docketed it as GUD No. 10796.
9. The completed rate case, GUD No. 10779, was litigated on March 7, 2019.
10. On May 21, 2019, the Commission issued a Final Order in GUD No. 10779.
11. On August 6, 2019, the Commissioners denied ATM's motion for rehearing.
12. On November 5, 2019, Atmos and ATM filed a Unanimous Stipulation and Settlement Agreement ("Settlement") in GUD No. 10796, which resolved all issues among the parties regarding rate case expenses.
13. On December 12, 2019, the Notice of Hearing was issued, setting the hearing on the merits to commence on January 27, 2020 ("Notice of Hearing").
14. On December 13, 2019, the Commission published the Notice of Hearing in *Gas Utilities Information Bulletin No. 1121*.
15. The hearing on the merits was held on January 27, 2020 (the "Hearing").
16. At the Hearing, the Settlement and documents attached to the Settlement were admitted into evidence.

17. On November 5, 2019, Atmos and ATM, by written stipulation, waived the issuance of a Proposal for Decision ("PFD") in this severed docket pursuant to Tex. Gov't Code § 2001.062 and 16 Tex. Admin. Code § 1.121.
18. At the Hearing, Atmos and ATM acknowledged 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.
19. The evidentiary record closed on February 3, 2020.
20. On February 4, 2020, the parties were provided a copy of the Proposed Final Order.

Terms of the Settlement

21. The Settlement resolves all rate case expense issues in a manner consistent with the public interest and represents a just and reasonable compromise and settlement of all rate case expense issues.
22. Atmos's incurred rate case expenses are \$408,534.68.
23. ATM's incurred rate case expenses are \$498,465.40.

Amounts

24. Atmos's and ATM's actual and estimated requested rate case expenses are as follows:

Party	Actual	Estimated	Total
Atmos	\$383,534.68	\$25,000	\$408,534.68
ATM	\$488,465.40	\$10,000	\$498,465.40
TOTAL	\$872,000.08	\$35,000	\$907,000.08

25. In compliance with 16 Tex. Admin. Code § 7.5530(d), Atmos's rate case expenses have been broken down categorically as follows:

Regulatory	Litigation	Estimated	Total
\$55,596.77	\$327,937.91	\$25,000	\$408,534.68

26. Atmos Energy and ATM each provided evidence establishing 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.
27. Atmos's rate case expense amount of \$408,534.68 are reasonable and necessary.
28. ATM's rate case expense amount of \$498,465.40 are reasonable and necessary.
29. Atmos proved by a preponderance of the evidence the reasonableness of its actual and estimated rate case expenses totaling \$408,534.68.
30. ATM proved by a preponderance of the evidence the reasonableness of its actual and estimated rate case expenses totaling \$498,465.40.

Allocation and Surcharge

31. Use of a surcharge is a reasonable mechanism for recovering rate case expenses, and a 12-month recovery period is reasonable in this case.
32. It is reasonable for Atmos to recover rate case expenses totaling \$907,000.08 through rate schedule Rider: SUR-SURCHARGE-GUD No. 10796, which will be applicable to municipal customers within the 47 municipalities impacted by Atmos's Statement of Intent filing. The surcharge tariff is Attachment 1 to this Order.
33. It is reasonable that rate case expenses be allocated in the same proportion as the revenue requirement was allocated to each customer class in GUD No. 10779.
34. The requested monthly rate surcharges indicated below are reasonable:

Rate Schedule	Surcharge
R-Residential	\$ 0.39
C-Commercial	\$ 1.35
I-Industrial	\$27.82
T-Transportation	\$27.82

Compliance

35. Once estimated expenses are known, it is reasonable for Atmos and ATM to provide the Commission's Oversight and Safety Division, invoices with sufficient detail to verify estimated rate case expenses actually incurred, not to exceed \$25,000 for Atmos and \$10,000 for ATM.
36. It is reasonable that Atmos file a Rate Case Expense Compliance Report with the Commission Oversight and Safety Division detailing the monthly collections by customer class and showing the outstanding balance, if any, upon completion of the 12-month recovery.

