

**BEFORE THE
RAILROAD COMMISSION OF TEXAS**

STATEMENT OF INTENT OF ATMOS	§	
ENERGY CORPORATION, WEST	§	Gas Utilities Docket No. 10900,
TEXAS DIVISION TO ESTABLISH	§	<i>Consolidated</i>
COST-BASED RATES FOR THE	§	HEARINGS DIVISION
TRIANGLE DISTRIBUTION SYSTEM	§	

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.* (Supp.). 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" or the "Company") 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 September 27, 2019, Atmos filed a Statement of Intent to Establish Cost-Based Rates for the Triangle Distribution System ("SOI") with the Commission. That filing was docketed as GUD No. 10900.
3. On October 22, 2019, the Commission suspended the implementation of Atmos's proposed rates for 150 days.
4. On October 21, 2019, Atmos provided direct mail notice of its SOI to all affected customers in accordance with Gas Utilities Regulatory Act ("GURA") Section 104.103(a) and Commission Rule §§ 7.230 and 7.235.
5. The form of notice meets the statutory and rule requirements and provides sufficient information to ratepayers regarding the rate request in accordance with GURA Section 104.103(a) and Commission Rule §§ 7.230 and 7.235.
6. On September 27, 2019, Commission Staff ("Staff") moved to intervene, and the presiding Administrative Law Judge ("ALJ") granted the motion on October 7, 2019.
7. The cities of Abernathy, Amherst, Anton, Big Spring, Bovina, Brownfield, Buffalo Springs, Canyon, Coahoma, Crosbyton, Dimmitt, Earth, Edmonson, Floydada, Forsan, Fritch, Friona, Hale Center, Happy, Hart, Hereford, Idalou, Kress, Lake Tanglewood, Lamesa, Levelland, Littlefield, Lockney, Lorenzo, Los Ybanez, Meadow, Midland, Muleshoe, Nazareth, New Deal, New Home, Odessa, O'Donnell, Olton, Opdyke West, Palisades, Pampa, Panhandle, Petersburg, Plainview, Post, Quitaque, Ralls, Ransom Canyon, Ropesville, Sandford,

- Seagraves, Seminole, Shallowater, Silvertown, Slaton, Smyer, Springlake, Stanton, Sudan, Tahoka, Timbercreek Canyon, Tulia, Turkey, Vega, Village of Tanglewood, Village of Timbercreek, Wellman, Wilson, and Wolfforth collectively moved to intervene on October 9, 2019; the cities of Lamesa, Littlefield, Olton, and Ralls collectively moved to intervene on October 22, 2019.¹ The ALJ granted these motions on October 14, 2019, and on December 18, 2019, respectively. Collectively, these municipalities are referred to as the Steering Committee of Cities Served by Atmos West Texas ("West Texas Cities").
8. On October 16, 2019, the ALJ severed consideration of rate case expenses into GUD No. 10907, *Rate Case Expenses Severed from GUD No. 10900, Statement of Intent of Atmos Energy Corporation, West Texas Division, to Establish Cost-Based Rates for the Triangle Distribution System*. This severed docket later was re-consolidated with the main GUD No. 10900 docket.
 9. Contemporaneous with the SOI filed with the Commission, Atmos filed local Statement of Intent filings with the Cities of Hereford and Lubbock. The City of Hereford denied Atmos's proposed rate change, and subsequently Atmos filed a petition for review, which was docketed as GUD No. 10915, *Petition for De Novo Review filed by Atmos Energy Corporation, West Texas Division, of the Municipal Rate Decision of the City of Hereford*.²
 10. On November 21, 2019, the ALJ granted Atmos's motion to consolidate the GUD No. 10915 appeal with GUD No. 10900, finding that the two dockets involve identical issues of fact and law.
 11. On December 18, 2019, Atmos notified the ALJ that the parties had reached a settlement in principle and requested abatement of all procedural deadlines.
 12. On January 22, 2020, the parties filed the Unanimous Settlement Agreement and accompanying documents, which resolved all issues and no issues were preserved for further litigation (the "Settlement"). Exhibits A, B, and C to the Settlement are attached to this Order as Attachment 1.
 13. The Triangle Distribution System ("Triangle System") for which Atmos seeks to establish cost-based rates was acquired by Atmos from ONEOK WestTex Transmission, L.P., in 2003.
 14. Following the purchase, Atmos timely reported the acquisition to the Commission and the filing was docketed as GUD No. 9472, *Application of ONEOK WestTex Transmission, L.P. for Review of the Sale of Assets of the Triangle Located in Various Counties in Texas*.

