

**BEFORE THE
RAILROAD COMMISSION OF TEXAS**

APPLICATION OF ATMOS ENERGY CORP., MID-TEX DIVISION FOR THE TEST YEAR 2016 ANNUAL INTERIM RATE ADJUSTMENT FILING FOR THE UNINCORPORATED AREAS.	§ § § § §	GAS UTILITIES DOCKET NO. 10607
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INTERIM RATE ADJUSTMENT ORDER

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

FINDINGS OF FACT

Background

1. Atmos Energy Corporation is a "gas utility," as that term is defined in the TEX. UTIL. CODE, and is subject to the jurisdiction of the Railroad Commission of Texas ("Commission").
2. Atmos Energy Corporation, Mid-Tex Division (Atmos Energy), a division of Atmos Energy Corporation owns and operates a natural gas distribution system.
3. On February 24, 2017, Atmos Energy filed an application for an annual interim rate adjustment ("IRA") to its rates for gas service to customers located in its Mid-Tex System unincorporated areas.
4. On February 25, 2017, Atmos Energy requested that the interim rate adjustment become effective on April 25, 2017.
5. On March 1, 2016, the Commission suspended implementation of Atmos Energy's proposed interim rate adjustment until June 9, 2017, which would be 45 days following the 60th day after the application would be considered complete.
6. Neither TEX. UTIL. CODE § 104.301(2007) nor 16 TEX. ADMIN. CODE § 7.7101 (2010) provides the opportunity for parties to intervene in the Commission's review of an application for an annual interim rate adjustment.

7. Chapter 16 TEX. ADMIN. CODE § 7.7101 allows written comments or a protest, concerning the proposed IRA, to be filed with the Gas Services Division.
8. One letter of protest was received in the docket from one identified Atmos Energy customer.
9. As of the date of this interim order, no further questions or comments were received by the Commission from the protestant.
10. This docket represents the fifth annual IRA for Atmos Energy since Gas Utility Docket (“GUD”) No. 10170.¹
11. Until promulgation of TEX. UTIL. CODE §104.301 (2007), a utility could not increase its rates subject to the Commission’s jurisdiction without filing with the Commission a formal statement of intent rate case, including a comprehensive cost of service rate review.
12. The proposed IRA will allow Atmos Energy an opportunity to recover, subject to refund, a return on investment, depreciation expense, and related taxes on the incremental cost of infrastructure investment since its last rate case, GUD No. 10170, without the necessity of filing a statement of intent rate case and without review by the Commission of Atmos Energy’s comprehensive cost of service.

Applicability

13. This docket applies to only those rates over which the Commission has original jurisdiction, which includes the unincorporated areas of the Mid-Tex Division.
14. Atmos Energy’s year end customer count for 2016 was 1,445,011 residential customers, 120,148 commercial customers, 98 industrial customers, and 785 transportation customers.
15. Atmos Energy’s year end customer count for 2016 subject to this order was 52,154 residential customers, 2,194 commercial customers, 16 industrial customers, and 34 transportation customers.

Most Recent Comprehensive Rate Case

16. Atmos Energy’ most recent rate case for the area in which the IRA will be implemented is GUD No. 10170, *Statement of Intent Filed by Atmos Energy Corp., to Increase Gas Utility Rates within the Unincorporated Areas Served by the Atmos Energy Corp., Mid-Tex Division.*
17. GUD No. 10170 was filed on May 31, 2012.

¹ GUD No. 10170 - *Statement of Intent Filed by Atmos Energy Corp., to Increase Gas Utility Rates within the Unincorporated Areas Served by the Atmos Energy Corp., Mid-Tex Division.*

18. The Commission signed the GUD No. 10170 Final Order on December 4, 2012, approving and adopting the settlement.
19. The following chart shows the factors that were established in GUD No. 10170 to calculate the return on investment, depreciation expense, ad valorem taxes, revenue related taxes, and federal income taxes for Atmos Energy as applied in this IRA proceeding.

