

BEFORE THE
RAILROAD COMMISSION OF TEXAS

APPLICATION OF ATMOS ENERGY, WEST TEXAS DIVISION FOR ANNUAL GAS RELIABILITY INFRASTRUCTURE PROGRAM RATE ADJUSTMENT FOR THE ENVIRONS AREAS OF 66 CITIES IN THE WEST TEXAS RATE DIVISION.	§ § § § § § §	GAS UTILITIES DOCKET NO. 9608
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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 ANN. Chapter 551 (Vernon 2004). 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 West Texas) is a "gas utility," as that term is defined in the TEXAS UTILITY CODE, and is subject to the jurisdiction of the Railroad Commission of Texas (Commission).
2. On September 2, 2005, Atmos West Texas filed an application for an annual interim rate adjustment applicable to customers located in its West Texas System environs area, identified in Exhibit A.
3. Atmos West Texas requested that the interim rate adjustments for all customer classes become effective on November 1, 2005.
4. On September 12, 2005, the Commission suspended implementation of Atmos West Texas' proposed interim rate adjustments until December 16, 2005, which is 45 days following the 60th day after the applications were complete.
5. This docket establishes the first annual interim rate adjustment for Atmos West Texas.
6. Until promulgation of TEXAS UTILITIES CODE, §104.301 (Vernon Supp 2004-2005), a utility could not increase its rates applicable to environs customers without filing with the Commission a formal statement of intent rate case, including a comprehensive cost of service rate review.
7. Atmos' West Texas' proposed interim rate adjustments will allow Atmos West Texas an opportunity to recover a return on investment, depreciation expense, and related taxes on the

incremental cost of infrastructure investment since its last rate case, without the necessity of filing a statement of intent rate case and without review by the Commission of Atmos West Texas' comprehensive cost of service.

8. The Atmos West Texas Cities Steering Committee (AWT-CSC) filed with the Commission a Plea of Intervention in the cause of Atmos West Texas' application for an interim rate adjustment.
9. Neither TEXAS UTILITIES CODE, §104.301 (Vernon Supp 2004-2005) nor 16 TEX. ADMIN. CODE, §7.7101 (2004) provides the opportunity for parties to intervene in the Commission's review of an application for an annual interim rate adjustment.

Applicability

10. This docket applies to only those rates over which the Commission has original jurisdiction with the exception of rates negotiated separately.
11. As of calendar year-end 2004, Atmos West Texas environs customers included approximately 1,642,502 Residential customers, 153,010 Commercial customers, and 4,086 Industrial customers 18,722 Public Authority customers, and 1,077 State Institution customers.

Most Recent Comprehensive Rate Case

12. Atmos West Texas' most recent rate case for the area in which the interim rate adjustment will be implemented is GUD No. 9573, *Statement of Intent Filed by Atmos Energy Corporation to Increase Rates and Change Tariffs in the Environs of the West Texas Service Area*.
13. GUD No. 9573 was filed on February 25, 2005.
14. The data used in GUD Docket No. 9573 was based on a test-year ending March 31, 2003.
15. The Commission signed the GUD No. 9573 final Order on July 11, 2005, and the rates became effective the same day.
16. The rates currently charged by Atmos West Texas were set by the Commission in GUD No. 9573.
17. The following chart shows the factors that were used for Atmos West Texas to establish or used in the final Order setting rates in GUD No. 9573 to calculate the return on investment, depreciation expense, incremental federal income tax, and ad valorem taxes.

GUD NO. 9573 CALCULATION FACTORS

	Rate/Factor
Rate of Return	8.77 %
Depreciation Rate	3.03 %
Federal Income Tax Rate	35 %
Ad Valorem Tax Rate	1.56 %

Interim Rate Adjustment

18. Atmos West Texas 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.
19. The revenue amounts to be recovered through Atmos West Texas' proposed annual interim rate adjustments are incremental to the revenue requirement established in Atmos West Texas' most recent rate case for the area in which the interim rate adjustment is to be implemented, i.e., GUD No. 9573.
20. Atmos West Texas calculated and presented all incremental values for investment, accumulated depreciation, return on investment, depreciation expense, ad valorem taxes, and incremental federal income taxes on a full calendar-year basis.
21. To request its interim rate adjustments in this docket, Atmos West Texas submitted data for the calendar year ending December 31, 2004.
22. For the first interim rate adjustment following a rate case, the amounts by which Atmos may adjust its rates are based on the difference between Atmos West Texas' 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.
23. The value of Atmos' 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 Atmos West Texas interim rate adjustments.
24. Atmos West Texas' incremental net utility plant investment is \$15,239,252.
25. Atmos West Texas 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' most recent rate case for the area in which the interim rate adjustment is to be implemented.