¹ The cities of Abernathy, Canyon, Crosbyton, Dimmitt, Hereford, Levelland, Midland, Muleshoe, Pampa, Panhandle, Plainview, Seminole, Shallowater, Silvertown, Sudan, Tahoka, Timbercreek Canyon, Village of Tanglewood, Wellman, and Wilson filed a second motion to intervene on December 10, 2019.

² The City of Lubbock took no action on Atmos's filing.

15. In GUD No. 9472, the Commission reserved consideration of the public interest determination to the next rate case affecting the assets.
16. This is the first cost of service rate case involving the Triangle System since it was acquired by Atmos.
17. Atmos established that its acquisition of the Triangle System was—and is—in the public interest.
18. Atmos established that it maintains its books and records in accordance with the Federal Energy Regulatory Commission's ("FERC") Uniform System of Accounts prescribed for Natural Gas Companies.
19. 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.
20. The test year in this filing is based upon financial data for the 12-month period ending March 31, 2019, adjusted for known and measurable changes.
21. Since its acquisition of the Triangle System, Atmos has applied a market-based uniform "postage stamp" rate per MMBtu for transportation services provided on the Triangle System.
22. In this proceeding Atmos requests that the Commission establish a cost-of-service rate and tariff for the Triangle System that would be applicable to all customers that receive transportation service on the Triangle System, except those in competitive situations.
23. The cost of service rate established in this proceeding shall be recovered from WTX Distribution, other local distribution companies ("LDCs"), and marketers taking transportation service who are in non-competitive situations.
24. Consistent with the Settlement, it is reasonable that the Triangle System be treated as a natural gas distribution system for ratemaking purposes.
25. The Settlement provides for an overall revenue requirement for the Triangle System of \$7,681,934—a decrease of \$300,000 from the current revenue.
26. Atmos established that the revenue requirement under the Settlement is just and reasonable and that capital investment made in the Triangle System through March 31, 2019, is prudent, used and useful, and just and reasonable.
27. Depreciation rates approved by the Commission in GUD No. 10743, *Statement of Intent filed by Atmos Energy Corp. to Change Gas Utility Rates Within the Unincorporated Areas Served by its West Texas Division*, also are lawful and appropriate for the Triangle System assets.

28. A City Gate/Transportation Charge of \$0.38152 per MMBtu, as shown in Attachment 1 to this Order, is just and reasonable and should be adopted for all Triangle System customers who are not subject to competitive market-based rates.
29. Until changed by a subsequent rate proceeding, the following capital structure, cost of debt, cost of equity, weighted cost of capital, and overall rate of return are just and reasonable and should be used in future Interim Rate Adjustment ("IRA") filings made pursuant to GURA Section 104.301 for the Triangle System:

Class of Capital	Percent	Cost	After Tax Weighted Cost of Capital	Pre-Tax Weighted Cost of Capital
Long-Term Debt	39.88%	4.57%	1.82%	1.82%
Common Equity	60.12%	9.80%	5.89%	7.46%
Weighted Average Cost of Capital	100.00%		7.71%	9.28%

30. Consistent with the Settlement, it is just and reasonable to require that any future IRA adjustments for the Triangle System use the following factors until changed by a subsequent rate proceeding.
- The capital structure and related components as shown in Finding of Fact No. 29.
 - For any initial IRA filing, the system-wide net plant in service amount in the Triangle System shall be \$46,252,340 as presented in Exhibit C to Settlement.
 - For any initial IRA filing and for any subsequent IRA filings, the depreciation rate for each account shall be those shown in Exhibit C to the Settlement.
 - For any initial IRA filing, the charge as shown in Finding of Fact No. 28 above will be the starting rate to which any IRA adjustment is applied.
 - 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.
 - Any change in IRA increase/decrease may be recovered from Triangle System customers as an increase/decrease to the City Gate/Transportation charge.
31. The revenue requirement set forth in the Settlement reflects a corporate income tax rate of 21 percent, which is consistent with the changes to the Federal Tax Code resulting from the Tax Cuts and Jobs Act of 2017.
32. Atmos has fully complied with all requirements set forth in the GUD No. 10695 Accounting Order (Feb. 27, 2018) and Order Nunc Pro Tunc (March 20, 2018).