GUD No. 10170 CALCULATION FACTORS

Factor	Atmos Energy
Rate of Return	8.568%
Mid-Tex Depreciation Rate	3.128%
SSU Depreciation Rate	6.356%
Federal Income Tax Rate	35%
Mid-Tex Ad Valorem Tax Rate	2.111%
SSU Ad Valorem Tax Rate	1.000%
Revenue Related Taxes	NA ²

**The Ad Valorem Tax Rates are updated annually to include the actual taxes paid in the calculation of the tax rate.*

Interim Rate Adjustment

20. The revenue amounts to be recovered through Atmos Energy proposed annual interim rate adjustments are incremental to the revenue requirement established in Atmos Energy's most recent rate case for the area in which the interim rate adjustment is to be implemented, GUD No. 10170, and subsequent interim rate adjustments.
21. Under TEX. UTIL. CODE § 7.7101(f)(3), for the first IRA following the most recent rate case, a utility may adjust its rates based on the difference between invested capital at the end of the most recent rate case test-year and the invested capital at the end of the calendar year following the end of the most recent rate case test-year.
22. In GUD No. 10286, the *first* interim rate adjustment following its most recent rate case in GUD No. 10170, Atmos Energy adjusted its rates based on the difference between its invested capital at the end of its Statement of Intent rate case test year, September 31, 2011 updated through March 31, 2012, and the incremental invested capital at the end of December 31, 2012.
23. In GUD No. 10342, the *second* interim rate adjustment following its most recent rate case in GUD No. 10170, Atmos Energy adjusted its rates based on the difference between its invested capital from December 31, 2012 and December 31, 2013.

² Revenue related taxes are not reflected here because they are recovered through separate riders.

24. In GUD No. 10428, the *third* interim rate adjustment following its most recent rate case in GUD No. 10170, Atmos Energy adjusted its rates based on the difference between invested capital from December 31, 2013 and December 31, 2014.
25. In GUD No. 10502, the *fourth* interim rate adjustment following its most recent rate case in GUD No. 10170, Atmos Energy adjusted its rates based on the difference between invested capital from December 31, 2014 and December 31, 2015.
26. In this fifth interim rate adjustment, GUD No. 10607, Atmos Energy adjusted its rates based on the difference between invested capital from December 31, 2015 and December 31, 2016.
27. Atmos Energy 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; and federal income taxes. The incremental change in revenue requirement to be recovered through this IRA filing from all rate classes using the approved component factors is **\$48,916,549** (Exhibit B), of which **\$1,567,904** is attributable to customers subject to this order.
28. The value of Atmos Energy's invested capital is equal to the original cost of the investment at the time the investment was first dedicated to public use minus the accumulated depreciation related to that investment for the Company's interim rate adjustments.
29. Atmos Energy's incremental net utility plant investment increase is **\$288,244,804** (Exhibit B).
30. Atmos Energy is required to use the same factors to calculate the interim return on investment, depreciation expense, ad valorem taxes; and federal income taxes as those established or used in the final order setting rates in the Company's most recent rate case for the area in which the interim rate adjustment is to be implemented (GUD No. 10170).
31. Atmos Energy filed the Commission's Annual Earnings Monitoring Report (EMR) as required by 16 TEX. ADMIN. CODE § 7.7101. Atmos Energy's actual rate of return was 7.053% for the test year ended December 31, 2016, which is less than the 8.568% allowed rate of return established in GUD No. 10170.