26. Atmos West Texas is required to allocate the revenue to be collected through the interim rate adjustment among its customer classes in the same manner as the cost of service was allocated among its customer classes in its most recent rate case for the area in which the interim rate adjustment is to be implemented.
27. Atmos West Texas proposed the interim rate adjustment as a flat rate to be applied to the monthly customer charges and monthly meter charges rather than as a volumetric rate to be applied to the initial block usage rates.
28. Atmos West Texas is required to show its annual interim rate adjustments on its customers' monthly billing statements as a surcharge.
29. The proposed interim rate adjustment does not require an evidentiary proceeding; rather, TEXAS UTILITIES CODE, §104.301 and 16 TEX. ADMIN. CODE, §7.7101 require the regulatory authority to review a utility's method of calculating the interim rate adjustment.
30. Due process protections are deferred until Atmos West Texas files its next rate case.

Notice

31. Atmos West Texas provided adequate notice by bill insert to its customers beginning on September 27, 2005 and ending on October 25, 2005.

Comprehensive Rate Case Required

32. Atmos West Texas is not required to initiate a rate case supporting a statement of intent, at the time it applies for an interim rate adjustment.
33. A gas utility that implements an interim rate adjustment and does not file a rate case before the fifth anniversary of the date its initial interim rate adjustment became effective is required to file a rate case not later than the 180th day after that anniversary.

Review of Interim Rate Adjustment

34. Atmos West Texas' proposed allocation methodology complies with TEXAS UTILITIES CODE, §104.301, and with 16 TEX. ADMIN. CODE, §7.7101.
35. It is reasonable for the Commission to approve Atmos West Texas' allocation methodology, as proposed in its application.
36. For an allocation methodology, it is reasonable for the Commission to approve the use of Atmos West Texas' overall cost of service (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 West Texas' interim rate adjustment are reasonable:

Customer Class	Allocation Factors
Atmos West Texas:	
Residential (R)	0.7039
Commercial (C)	0.1860
Industrial (I)	0.0485
Public Authority (PA)	0.0566
State Institution (SI)	0.0051

37. Atmos West Texas' proposed customer and meter counts comply with TEXAS UTILITIES CODE, §104.301, and with 16 TEX. ADMIN. CODE, §7.7101.
38. It is reasonable for the Commission to approve Atmos West Texas' applications for interim rate adjustments, Exhibit B. The following amounts of interim rate adjustment revenue and additional customer charges by customer class are reasonable:

Customer Class	Interim Rate Adjustment Revenue	Customer Charge as Approved in GUD No. 9573	IRA Customer / Meter Charges	Proposed Customer Charge
Residential (R)	\$1,787,476.35	\$8.50	\$ 1.09	\$ 9.59
Commercial (C)	472,256.99	\$14.00	\$ 3.09	\$17.09
Industrial (I)	123,263.72	\$55.00	\$30.17	\$85.17
Public Authority (PA)	143,604.52	\$42.00	\$ 7.67	\$49.67
State Institution (SI)	12,824.10	\$40.74	\$11.91	\$52.65
Total IRA Revenue	\$2,539,425.68			

Reimbursements of Expense

39. As provided for in the statute and the rule, a gas utility that implements an interim rate adjustment is required to reimburse the Commission for the utility's proportionate share of the Commission's annual costs related to the administration of the interim rate adjustment mechanism.
40. After the Commission has finally acted on Atmos West Texas' application for an interim rate adjustment, the Director of the Gas Services Division will estimate Atmos West Texas' proportionate share of the Commission's annual costs related to the processing of such applications.
41. In making the estimate of Atmos West Texas' 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 interim rate adjustments during the fiscal year, and the costs expected to be incurred in processing such applications.
42. Atmos West Texas is required to reimburse the Commission for the amount determined by the Director of the Gas Services Division and approved by the Commission, within thirty days after receipt of notice of the amount of the reimbursement.