33. Atmos demonstrated that no future litigation regarding Excess Deferred Income Taxes ("EDIT") is required for Triangle System assets.
34. Insurance services required by Atmos are acquired from Blueflame, a wholly owned subsidiary of Atmos Energy Corporation, that provides insurance for all of the Atmos Energy Corporation divisions, including the West Texas Division.
35. All the Triangle System property, plant, and equipment are covered through property insurance provided by Blueflame.
36. Insurance services provided by Blueflame are at cost and without markup.
37. The cost of insurance coverage is allocated among the Atmos Energy Corporation divisions and subsidiaries based upon the annual plant balance.
38. Atmos has established that the rate of insurance included in its filing is just and reasonable and consistent with GURA Section 104.055(b)(1).
39. It is reasonable that Atmos establish a System Safety and Integrity ("SSI") Regulatory Asset to track third party operations and maintenance ("O&M") expenses associated with facility reclassification or other activities necessary to comply with state or federal regulations relating to natural gas pipeline safety and integrity.
40. Atmos's request for an SSI Regulatory Asset is a reasonable and necessary method to recover the costs associated with system safety and integrity management activities.
41. It is reasonable that the SSI Regulatory Asset baseline level of third-party SSI costs approved in the case shall total \$143,000 as reflected in the Settlement.
42. It is reasonable that Atmos file an annual compliance filing with Commission Staff detailing any increase or decrease above or below the benchmark amount of \$143,000 for the Triangle System, set in this docket, for third party system safety and integrity expenses within 90 days after each calendar year end.
43. Consistent with the Settlement, the below rate case expense amounts—reflecting expenses actually incurred by Atmos through January 15, 2020, along with estimated expenses to complete this docket—are reasonable and recoverable by Atmos:

Required Regulatory Expenses	Litigation Expenses	Estimate to Completion	Total
\$90,926.11	\$20,164.30	\$25,000	\$136,090.41

44. It is reasonable that Atmos submit to Commission 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. Only expenses actually incurred by Atmos shall be recoverable, consistent with the above amounts.
45. It is reasonable that Atmos file an annual Rate Case Expense Compliance Filing with Commission 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 90 days after each calendar year end until and including the calendar year end in which the rate case expenses are fully recovered.
46. As reflected in the Settlement, it is reasonable to require Atmos to file a system-wide Statement of Intent to change rates for the incorporated and unincorporated areas of its West Texas Division no later than November 1, 2024, and to require Atmos to include the Triangle System in the requested cost of service.
47. The Settlement provides that if prior to November 1, 2024, Atmos files a Statement of Intent to change rates of the Triangle System, Atmos shall include as part of the filing a one-time amortized adjustment to the calculated overall, system-wide Test Period cost of service. The beginning balance of the one-time amortized adjustment shall be \$1.4 million, effective February 1, 2020, and shall be downwardly adjusted on a monthly pro-rata basis to reflect the number of months between the date rates become effective as a result of the filing and November 1, 2024. This agreement is reasonable.
48. The Settlement provides that Atmos shall reimburse the West Texas Cities for their actual rate case expenses—totaling no more than \$60,000—within 30 days of receiving supporting invoices. Atmos will not seek to recover rate case expenses from Triangle System customers associated with amounts incurred by West Texas Cities. This agreement is reasonable.
49. Consistent with the Settlement, a 12-month recovery period for the applicable surcharge for recovery by Atmos of its actually-incurred rate case expenses is reasonable.
50. The tariffs attached to this Order are just and reasonable.

CONCLUSIONS OF LAW

1. Atmos is a gas utility as defined in GURA Sections 101.003(7) and 121.001 and is therefore subject to the jurisdiction of the Commission.
2. Under GURA Section 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.
3. The Commission has jurisdiction over Atmos's SOI under GURA Sections 102.001, 104.001, and 104.201.
 4. Under GURA Section 102.051(a), not later than the 60th day after the date a transaction takes effect, a gas utility shall report to the Commission a sale, acquisition, or lease of a plant as an operating unit or system in this State for a total consideration of more than \$1 million. On the filing of a report, the Commission shall investigate the transaction to determine whether the action is consistent with the public interest. Under GURA Section 102.051(b), in reaching its determination, the Commission shall consider the reasonable value of the property, facility or securities to be acquired.
 5. Based upon the Findings of Fact enumerated above, the acquisition of the Triangle System by Atmos is in the public interest.
 6. This proceeding was conducted in accordance with the requirements of GURA and Texas Government Code.
 7. GURA Section 104.107 authorizes the Commission to suspend the operation of the schedule of proposed rates for 150 days from the date the schedule would otherwise go into effect.
 8. Proper notice was given consistent with GURA Section 104.103 and Commission Rule §§ 7.230 and 7.235.
 9. Atmos filed its SOI in accordance with GURA Section 104.102 and Commission Rule §§ 7.205 and 7.210.
 10. Atmos established that its books and records conform with Commission Rule § 7.310 and therefore Atmos is entitled to the presumption that the amounts included therein are reasonable and necessary in accordance with Commission Rule § 7.503.
 11. The Triangle System shall be treated as a natural gas distribution system for ratemaking purposes.
 12. 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 GURA Section 101.002, *et seq.*
 13. The overall revenues as established by the findings of fact herein and attached schedules are reasonable; fix an overall level of revenues that 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 GURA Section 104.051, and otherwise comply with GURA Chapter 104.
14. 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 GURA Section 104.052.
 15. The rates established in this docket comport with the requirements of GURA Section 104.053 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.
 16. The rates established in this docket comply with the affiliate transaction standard set out in GURA Section 104.055.
 17. Atmos has complied with all requirements set forth in the GUD No. 10695 Accounting Order (Feb. 27, 2018) and Order Nunc Pro Tunc (March 20, 2018) and there shall be no future litigation regarding EDIT for Triangle System assets.
 18. Capital investment in the Triangle System through March 31, 2019, is reasonable and prudent and consistent with GURA Chapter 104 and Commission Rule § 7.7101.
 19. The SSI Regulatory Asset shall include third-party O&M expenses incurred for activities resulting from state or federal statutes or regulatory agency rules and regulations, including: 49 C.F.R. Part 192; the rules and regulation of the Commission and Pipeline Hazardous Materials Safety Administration ("PHMSA"); other PHMSA rules or advisories regarding programs or activities related to compliance with 49 C.F.R. Part 192; Standards and Recommended Practices issued by PHMSA and recognized standards developing organizations; and other municipal state or federal statutes, rules or regulations regarding natural gas pipeline safety and integrity management.
 20. An overall revenue requirement of \$7,681,934 for the Triangle System is just and reasonable and permits Atmos a reasonable opportunity to earn a reasonable return on its invested capital used and useful in providing service to the public in excess of its reasonable and necessary operating expenses.
 21. In accordance with Commission Rule § 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 Commission Rule § 7.315 to file electronic tariffs incorporating rates consistent with this Order within 30 days of the date of this Order.