32. Gas Utilities Docket No. 10170, Atmos Energy's most recent Statement of Intent rate case for the unincorporated areas and the basis for the key factors in an Interim Rate Adjustment calculation, was approved by the Commission on December 4, 2012. Customer Charges are shown in Column B of the table below.
33. The interim rate adjustment approved for GUD No. 10286, the *first* IRA application for the unincorporated areas are shown in Column C, below.
34. The interim rate adjustment approved for GUD No. 10342, the *second* IRA application for the unincorporated areas are shown in Column D, below.
35. The interim rate adjustment approved for GUD No. 10428, the *third* IRA application for the unincorporated areas are shown in Column E, below.
36. The interim rate adjustment approved for GUD No. 10502, the *fourth* IRA application for the unincorporated areas are shown in Column F, below.
37. The interim rate adjustment approved in this GUD No. 10607, the *fifth* IRA application for the unincorporated areas are shown in Column G, below.
38. When the Customer Charge as established in Gas Utilities Docket No. 10170 and Interim Rate Adjustments (Columns B, C, D, E, F and G) are added, the resulting customer charges for affected customer classes are as shown in Column H of the table below.

Atmos Energy Mid-Tex Customer Charges and Interim Rate Adjustments (IRA)

A	B	C	D	E	F	G	H
Customer Type	GUD 10170	GUD 10286 (2012 IRA)	GUD 10342 (2013 IRA)	GUD 10428 (2014 IRA)	GUD 10502 (2015 IRA)	GUD 10607 (2016 IRA)	Total Customer Charge
Residential	\$ 17.70	\$ 1.20	\$ 1.40	\$ 1.71	\$ 1.81	\$ 2.12	\$ 25.96*
Commercial	\$ 34.72	\$ 3.55	\$ 4.17	\$ 5.10	\$ 5.38	\$ 6.46	\$ 59.46*
Industrial & Transportation	\$600.00	\$ 62.08	\$ 73.50	\$ 90.01	\$ 95.11	\$115.64	\$1,036.34

Note: *Applicable to the unincorporated areas of the Mid-Tex Division.*

**Includes \$0.02 per monthly charge for the CEE Rider for the Residential Customers and \$0.08 for the Commercial Customer.*

39. Atmos Energy filed its Annual Project Report as required by 16 TEX. ADMIN. CODE § 7.7101.
1. Net capital additions included in this docket totaled \$288,244,804.³
 2. Gross capital project additions totaled \$329,403,058.⁴
 3. The percentage of additions in this filing that are Safety related is 78.5%.⁵
 4. The percentage of additions in this filing that are Integrity Management related is 0.9%.⁶
40. Atmos Energy proposed the interim rate adjustment as a flat rate to be applied to the monthly customer charges rather than as a volumetric rate to be applied to the initial block usage rates (Exhibit B).
41. Atmos Energy is required to show its annual interim rate adjustments on its customers' monthly billing statements as a surcharge.
42. The proposed interim rate adjustment does not require an evidentiary proceeding; rather, TEX. UTIL. CODE §104.301 and 16 TEX. ADMIN. CODE §7.7101 require the regulatory authority to review a utility's method of calculating the interim rate adjustment.
43. Due process protections are deferred until Atmos Energy files its next full statement of intent rate case.

Notice

44. Adequate notice by Atmos Energy was provided to its residential and commercial customers by bill insert between March 1, 2017, and March 31, 2017, and, as a result, was completed within 45 days of the filing, fulfilling the requirements under Tex. Util. Code § 104.301(a).
45. Adequate notice by Atmos Energy was provided to its industrial and transportation customers by direct mail on March 15, 2017, and, as a result, was completed within 45 days of the filing, fulfilling the requirements under Tex. Util. Code § 104.301(a).

Comprehensive Rate Case Required

46. Atmos Energy is not required to initiate a statement of intent rate case at the time it applies for an interim rate adjustment.

³ Atmos Application, Schedule IRA 3.

⁴ Atmos Application, Schedule IRA 9.

⁵ Atmos' Response to Staff's RFI No. 1-8.

⁶ Atmos Energy's Response to Staff's RFI No. 1-9.

47. Under 16 TEX. UTIL. CODE § 7.7101(l), 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 no later than the 180th day after that anniversary.
48. Atmos Energy is required to file a statement of intent rate case for the Mid-Tex Division no later than April 1, 2019.
49. Under 16 TEX. ADMIN. CODE § 7.7101(j), 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 in the next rate case. Per 16 TEX. ADMIN. CODE § 7.7101(i), all amounts collected from customers under an interim rate adjustment tariff are subject to refund until the conclusion of the next rate case.