CONCLUSIONS OF LAW

1. Atmos Energy, West Texas Division (Atmos West Texas) is a "gas utility" as defined in TEX. UTIL. CODE ANN. § 101.003(7) (Vernon 1998 and Supp. 2004) and § 121.001 (Vernon 1998 and Supp. 2004-2005), and is therefore subject to the jurisdiction of the Railroad Commission of Texas (Commission).
2. The Commission has jurisdiction over Atmos West Texas, Atmos West Texas' applications for interim adjustments for incremental changes in investment, and the subject matter of this case under TEX. UTIL. CODE ANN. §102.001, §104.001, §104.002, and §104.301 (Vernon 1998 and Supp. 2004-2005).
3. Under TEX. UTIL. CODE ANN. §102.001 (Vernon 1998 and Supp. 2004-2005), 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 TEXAS UTILITIES CODE ANN. §104.301 and 16 TEX. ADMIN. CODE § 7.7101 (2004), Atmos West Texas is required to seek Commission approval before implementing an interim rate adjustment tariff for environs customers.

5. Atmos West Texas filed its applications for interim rate adjustments for changes in investment in accordance with the provisions of TEX. UTIL. CODE ANN. §104.301 (Vernon Supp. 2004-2005) and 16 TEX. ADMIN. CODE § 7.7101 (2004).
6. Atmos West Texas' application for an interim rate adjustment was processed in accordance with the requirements of TEX. UTIL. CODE ANN. §104.301 (Vernon Supp. 2004-2005) and 16 TEX. ADMIN. CODE §7.7101 (2004).
7. In accordance with 16 TEX. ADMIN. CODE § 7.315 (2002), within thirty days of the effective date of any change to rates or services, Atmos West Texas is required to file with the Gas Services Division of the Commission its revised tariffs.
8. Atmos West Texas may not charge any rate that has not been successfully filed and accepted as a tariff filing electronically pursuant to TEX. UTIL. CODE ANN. § 102.151 and 104.002 and 16 TEX. ADMIN. CODE § 7.315 (2002).
9. In accordance with TEX. UTIL. CODE ANN. §104.301(a) (Vernon Supp. 2004-2005) and 16 TEX. ADMIN. CODE § 7.7101(a) (2004), the filing date of Atmos West Texas' 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 filed its initial interim rate adjustment.
10. Atmos West Texas is required, under TEX. UTIL. CODE ANN. §104.301(e) (Vernon Supp. 2004-2005) and 16 TEX. ADMIN. CODE § 7.7101(d) (2004), 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.
11. Atmos West Texas shall include in all future annual interim rate adjustment 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.
12. Atmos West Texas is required, under TEX. UTIL. CODE ANN. §104.301(f) (Vernon Supp. 2004-2005) and 16 TEX. ADMIN. CODE § 7.7101(e) (2004), to file with the Commission an annual earnings monitoring report demonstrating the Utility's earnings during the preceding calendar year.
13. Atmos West Texas is required, under 16 TEX. ADMIN. CODE §7.7101(h) (2004), to recalculate its approved interim rate adjustments 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 interim rate adjustment application.