IT IS THEREFORE ORDERED that the proposed schedule of rates under the Settlement 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. 30 are **APPROVED**.

IT IS FURTHER ORDERED that Atmos shall file an annual compliance filing with Commission Staff detailing any increase or decrease above or below the benchmark amount of \$143,000 for the Triangle System, set in this docket, for third-party system safety and integrity expenses within 90 days after each calendar year end.

IT IS FURTHER ORDERED that Atmos shall file an annual Rate Case Expense Compliance Filing with Commission Staff detailing recovery of the rate case expense amounts approved herein within 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 Atmos shall file a system-wide Statement of Intent to change rates for the unincorporated areas of its West Texas Division no later than November 1, 2024, and include the Triangle System in the requested cost of service.

IT IS FURTHER ORDERED that the Settlement is hereby **APPROVED**.

IT IS FURTHER ORDERED that within 30 days of this Order, in accordance with Commission Rule § 7.315, Atmos shall electronically file its rate schedules in proper form that accurately reflect the rates approved herein.

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 Commission Rule § 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 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.

SIGNED this 21st day of April, 2020.

RAILROAD COMMISSION OF TEXAS

DocuSigned by:
Wayne Christian
01272884118427

CHAIRMAN WAYNE CHRISTIAN

DocuSigned by:
Christi Craddick
010348701400424

COMMISSIONER CHRISTI CRADDICK

DocuSigned by:
Ryan Sitton
011890784274420

COMMISSIONER RYAN SITTON

ATTEST:

DocuSigned by:
Callie Farrar
0135810800E0E0478

SECRETARY

Final Order
GUD No. 10900, *consol.*

ATTACHMENT 1

(Settlement Exhibits A, B, and C)

**TRIANGLE DIVISION
ATMOS ENERGY CORPORATION**

RATE SCHEDULE:	CITY GATE / TRANSPORTATION SERVICE	
APPLICABLE TO:	ALL AREAS IN THE TRIANGLE DISTRIBUTION SYSTEM	
EFFECTIVE DATE:	Bills Rendered on and 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., West Texas Division's Triangle 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 or Local Distribution Companies City Gate.

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 MMBtu charges to the amounts and quantities due under the riders listed below:

Charge	Amount
City Gate / Transportation Charge per MMBtu ¹	\$ 0.38152

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

Fuel Reimbursement charge (L&U): will be applied per MMBtu and described within each customers City Gate / Transportation agreement.

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

Pipeline Safety Fee: The billing shall reflect adjustments in accordance with the provisions of the Pipeline Safety Fee Rider.

Franchise Fee Adjustment: The billing shall reflect adjustments in accordance with the provisions of the Franchise Fee Adjustment Rider.

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

Conversion rate: Multiply MMBtu by 0.9756

Notes:

¹Per GUD No. 10900.