Review of Interim Rate Adjustment

50. Atmos Energy's proposed allocation methodology complies with TEX. UTIL. CODE § 104.301, and with 16 TEX. ADMIN. CODE § 7.7101.
51. It is reasonable for the Commission to approve use of the allocation methodology used to determine Atmos Energy's 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 Energy's interim rate adjustment is reasonable:

Customer Class	Allocation Factors
Residential	0.779535
Commercial	0.193999
Industrial & Transportation	0.026467

52. Atmos Energy's proposed customer counts comply with TEX. UTIL. CODE § 104.301 and with 16 TEX. ADMIN. CODE § 7.7101. For calculating the number of customer charges per year, it is reasonable for the Commission to approve use of the 2016 year-end customer bills multiplied by twelve. The following total numbers of customer and meter charges for use in the calculation of the interim rate adjustment are reasonable:

Customer Class	Annual Number of Customer Charges
Residential	17,965,980
Commercial	1,468,104
Industrial	1,368
Transportation	9,828
Total	19,445,280

53. It is reasonable for the Commission to approve Atmos Energy's applications for an interim rate adjustment. The following amounts of interim rate adjustment revenue and additional customer charges by customer class are reasonable:

Customer Class	Interim Rate Adjustment Revenue	IRA Revenue From the Environs	Additional Customer Charge
Residential	\$38,132,155	\$1,328,340	\$2.12
Commercial	\$9,489,744	\$ 170,183	\$6.46
Industrial & Transportation	\$1,294,651	\$ 69,381	\$115.64
Total Increase	\$48,916,549	\$1,567,904	

Reimbursements of Expense

54. 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.
55. After the Commission has finally acted on Atmos Energy's application for an interim rate adjustment, the Director of the Oversight and Safety Division will estimate Atmos Energy's proportionate share of the Commission's annual costs related to the processing of such applications.
56. In making the estimate of Atmos Energy's proportionate share of the Commission's annual costs related to the processing of such applications, the Director will take into account the number of utilities the Commission reasonably expects to file for interim rate adjustments during the fiscal year, and the costs expected to be incurred in processing such applications.
57. Atmos Energy is required to reimburse the Commission for the amount determined by the Director of the Oversight and Safety Division within thirty days after receipt of notice of the amount of the reimbursement.

CONCLUSIONS OF LAW

1. Atmos Energy 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 Railroad Commission of Texas ("Commission").
2. The Commission has jurisdiction over Atmos Energy, the applications for interim rate adjustment for incremental changes in investment, and the subject matter of this case under TEX. UTIL. CODE §§ 102.001, 104.001, 104.002, and 104.301.

3. Under TEX. UTIL. CODE. § 102.001, the Commission has exclusive original jurisdiction over the rates and services of a gas utility that distributes natural gas in areas outside of a municipality and over the rates and services of a gas utility that transmits, transports, delivers, or sells natural gas to a gas utility that distributes the gas to the public.
4. Under the provisions of the TEX. UTIL. CODE § 104.301 and 16 TEX. ADMIN. CODE § 7.7101, Atmos Energy is required to seek Commission approval before implementing an interim rate adjustment tariff for environs customers.
5. Atmos Energy filed its application for interim rate adjustments for changes in investment in accordance with the provisions of TEX. UTIL. CODE § 104.301 and 16 TEX. ADMIN. CODE § 7.7101.
6. Atmos Energy's application for an interim rate adjustment was processed in accordance with the requirements of TEX. UTIL. CODE §104.301 and 16 TEX. ADMIN. CODE § .7101.
7. In accordance with 16 TEX. ADMIN. CODE § 7.315, within thirty days of the effective date of any change to rates or services, Atmos Energy is required to file with the Commission its revised tariffs.
8. Atmos Energy may not charge any rate that has not been successfully filed and accepted as a tariff filing electronically pursuant to TEX. UTIL. CODE §§ 102.151, and 104.002 and 16 TEX. ADMIN. CODE §7.315.
9. In accordance with TEX. UTIL. CODE § 104.301(a) and 16 TEX. ADMIN. CODE § 7.7101(a), the filing date of Atmos Energy' 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 Energy filed its initial interim rate adjustment.
10. Atmos Energy is required, under TEX. UTIL. CODE § 104.301(e) and 16 TEX. ADMIN. CODE § 7.7101(d), to file with the Commission an annual project report, including the cost, need, and customers benefited by the change in investment, and describing the investment projects completed and placed in service during the preceding calendar year and the investments retired or abandoned during the preceding calendar year.
11. Atmos Energy 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 Energy is required, under TEX. UTIL. CODE § 104.301(f) and 16 TEX. ADMIN. CODE § 7.7101(e), to file with the Commission an annual earnings monitoring report demonstrating Atmos Energy's earnings during the preceding calendar year.