14. In accordance with 16 TEX. ADMIN. CODE § 7.7101(i) (2004), all amounts collected from customers under Atmos West Texas' interim rate adjustment 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 interim rate adjustment and shall be the subjects of specific findings of fact in the Commission's final order setting rates.
15. In accordance with 16 TEX. ADMIN. CODE § 7.7101(j) (2004), in the rate case that Atmos West Texas files or the Commission initiates after the implementation of an interim rate adjustment, any change in investment and related expenses and revenues that have been included in any interim rate adjustment shall be fully subject to review for reasonableness and prudence. Upon issuance of a final order setting rates in the rate case that Atmos West Texas files or the Commission initiates after the implementation of an interim rate adjustment, any change in investment and related expenses and revenues that have been included in any interim rate adjustment shall no longer be subject to review for reasonableness or prudence.
16. The Commission has authority to suspend the implementation of the interim rate adjustment, under TEX. UTIL. CODE ANN. § 104.301(a) (Vernon Supp. 2004-2005) and 16 TEX. ADMIN. CODE § 7.7101(e) (2004).
17. Atmos West Texas provided adequate notice, in accordance with TEX. UTIL. CODE ANN. § 104.301(a) (Vernon Supp. 2004 – 2005) and 16 TEX. ADMIN. CODE § 7.7101(b) (2004).
18. Atmos West Texas' applications for interim rate adjustments, as proposed, comply with all provisions of TEX. UTIL. CODE ANN. § 104.301 (Vernon Supp. 2004-2005) and 16 TEX. ADMIN. CODE § 7.7101 (2004).
19. Atmos West Texas' interim rate adjustments established in the findings of fact and conclusions of law, comply with the provisions of TEX. UTIL. CODE ANN. § 104.301 (Vernon Supp. 2004-2005) and 16 TEX. ADMIN. CODE § 7.7101 (2004).
20. In accordance with TEX. UTIL. CODE ANN. § 104.301(h) (Vernon Supp. 2004 – 2005) and 16 TEX. ADMIN. CODE § 7.7101(l) (2004), Atmos West Texas shall file a comprehensive rate case for the areas in which the interim rate adjustment is implemented, not later than the 180th day after the fifth anniversary of the date its initial interim rate adjustment became effective.
21. The Commission has authority, under TEX. UTIL. CODE ANN. § 104.301(j) (Vernon Supp. 2004-2005) and 16 TEX. ADMIN. CODE § 7.7101(m) (2004), to recover from Atmos West Texas the Utility's proportionate share of the Commission's annual costs related to the administration of the interim rate adjustment mechanism.

IT IS THEREFORE ORDERED BY THE RAILROAD COMMISSION OF TEXAS THAT Atmos West Texas' interim rate adjustments as requested and to the extent recommended to be approved in the findings of fact and conclusions of law are **HEREBY APPROVED** to be effective for bills rendered after December 13, 2005.

IT IS FURTHER ORDERED THAT Atmos West Texas **SHALL** file with the Commission no later than September 1, 2006, 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.

IT IS FURTHER ORDERED THAT Atmos West Texas **SHALL** file with the Commission no later than September 1, 2006, a relocation project report, which provides additional information about relocation costs included in investment projects, in the format provided in this docket.

IT IS FURTHER ORDERED THAT Atmos West Texas **SHALL** file with the Commission no later than September 1, 2006, an annual earnings monitoring report demonstrating Atmos West Texas's earnings during the preceding calendar year.

IT IS FURTHER ORDERED THAT Atmos West Texas **SHALL** file with the Commission no later than September 1, 2006, recalculations of its approved interim rate adjustments and applications for annual interim rate adjustments for the preceding calendar year.

IT IS FURTHER ORDERED THAT within 30 days of this order Atmos West Texas **SHALL** electronically file its interim rate adjustment tariffs in proper form that accurately reflect the rates approved by the Commission in this Order.

IT IS FURTHER ORDERED THAT Atmos West Texas **SHALL** not charge any rate that has not been electronically filed and accepted by the Commission as a tariff.

IT IS FURTHER ORDERED THAT Atmos West Texas **SHALL** reimburse the expenses incurred by the Commission in reviewing these applications. The amount of this reimbursement shall be determined by the Director of the Gas Services Division and must be approved by the Commission. 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 the Utility'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.

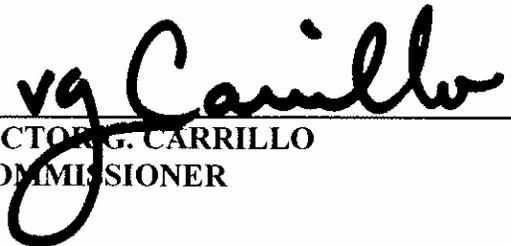
SIGNED this 13th day of December, 2005.

RAILROAD COMMISSION OF TEXAS



ELIZABETH A. JONES
CHAIRMAN

MICHAEL L. WILLIAMS
COMMISSIONER



VICTOR G. CARRILLO
COMMISSIONER


ATTEST


SECRETARY

EXHIBIT A

Environs Areas of 66 Cities

Exhibit A

Gas Utilities Docket No. 9606 Application of Atmos Energy, West Texas Division for Annual Gas Reliability Infrastructure Program Rate Adjustment for the Environs Areas of 66 Cities in the West Texas Rate Division.