**TRIANGLE DIVISION
ATMOS ENERGY CORPORATION**

RATE SCHEDULE:	CITY GATE / TRANSPORTATION SERVICE	
APPLICABLE TO:	ALL AREAS IN THE TRIANGLE DISTRIBUTION SYSTEM	
EFFECTIVE DATE:	Bills Rendered on and after	PAGE:

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 may only be aggregated between multiple Transportation Agreements by mutual agreement of the Company and the Customer(s) 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". Such a fee shall not be less than zero.

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. Such a fee shall not be less than zero.

Agreement

A city gate / 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 city gate / 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 including materials, supplies, labor and overhead.

**TRIANGLE DIVISION
ATMOS ENERGY CORPORATION**

Exhibit A
Page 3 of 7

RATE SCHEDULE:	SUR - SURCHARGES	
APPLICABLE TO:	ALL AREAS IN THE TRIANGLE DISTRIBUTION SYSTEM	
EFFECTIVE DATE:	Bills Rendered on and after	PAGE:

Application

The Rate Case Expense Surcharge (RCE) rate as set forth below is pursuant to the Final Order in GUD No. 10900. This monthly rate shall apply to city gate and transportation class of Atmos Energy Corp., West Texas Divisions' Triangle Distribution System Service area in the 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. 10900. This rider is subject to all applicable laws and orders, and the Company's rules and regulations on file with the regulatory authority.

Monthly Surcharge Calculation

Monthly surcharges will be calculated based on the weighted volumetric usage of each customer taking service under Rate Schedule City Gate/Transportation Service.

This surcharge will be in effect until all approved and expended rate case expenses are recovered under the applicable rate schedule. Atmos Energy Corp., West Texas Division's Triangle Distribution System will recover \$111,090.41 in actual expense and up to \$25,000 in estimated expense, not to exceed actual expense. The Rate Case Expense Surcharge will be a separate line item on the bill.

Compliance

The Company shall file an annual rate case expense reconciliation report 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. The Company shall file the report with the Commission addressed to the Director of Oversight and Safety Division, Gas Services Department and referencing Gas Utilities Docket No. 10900 Rate Case Expense Recovery Report. The report shall detail the monthly collections for the rate case expense surcharge by customer and show the outstanding balance. Reports for the Commission should be filed electronically at GUD_Compliance@rrc.texas.gov or at the following address:

Compliance Filing
Director of Oversight and Safety Division
Gas Services Dept.
Railroad Commission of Texas
P.O. Box 12967
Austin, TX 78711-2967

**TRIANGLE DIVISION
ATMOS ENERGY CORPORATION**

RIDER:	FF – FRANCHISE FEE ADJUSTMENT	
APPLICABLE TO:	ALL AREAS IN THE TRIANGLE DISTRIBUTION SYSTEM	
EFFECTIVE DATE:	Bills Rendered on and after	PAGE:

Application

Applicable to Customers inside the corporate limits of an incorporated municipality that imposes a municipal franchise fee upon Company for the Gas Service provided to Customer. Franchise Fees to be assessed solely to customers within the municipal limits. This does not apply to Environs customers.

Monthly Adjustment

Company will adjust Customer's bill each month in an amount equal to the municipal franchise fees payable for the Gas Service provided to Customer by Company. Municipal franchise fees are determined by each municipality's franchise ordinance. Each municipality's franchise ordinance will specify the percentage and applicability of franchise fees.

From time to time, Company will make further adjustments to Customer's bill to account for any over- or under-recovery of municipal franchise fees by Company.

**TRIANGLE DIVISION
ATMOS ENERGY CORPORATION**

	PIPELINE SAFETY FEE	
APPLICABLE TO:	TRIANGLE DISTRIBUTION SYSTEM	
EFFECTIVE DATE:		PAGE:

- Title 16 Economic Regulation
- Part 1 Railroad Commission Of Texas
- Chapter 8 Pipeline Safety Regulations
- Subchapter C Requirements For Natural Gas Pipelines Only

Rule 58.201 Pipeline Safety Program Fees

a) Application of fees. Pursuant to Texas Utilities Code, §121.211, the Commission establishes a pipeline safety and regulatory program fee, to be assessed annually against operators of natural gas distribution pipelines and pipeline facilities and natural gas master metered pipelines and pipeline facilities subject to the Commission's jurisdiction under Texas Utilities Code, Title 3. The total amount of revenue estimated to be collected under this section does not exceed the amount the Commission estimates to be necessary to recover the costs of administering the pipeline safety and regulatory programs under Texas Utilities Code, Title 3, excluding costs that are fully funded by federal sources for any fiscal year.

(b) Natural gas distribution systems. The Commission hereby assesses each operator of a natural gas distribution system an annual pipeline safety and regulatory program fee of \$1.00 for each service (service line) in service at the end of each calendar year as reported by each system operator on the U.S. Department of Transportation (DOT) Gas Distribution Annual Report, Form PHMSA F7100.1-1 due on March 15 of each year.