CONCLUSIONS OF LAW

1. The Commission has jurisdiction over Atmos, which is a gas utility under GURA Section 101.003(7), and the issues in this docket.
2. The Commission has appellate jurisdiction over all Atmos municipal customers within the Cities.
3. Required notices were issued or provided in accordance with the requirement of GURA, Subtitle A (Administrative Procedures and Practice) of the Texas Government Code, and applicable Commission rules.
4. This proceeding was conducted in accordance with the requirements of GURA, Subtitle A (Administrative Procedure and Practice) of the Texas Government Code, and applicable Commission rules.
5. The rate case expense amounts approved herein are reasonable and comply with GURA §§ 103.022(b) and 104.051 and Commission Rule § 7.5530 (Allowable Rate Case Expenses).
6. Allocation of rate case amounts approved herein is reasonable and complies with Commission Rule § 7.5530 (Allowable Rate Case Expenses).
7. Recovery by Atmos via the surcharge tariff described herein is reasonable and complies with Commission Rule § 7.5530 (Allowable Rate Case Expenses).

IT IS THEREFORE ORDERED that all terms of the Settlement as set out in this Order are hereby **APPROVED**.

IT IS FURTHER ORDERED that the Rider SUR-SURCHARGE-GUD No. 10796 is hereby **APPROVED**.

IT IS FURTHER ORDERED that Atmos file a Rate Case Expense Compliance Report with the Commission's Oversight and Safety Division and ATM, detailing recovery of rate case expenses as described in Finding of Fact No. 34 (and shown below) one year from the effective date of this order.

The monthly rate surcharges:

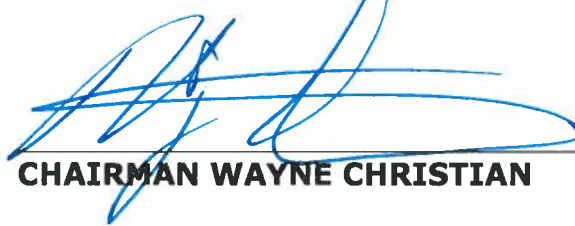
Rate Schedule	Surcharge
R-Residential	\$ 0.39
C-Commercial	\$ 1.35
I-Industrial	\$27.82
T-Transportation	\$27.82

IT IS FURTHER ORDERED that this Order will not be final and effective until 25 days after the Commission's 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 docket prior to being overruled by operation of law is hereby extended until 100 days from the date this Order is signed.

IT IS FURTHER ORDERED that all other motions, requests for entry of specific findings of fact and conclusions of law, and any other requests for general or specific relief, if not specifically granted or approved in this Order, are hereby **DENIED**.

SIGNED on March 4, 2020.

RAILROAD COMMISSION OF TEXAS



CHAIRMAN WAYNE CHRISTIAN



COMMISSIONER CHRISTI CRADDICK



COMMISSIONER RYAN SITTON

ATTEST:



SECRETARY

FINAL ORDER
GUD NO. 10796

ATTACHMENT 1
(Surcharge Tariff)

**MID-TEX DIVISION
ATMOS ENERGY CORPORATION**

RIDER:	SUR – SURCHARGES – GUD 10796	
APPLICABLE TO:	ALL CUSTOMERS IN THE MID-TEX DIVISION IN THE ATMOS TEXAS MUNICIPALITIES COALITION (“ATM”)	
EFFECTIVE DATE:	Bills Rendered on or after	

Application

The Rate Case Expense Surcharge (RCE) rate as set forth below is pursuant to the Final Order in GUD No. 10796. This monthly rate shall apply to residential, commercial, industrial and transportation rate classes of Atmos Energy Corporation’s Mid-Tex 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. 10796. This rider is subject to all applicable laws and orders, and the Company’s rules and regulations on file with the regulatory authority. This surcharge is for rate case expenses incurred in GUD No. 10779.

Monthly Calculation

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

Rate Schedule	ATM Coalition
R – Residential Sales	\$0.39
C – Commercial Sales	\$1.35
I – Industrial Sales	\$27.82
T - Transportation	\$27.82