Atmos Energy Company
West Texas Distribution System - OCL

Environs Areas of 66 Cities

WEST TEXAS ENVIRONS AND UNINCORPORATED CITIES			
1	6702 Abernathy WT Environs	6774 Odessa WT Environs	36
2	6704 Amherst WT Environs	6776 O'Donnell WT Environs	37
3	6706 Anton WT Environs	6778 Olton WT Environs	38
4	6708 Big Spring WT Environs	6780 Opatka West WT Environs	39
5	6710 Bovina WT Environs	6782 Palisades WT Environs	40
6	6712 Brownfield WT Environs	6784 Pampa WT Environs	41
7	6714 Buffalo Springs Lake WT Environs	6786 Panhandle WT Environs	42
8	6716 Canyon WT Environs	6788 Petersburg WT Environs	43
9	6718 Coahoma WT Environs	6790 Plainview WT Environs	44
10	6720 Crosbyton WT Environs	6792 Post WT Environs	45
11	6722 Dimmitt WT Environs	6794 Quilley WT Environs	46
12	6724 Earth WT Environs	6796 Ralls WT Environs	47
13	6726 Edmonson WT Environs	6798 Ransom Canyon WT Environs	48
14	6728 Floydada WT Environs	6800 Ropeville WT Environs	49
15	6730 Foran WT Environs	6802 Seagraves WT Environs	50
16	6732 Friona WT Environs	6804 Seminole WT Environs	51
17	6734 Hale Center WT Environs	6806 Shallowater WT Environs	52
18	6736 Happy WT Environs	6808 Silverton WT Environs	53
19	6738 Hart WT Environs	6810 Stalon WT Environs	54
20	6740 Hereford WT Environs	6812 Smyer WT Environs	55
21	6742 Idalou WT Environs	6814 Springlake WT Environs	56
22	6744 Kraus WT Environs	6816 Stanton WT Environs	57
23	6746 Lake Tanglewood WT Environs	6818 Sudan WT Environs	58
24	6748 Lamesa WT Environs	6820 Tahoka WT Environs	59
25	6750 Levelland WT Environs	6822 Timbercreek Canyon WT Environs	60
26	6752 Littlefield WT Environs	6824 Tulle WT Environs	61
27	6754 Lockney WT Environs	6826 Turkey WT Environs	62
28	6756 Lorenzo WT Environs	6828 Vega WT Environs	63
29	6758 Los Ybenez WT Environs	6830 Wellman WT Environs	64
30	6762 Meadow WT Environs	6832 Wilson WT Environs	65
31	6764 Midland WT Environs	6834 Wolforth WT Environs	66
32	6768 Muleshoe WT Environs	6835 Southland WT Unincorporated	67
33	6768 Nazareth WT Environs	6836 Whitharral WT Unincorporated	68
34	6770 New Deal WT Environs	6837 Welch WT Unincorporated	69
35	6772 New Home WT Environs	6838 Greenwood WT Unincorporated	70

EFFECTIVE:

ISSUED BY:

C.W. Guy, Vice President - Rates & Regulatory Affairs

EXHIBIT B

IRA Rider Tariff

Atmos Energy, West Texas Division
West Texas Service Area
WTX Rate Division

Rider: IRA

Infrastructure Rate Adjustment

Applicability

Company may implement an adjustment (called "Infrastructure Rate Adjustment" or "IRA") to the Customer Charge or Meter Charge contained in Residential, Commercial, Industrial, Public Authority and State Institution rate schedules. The Rider IRA adjustment will become effective 60 days after the Company files (i) an annual report pursuant to Texas Utilities Code (TUC) Section 104.301(e), describing the investment projects completed and placed in service during the preceding calendar year and/or partial years since the Company's last test year end and the investments retired or abandoned during the same period, and (ii) an earnings monitoring report pursuant to TUC Section 104.103(f), demonstrating Company's System Earnings during the preceding calendar year.

Method of Calculation

The IRA is determined by applying the appropriate factors for depreciation expense, property taxes, revenue related taxes, return and federal income taxes from the Company's last approved rate case for the West Texas Rate Division to the change in either Utility Plant Investment or Net Utility Plant Investment, from the end of the previous calendar year per book amounts to either (a) the last effective rate case Utility Plant or Net Utility Plant Investment amounts if the test year utilized in such rate case was the second previous calendar year or (b) the end of the second previous calendar year per book Utility Plant or Net Utility Plant Investment amounts. The individual rate class adjustments for Residential, Commercial, Industrial, Public Authority and State Institution schedules shall be calculated as provided for on Schedule IRA-16 of the GRIP filing.