- (1) Each operator of a natural gas distribution system shall calculate the annual pipeline safety and regulatory program total to be paid to the Commission by multiplying the \$1.00 fee by the number of services listed in Part B, Section 3, of Form PHMSA F7100.1-1, due on March 15 of each year.
- (2) Each operator of a natural gas distribution system shall remit to the Commission on March 15 of each year the amount calculated under paragraph (1) of this subsection.
- (3) Each operator of a natural gas distribution system shall recover, by a surcharge to its existing rates, the amount the operator paid to the Commission under paragraph (1) of this subsection. The surcharge:
 - (A) shall be a flat rate, one-time surcharge;
 - (B) shall not be billed before the operator remits the pipeline safety and regulatory program fee to the Commission;
 - (C) shall be applied in the billing cycle or cycles immediately following the date on which the operator paid the Commission;
 - (D) shall not exceed \$1.00 per service or service line; and
 - (E) shall not be billed to a state agency, as that term is defined in Texas Utilities Code, §101.003.
- (4) No later than 90 days after the last billing cycle in which the pipeline safety and regulatory program fee surcharge is billed to customers, each operator of a natural gas distribution system shall file with the Commission's Gas Services Division and the Pipeline Safety Division a report showing:
 - (A) the pipeline safety and regulatory program fee amount paid to the Commission;
 - (B) the unit rate and total amount of the surcharge billed to each customer;
 - (C) the date or dates on which the surcharge was billed to customers; and
 - (D) the total amount collected from customers from the surcharge.

**TRIANGLE DIVISION
ATMOS ENERGY CORPORATION**

	PIPELINE SAFETY FEE	
APPLICABLE TO:	TRIANGLE DISTRIBUTION SYSTEM	
EFFECTIVE DATE:		PAGE:

- (5) Each operator of a natural gas distribution system that is a utility subject to the jurisdiction of the Commission pursuant to Texas Utilities Code, Chapters 101 - 105, shall file a generally applicable tariff for its surcharge in conformance with the requirements of §7.315 of this title, relating to Filing of Tariffs.
 - (6) Amounts recovered from customers under this subsection by an investor-owned natural gas distribution system or a cooperatively owned natural gas distribution system shall not be included in the revenue or gross receipts of the system for the purpose of calculating municipal franchise fees or any tax imposed under Subchapter B, Chapter 182, Tax Code, or under Chapter 122, nor shall such amounts be subject to a sales and use tax imposed by Chapter 151, Tax Code, or Subtitle C, Title 3, Tax Code.
- (c) Natural gas master meter systems. The Commission hereby assesses each natural gas master meter system an annual pipeline safety and regulatory program fee of \$100 per master meter system.
- (1) Each operator of a natural gas master meter system shall remit to the Commission the annual pipeline safety and regulatory program fee of \$100 per master meter system no later than June 30 of each year.
 - (2) The Commission shall send an invoice to each affected natural gas master meter system operator no later than April 30 of each year as a courtesy reminder. The failure of a natural gas master meter system operator to receive an invoice shall not exempt the natural gas master meter system operator from its obligation to remit to the Commission the annual pipeline safety and regulatory program fee on June 30 each year.
 - (3) Each operator of a natural gas master meter system shall recover as a surcharge to its existing rates the amounts paid to the Commission under paragraph (1) of this subsection.
 - (4) No later than 90 days after the last billing cycle in which the pipeline safety and regulatory program fee surcharge is billed to customers, each natural gas master meter system operator shall file with the Commission's Gas Services Division and the Pipeline Safety Division a report showing:
 - (A) the pipeline safety and regulatory program fee amount paid to the Commission;
 - (B) the unit rate and total amount of the surcharge billed to each customer;
 - (C) the date or dates on which the surcharge was billed to customers; and
 - (D) the total amount collected from customers from the surcharge.
- (d) Late payment penalty. If the operator of a natural gas distribution system or a natural gas master meter system does not remit payment of the annual pipeline safety and regulatory program fee to the Commission within 30 days of the due date, the Commission shall assess a late payment penalty of 10 percent of the total assessment due under subsection (b) or (c) of this section, as applicable, and shall notify the operator of the total amount due to the Commission.