13. Atmos Energy is required, under 16 TEX. ADMIN. CODE § 7.7101(h), 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), all amounts collected from customers under Atmos Energy's 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 Atmos Energy 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), in the rate case that Atmos Energy 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 Energy 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 §104.301(a) and 16 TEX. ADMIN. CODE § 7.7101(e).
17. Atmos Energy provided adequate notice, in accordance with TEX. UTIL. CODE § 104.301(a) and 16 Tex. Admin. Code §7.7101(b).
18. Atmos Energy's application for interim rate adjustment, as proposed, complies with all provisions of TEX. UTIL. CODE § 104.301 and 16 TEX. ADMIN. CODE § 7.7101.
19. Atmos Energy's interim rate adjustments established in the findings of fact and conclusions of law, comply with the provisions of TEX. UTIL. CODE § 104.301 and 16 TEX. ADMIN. CODE § 7.7101.
20. In accordance with TEX. UTIL. CODE § 104.301(h) and 16 TEX. ADMIN. CODE § 7.7101(l), Atmos Energy shall file a comprehensive rate case for the areas in which the interim rate adjustment is implemented, no 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 § 104.301(j) and 16 TEX. ADMIN. CODE § 7.7101(m), to recover from Atmos Energy the Company'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 Energy's interim rate adjustment 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 on or after the date of this order.

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

IT IS FURTHER ORDERED THAT Atmos Energy **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 Energy **SHALL** reimburse the Commission for the utility's proportionate share of the Commission's annual costs related to the administration of the IRA mechanism. The amount of this reimbursement shall be determined by the Director of the Oversight and Safety Division. This Order will not be final and effective until 20 days after a party is notified of the Commission's order. A party is presumed to have been notified of the Commission's order three days after the date on which the notice is actually mailed. If a timely motion for rehearing is filed by any party at interest, this Order shall not become final and effective until such motion is overruled, or if such motion is granted, this order shall be subject to further action by the Commission. Pursuant to TEX. GOV'T CODE § 2001.146(e), the time allotted for Commission action on a motion for rehearing in this case prior to its being overruled by operation of law, is hereby extended until 90 days from the date the order is served on the parties.

Any portion of 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 23rd day of May 2017.

RAILROAD COMMISSION OF TEXAS



CHRISTI CRADDICK
CHAIRMAN



RYAN SITTON
COMMISSIONER



WAYNE CHRISTIAN
COMMISSIONER

ATTEST



Deputy SECRETARY

GUD NO. 10607

EXHIBIT A

Tariffs

RATE SCHEDULE:	R – RESIDENTIAL SALES	
APPLICABLE TO:	UNINCORPORATED AREAS	
EFFECTIVE DATE:		

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
GUD 10170 Customer Charge per Bill	\$ 17.70 per month
Interim Rate Adjustments ("IRA")	\$ 8.24 per month ¹
Rider CEE Surcharge	\$ 0.02 per month ²
Total Customer Charge	\$ 25.96 per month
Commodity Charge – All Ccf	\$ 0.04172 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. Rider FF is only applicable to customers inside the corporate limits of any incorporated municipality.