Increase per Bill per Month

(to be applied to monthly customer charge)

Residential	\$1.09
Commercial	\$3.09
Industrial	\$30.17
Public Authority	\$7.67
State Authority	\$11.91

EFFECTIVE:

ISSUED BY: C.W. Guy, Vice President - Rates & Regulatory Affairs

CASE SUMMARY

GAS UTILITIES DOCKET NO. 9608: *Application of Atmos Energy, West Texas Division for Annual Gas Reliability Infrastructure Program Rate Adjustment for the Environs Areas of 66 Cities in the West Texas Rate Division.*

PRESENTER: Mark Brock

ISSUE: Should the Railroad Commission of Texas (Commission) approve the Interim Rate Adjustment (IRA) proposed by Atmos Energy, West Texas Division?

PARTIES OF RECORD:

Atmos Energy, West Texas Division, represented by John K. Arnold, Locke Liddell & Sapp LLP

PROCEDURAL HISTORY:

GRIP filed with the Commission:	September 2, 2005
Proposed Effective Date:	November 1, 2005
Notice to Customer:	September 15, 2005
Statutory Deadline:	December 16, 2005
Current Status:	Unprotested

KEY FACTS:

1. On February 25, 2005, Atmos Energy, West Texas Division (Atmos West Texas) filed a Statement of Intent to change rates in the environs area of 66 Cities in the West Texas Rate Division, which was docketed GUD No. 9573, using a test year of March 31, 2003.
2. The environs areas of the 66 cities and the 4 unincorporated areas are identified in Exhibit A, attached.
3. A Final Order was issued July 11, 2005 for GUD Docket No. 9573, approving rates that are the same as those approved in the cities by a settlement agreement.
4. Also by settlement agreement with the cities, and adopted in GUD No. 9573, the following Gas Reliability Infrastructure Program (GRIP) rates, factors and percentages were agreed to and set:
 - a. An overall Rate of Return of 8.77%.
 - b. An overall Depreciation Rate of 3.35%.
 - c. A Rate Base of \$99,773,131.
 - d. A Federal Income Tax Rate of 35%
 - e. An Ad Valorem Tax Rate of 1.56%
 - f. Allocation Factors of:
 1. Residential – 70.39%
 2. Commercial – 18.60%
 3. Industrial – 4.85%
 4. Public Authority – 5.66%
 5. State Institution – 0.51%
5. A gas utility is allowed to file for an interim adjustment to the customer charge or initial block with the regulatory authority provided the utility has filed a rate case under Subchapter C within the preceding two years pursuant to Subchapter G of the Texas Utilities Code § 104.301.

6. On September 2, 2005, Atmos West Texas filed its first IRA application following the approval of rates in GUD Docket No. 9573 using a test year of December 31, 2004 and issued GUD Docket No. 9608.
7. The Commission did not receive any protests or requests to intervene from any person served in the Atmos West Texas Service Area, identified in Exhibit A.
8. Atmos West Texas filed the Railroad Commission of Texas' Annual Earnings Monitoring Report as required by 16 Texas Administrative Code § 7.7101.
9. Atmos West Texas filed its Annual Project Report as required by 16 Texas Administrative Code § 7.7101.

LEGAL PRINCIPLE INVOLVED:

Pursuant to Tex. Util. Code § 102.001, the Commission has exclusive original jurisdiction over the rates charged in an unincorporated area. The Commission must ensure that a gas utility's rates are just and reasonable; are not unreasonably preferential, prejudicial, or discriminatory; and are sufficient, equitable, and consistent in application to each class of customer, pursuant to Tex. Util. Code §§ 104.003(a), 104.004, 104.005, and 104.301.

ACTION REQUESTED:

Staff recommends that the proposed interim rates as presented Atmos West Texas first IRA request and identified in Exhibit B be approved.

EXHIBIT A

Environs Areas of 66 Cities

Exhibit A

Gas Utilities Docket No. 9608 Application of Atmos Energy, West Texas Division for Annual Gas Reliability Infrastructure Program Rate Adjustment for the Environs Areas of 66 Cities in the West Texas Rate Division.