**TRIANGLE DIVISION
ATMOS ENERGY CORPORATION**Exhibit A
Page 7 of 7

	PIPELINE SAFETY FEE	
APPLICABLE TO:	TRIANGLE DISTRIBUTION SYSTEM	
EFFECTIVE DATE:		PAGE:

Source Note: The provisions of this §8.201 adopted to be effective September 8, 2003, 28 TexReg 7682; amended to be effective November 24, 2004, 29 TexReg 10733; amended to be effective May 15, 2005, 30 TexReg 2849; amended to be effective December 19, 2005, 30 TexReg 8428; amended to be effective April 18, 2007, 32 TexReg 2136; amended to be effective November 12, 2007, 32 TexReg 8121; amended to be effective September 21, 2009, 34 TexReg 6446; amended to be effective August 30, 2010, 35 TexReg 7743; amended to be effective November 14, 2011, 36 TexReg 7663 ; amended to be effective November 11, 2013, 38 TexReg 7947

**ATMOS ENERGY CORPORATION
WEST TEXAS TRIANGLE STATEMENT OF INTENT
PROOF OF REVENUES
TEST YEAR ENDING MARCH 31, 2019**

Line No.	Description (a)	Current Revenue (b)	Proposed Revenue (c)	Total Change (d)	Percent Change (e)
1	City Gate and Transportation				
2					
3	<u>Rate Characteristics:</u>				
4	Consumption Charge (\$/MMBtu)	\$ 0.39840	\$ 0.38152		
5					
6	Number of Customers	10	10		
7					
8	Volumes (MMBtu)	17,776,148	17,776,148		
9					
10	City Gate and Transportation Revenue	\$ 7,082,018	\$ 6,782,017	\$ (300,000)	-4.24%
11	Other Revenue (Negotiated Contracts)	899,917	899,917	\$ -	0.00%
12	Total Base Revenue	\$ 7,981,935	\$ 7,681,934	\$ (300,000)	-3.76%

**ATMOS ENERGY CORPORATION
WEST TEXAS TRIANGLE STATEMENT OF INTENT
NET PLANT AND DEPRECIATION RATES BY ACCOUNT
PER TEXAS UTILITIES CODE SECTION 104.301
TEST YEAR ENDING MARCH 31, 2019**

Line No.	Utility Account	Account Description	Plant Balance	Accumulated Depreciation	Net Plant	Depreciation Rate
	(a)	(b)	(c)	(d)	(e) = (c) - (d)	(f)
17	<u>WTX General Office (Div 010):</u>					
18	<u>General Plant</u>					
19	389.00	Land and Land Rights	\$ 22,022	\$ -	\$ 22,022	0.00%
20	390.00	Structures and Improvements	207,086	28,938	178,148	3.36%
21	391.00	Office Furniture and Equipment	25,623	7,554	18,069	8.28%
22	392.00	Transportation Equipment	1,958	824	1,134	3.10%
23	394.00	Tools, Shop, and Garage Equipment	16,976	1,918	15,058	7.07%
24	397.00	Communication Equipment	11,048	7,537	3,511	19.12%
25	397.01	Mobile Radios	1,459	1,116	343	19.12%
26	397.05	Telemetry Equipment	409	156	253	19.12%
27	398.00	Miscellaneous Equipment	58,704	25,623	33,081	10.45%
28	399.01	Servers Hardware	893	(1,301)	2,193	18.62%
29	399.03	Network Hardware	6,136	2,641	3,494	14.29%
30	399.06	PC Hardware	184,155	56,409	127,747	19.62%
31	399.07	PC Software	21,715	20,046	1,669	23.19%
32	RWIP	Retirement Work in Progress	-	2,115	(2,115)	
33		Total WTX General Office	<u>\$ 558,184</u>	<u>\$ 153,577</u>	<u>\$ 404,606</u>	
34						
35		Total WTX Triangle Direct	<u>\$ 49,096,884</u>	<u>\$ 3,121,558</u>	<u>\$ 45,975,326</u>	
36						

**ATMOS ENERGY CORPORATION
WEST TEXAS TRIANGLE STATEMENT OF INTENT
NET PLANT AND DEPRECIATION RATES BY ACCOUNT
PER TEXAS UTILITIES CODE SECTION 104.301
TEST YEAR ENDING MARCH 31, 2019**