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

Notes: ¹2012 IRA - \$1.20; 2013 IRA - \$1.40; 2014 IRA - \$1.71, 2015 IRA - \$1.81, 2016 - IRA \$2.12. ²Reference Rider CEE - Conservation and Energy Efficiency as approved in GUD 10170. Surcharge billing effective July 1, 2016.

RATE SCHEDULE:	R – RESIDENTIAL SALES	
APPLICABLE TO:	UNINCORPORATED AREAS	
EFFECTIVE DATE:		

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.

RATE SCHEDULE:	C – COMMERCIAL SALES	
APPLICABLE TO:	UNINCORPORATED AREAS	
EFFECTIVE DATE:		

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
GUD 10170 Customer Charge per Bill	\$ 34.72 per month
Interim Rate Adjustments ("IRA")	\$ 24.66 per month ¹
Rider CEE Surcharge	\$ 0.08 per month ²
Total Customer Charge	\$ 59.46 per month
Commodity Charge - All Ccf	\$ 0.06589 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. Rider FF is only applicable to customers inside the corporate limits of any incorporated municipality.

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

Notes: ¹2012 IRA - \$3.55; 2013 IRA - \$4.17; 2014 IRA - \$5.10; 2015 IRA - \$5.38, 2016 IRA - \$6.46. ²Reference Rider CEE - Conservation and Energy Efficiency as approved in GUD 10170. Surcharge billing effective July 1, 2016.

RATE SCHEDULE:	C – COMMERCIAL SALES	
APPLICABLE TO:	UNINCORPORATED AREAS	
EFFECTIVE DATE:		

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.

RATE SCHEDULE:	I – INDUSTRIAL SALES	
APPLICABLE TO:	UNINCORPORATED AREAS	
EFFECTIVE DATE:		

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
GUD 10170 Customer Charge per Meter	\$ 600.00 per month
Interim Rate Adjustments ("IRA")	\$ 436.34 per month ¹
Total Customer Charge	\$ 1,036.34 per month
First 0 MMBtu to 1,500 MMBtu	\$ 0.2473 per MMBtu
Next 3,500 MMBtu	\$ 0.1812 per MMBtu
All MMBtu over 5,000 MMBtu	\$ 0.0389 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. Rider FF is only applicable to customers inside the corporate limits of any incorporated municipality.

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."

Note: ¹2012 IRA - \$62.08; 2013 IRA - \$73.50; 2014 IRA - \$90.01; 2015 IRA - \$95.11, 2016 IRA - \$115.64.

RATE SCHEDULE:	I – INDUSTRIAL SALES	
APPLICABLE TO:	UNINCORPORATED AREAS	
EFFECTIVE DATE:		

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.

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.

RATE SCHEDULE:	T – TRANSPORTATION	
APPLICABLE TO:	UNINCORPORATED AREAS	
EFFECTIVE DATE:		

Application

Applicable, in the event that Company has entered into a Transportation Agreement, to a customer directly connected to the Atmos Energy Corp., 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
GUD 10170 Customer Charge per Meter	\$ 600.00 per month
Interim Rate Adjustments ("IRA")	\$ 436.34 per month ¹
Total Customer Charge	\$ 1,036.34 per month
First 0 MMBtu to 1,500 MMBtu	\$ 0.2473 per MMBtu
Next 3,500 MMBtu	\$ 0.1812 per MMBtu
All MMBtu over 5,000 MMBtu	\$ 0.0389 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. Rider FF is only applicable to customers inside the corporate limits of any incorporated municipality.

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

Note: ¹2012 IRA - \$62.08; 2013 IRA - \$73.50; 2014 IRA - \$90.01; 2015 IRA - \$95.11, 2016 IRA - \$115.64.