Atmos Energy Company
West Texas Distribution System - OCL

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4	6708 Big Spring WT Environs	6780 Opydite West WT Environs	39
5	6710 Bovina WT Environs	6782 Pallades WT Environs	40
6	6712 Brownfield WT Environs	6784 Pampa WT Environs	41
7	6714 Buffalo Springs Lake WT Environs	6786 Peshandle WT Environs	42
8	6716 Canyon WT Environs	6788 Petersburg WT Environs	43
9	6718 Coshona WT Environs	6790 Plainview WT Environs	44
10	6720 Crosbyton WT Environs	6792 Post WT Environs	45
11	6722 Dimmitt WT Environs	6794 Quitaque WT Environs	46
12	6724 Earth WT Environs	6796 Ralls WT Environs	47
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14	6728 Floydada WT Environs	6800 Ropesville WT Environs	49
15	6730 Forsan WT Environs	6802 Seagraves WT Environs	50
16	6732 Friona WT Environs	6804 Seminole WT Environs	51
17	6734 Hale Center WT Environs	6806 Shallowater WT Environs	52
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21	6742 Idalou WT Environs	6814 Springlake WT Environs	56
22	6744 Kress WT Environs	6816 Stanton WT Environs	57
23	6746 Lake Tanglewood WT Environs	6818 Sudan WT Environs	58
24	6748 Lamasa WT Environs	6820 Tahoka WT Environs	59
25	6750 Levelland WT Environs	6822 Timbercreek Canyon WT Environs	60
26	6752 Littlefield WT Environs	6824 Tula WT Environs	61
27	6754 Lockney WT Environs	6826 Turkey WT Environs	62
28	6756 Lorenzo WT Environs	6828 Vega WT Environs	63
29	6758 Los Ybanez WT Environs	6830 Wellman WT Environs	64
30	6762 Meadow WT Environs	6832 Wilson WT Environs	65
31	6764 Midland WT Environs	6834 Wolforth WT Environs	66
32	6766 Muleshoe WT Environs	6835 Southland WT Unincorporated	67
33	6768 Nazareth WT Environs	6836 Whitburn WT Unincorporated	68
34	6770 New Deal WT Environs	6837 Welch WT Unincorporated	69
35	6772 New Home WT Environs	6838 Greenwood WT Unincorporated	70

EFFECTIVE:

ISSUED BY:

C.W. Guy, Vice President - Rates & Regulatory Affairs

EXHIBIT B

IRA Rider Tariff

Atmos Energy, West Texas Division
West Texas Service Area
WTX Rate Division

Rider: IRA

Infrastructure Rate Adjustment

Applicability

Company may implement an adjustment (called "Infrastructure Rate Adjustment" or "IRA") to the Customer Charge or Meter Charge contained in Residential, Commercial, Industrial, Public Authority and State Institution rate schedules. The Rider IRA adjustment will become effective 60 days after the Company files (i) an annual report pursuant to Texas Utilities Code (TUC) Section 104.301(e), describing the investment projects completed and placed in service during the preceding calendar year and/or partial years since the Company's last test year end and the investments retired or abandoned during the same period, and (ii) an earnings monitoring report pursuant to TUC Section 104.103(f), demonstrating Company's System Earnings during the preceding calendar year.

Method of Calculation

The IRA is determined by applying the appropriate factors for depreciation expense, property taxes, revenue related taxes, return and federal income taxes from the Company's last approved rate case for the West Texas Rate Division to the change in either Utility Plant Investment or Net Utility Plant Investment, from the end of the previous calendar year per book amounts to either (a) the last effective rate case Utility Plant or Net Utility Plant Investment amounts if the test year utilized in such rate case was the second previous calendar year or (b) the end of the second previous calendar year per book Utility Plant or Net Utility Plant Investment amounts. The individual rate class adjustments for Residential, Commercial, Industrial, Public Authority and State Institution schedules shall be calculated as provided for on Schedule IRA-16 of the GRIP filing.

Increase per Bill per Month
(to be applied to monthly customer charge)

Residential	\$1.09
Commercial	\$3.09
Industrial	\$30.17
Public Authority	\$7.67
State Authority	\$11.91