Line No.	Utility Account	Account Description	Plant Balance	Accumulated Depreciation	Net Plant	Depreciation Rate
	(a)	(b)	(c)	(d)	(e) = (c) - (d)	(f)
37	<u>SSU General Office (Div 002):</u>					
38	<u>General Plant</u>					
39	390.00	Structures and Improvements	\$ 4,607	\$ 1,721	\$ 2,886	3.34%
40	390.09	Improvements to Leased Premises	28,014	28,018	(4)	4.06%
41	391.00	Office Furniture and Equipment	16,090	6,297	9,792	4.03%
42	392.00	Transportation Equipment	23	19	4	10.32%
43	394.00	Tools, Shop, and Garage Equipment	248	123	125	8.88%
44	397.00	Communication Equipment	3,392	1,891	1,501	5.54%
45	398.00	Miscellaneous Equipment	446	158	288	1.72%
46	399.00	Other Tangible Property	-	5	(5)	13.84%
47	399.01	Servers Hardware	68,299	14,202	54,097	8.62%
48	399.02	Servers Software	25,329	22,101	3,228	8.78%
49	399.03	Network Hardware	15,096	8,607	6,489	8.72%
50	399.06	PC Hardware	6,992	321	6,671	8.78%
51	399.07	PC Software	4,922	1,050	3,872	6.64%
52	399.08	Application Software	237,652	105,978	131,674	6.57%
53	399.09	System Software	-	22	(22)	10.32%
54		Total SSU General Office	<u>\$ 411,109</u>	<u>\$ 190,513</u>	<u>\$ 220,596</u>	
55						
56	<u>SSU Greenville Data Center (Div 002):</u>					
57	<u>General Plant</u>					
58	390.05	Structures and Improvements	\$ 11,356	\$ 4,723	\$ 6,634	3.34%
59	391.04	Office Furniture and Equipment	88	42	46	4.03%
60		Total SSU Greenville Data Center	<u>\$ 11,444</u>	<u>\$ 4,764</u>	<u>\$ 6,680</u>	
61						

**ATMOS ENERGY CORPORATION
WEST TEXAS TRIANGLE STATEMENT OF INTENT
NET PLANT AND DEPRECIATION RATES BY ACCOUNT
PER TEXAS UTILITIES CODE SECTION 104.301
TEST YEAR ENDING MARCH 31, 2019**

Line No.	Utility Account	Account Description	Plant Balance	Accumulated Depreciation	Net Plant	Depreciation Rate
(a)	(b)		(c)	(d)	(e) = (c) - (d)	(f)
62	<u>SSU Distribution & Marketing (Div 002):</u>					
63	<u>General Plant</u>					
64	390.20	Structures and Improvements	\$ 9	\$ 0	\$ 9	3.34%
65	390.29	Improvements to Leased Premises	212	2	211	4.06%
66	391.20	Office Furniture and Equipment	776	366	410	4.03%
67	394.20	Tools, Shop, and Garage Equipment	-	2	(2)	8.88%
68	397.20	Communication Equipment	36	17	19	5.54%
69	398.20	Miscellaneous Equipment	30	4	26	1.72%
70	399.21	Servers Hardware	4,386	1,650	2,737	8.62%
71	399.22	Servers Software	6,029	2,098	3,931	8.78%
72	399.23	Network Hardware	92	37	55	8.72%
73	399.26	PC Hardware	1,297	319	978	8.78%
74	399.28	Application Software	85,303	49,632	35,671	6.57%
75		Total SSU Distribution & Marketing	<u>\$ 98,170</u>	<u>\$ 54,125</u>	<u>\$ 44,045</u>	
76						
77	<u>SSU Align Pipe Project (Div 002):</u>					
78	<u>General Plant</u>					
79	399.31	Servers Hardware	\$ -	\$ -	\$ -	8.62%
80	399.32	Servers Software	-	-	-	8.78%
81	399.38	Application Software	-	-	-	6.57%
82		Total SSU Align Pipe Project	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
83						

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**ATMOS ENERGY CORPORATION
WEST TEXAS TRIANGLE STATEMENT OF INTENT
NET PLANT AND DEPRECIATION RATES BY ACCOUNT
PER TEXAS UTILITIES CODE SECTION 104.301
TEST YEAR ENDING MARCH 31, 2019**

Line No.	Utility Account	Account Description	Plant Balance	Accumulated Depreciation	Net Plant	Depreciation Rate
(a)	(b)		(c)	(d)	(e) = (c) - (d)	(f)
84	<u>SSU Customer Support (Div 012):</u>					
85	<u>General Plant</u>					
86	389.00	Land and Land Rights	\$ 175	\$ -	\$ 175	0.00%
87	390.00	Structures and Improvements	776	130	646	3.34%
88	390.09	Improvements to Leased Premises	171	105	66	4.06%
89	391.00	Office Furniture and Equipment	143	54	89	4.03%
90	397.00	Communication Equipment	117	68	49	5.54%
91	398.00	Miscellaneous Equipment	3	1	3	1.72%
92	399.00	Other Tangible Property	-	(9)	9	13.84%
93	399.01	Servers Hardware	594	270	324	8.62%
94	399.02	Servers Software	135	78	57	8.78%
95	399.03	Network Hardware	38	24	15	8.72%
96	399.06	PC Hardware	39	(2)	41	8.78%
97	399.07	PC Software	-	(3)	3	6.64%
98	399.08	Application Software	5,798	2,032	3,766	6.57%
99		Total SSU Customer Support	\$ 7,990	\$ 2,747	\$ 5,243	
100						

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