RATE SCHEDULE:	T – TRANSPORTATION	
APPLICABLE TO:	UNINCORPORATED AREAS	
EFFECTIVE DATE:		

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.

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.

GUD NO. 10607

EXHIBIT B

SCHEDULES

SUMMARY
ATMOS ENERGY CORP., MID-TEX DIVISION - UNINCORPORATED AREAS
For the Period Ending December 31, 2016

Line No.	Description (a)	12/31/2015 GUD 10502 (b)	Reference (c)	12/31/2016 Current Year (d)	Reference (e)
1	Net Investment	\$ 2,619,815,743	(IRA-7, Ln. 32, Col. h)	\$ 2,908,060,547	(IRA-8, Ln. 32, Col. h)
2	Increase in Net Investment			\$ 288,244,804	(Ln. 1, Col. d) minus (Ln. 1, Col. b)
3	Authorized Return on Capital			8.57%	(IRA-15, Ln. 7, Col. d)
4					
5	Change in Return on Net Investment			\$ 24,697,938	(Ln. 2, Col. d) times (Ln. 3, Col. d)
6	Change in Depreciation Expense			\$ 9,731,335	(IRA-10, Ln. 30, Col. f) plus (IRA-13, Ln. 30, Col. f)
7	Change in Federal, Revenue, and Other Taxes			\$ 14,487,276	(IRA-5, Ln. 3, Col. g) plus (IRA-6, Ln. 22, Col. c)
8	Change in Revenue Requirement			\$ 48,916,549	(Sum Ln. 5 thru 7, Col. d)
9					
10	Annual Number of Bills			19,445,280	(IRA-Company, Sch B, Sum Ln. 26 thru 28, Col. b)
11	Increase Per Bill Per Month			See Below	
12	(to be applied to monthly customer charge or initial block rate, check one)				
13	<input checked="" type="checkbox"/> Monthly Customer Charge				
14	<input type="checkbox"/> Initial Block Rate				
15					

Current and Proposed Bill Information - With Gas Cost					
	Current	Proposed	Difference	% Change	
16					
17					
18					
19	Residential Customers:				
20	Average Monthly Bill* @ 44 Ccf	\$ 55.85	\$ 57.97	\$ 2.12	3.80%
21					
22	Commercial Customers:				
23	Current Average Monthly Bill* @ 342 Ccf	\$ 278.36	\$ 284.82	\$ 6.46	2.32%
24					
25	Industrial Customers:				
26	Current Average Monthly Bill* @ 3,897 MMBtu	\$ 17,725.33	\$ 17,840.97	\$ 115.64	0.65%
27					
28	* Average Bill Volume/Quantity per GUD 10170. Gas Cost calculated per the average of the 2016 Rider GCR Factors.				

Current and Proposed Bill Information - Without Gas Cost					
	Current [1]	Proposed	Difference	% Change	
29					
30					
31					
32	Residential Customers:				
33	Average Monthly Bill* @ 44 Ccf	\$ 25.68	\$ 27.80	\$ 2.12	8.27%
34					
35	Commercial Customers:				
36	Current Average Monthly Bill* @ 342 Ccf	\$ 75.52	\$ 81.98	\$ 6.46	8.56%
37					
38	Industrial Customers:				
39	Current Average Monthly Bill* @ 3,897 MMBtu	\$ 1,726.03	\$ 1,841.67	\$ 115.64	6.70%
40					
41	* Average Bill Volume/Quantity per GUD 10170.				

REVENUE RELATED AND OTHER TAXES
ATMOS ENERGY CORP., MID-TEX DIVISION - UNINCORPORATED AREAS
For the Period Ending December 31, 2016

Line No.	Description (a)	Total (1) (b)	12 Month End As Adjusted		Adjustments (3) (at Proposed Rates) (f)	Change (g)
			Adjustments (2) (at Present Rates) (c)	Adjustments (3) (at Present Rates) (d)		
1	Non Revenue - Related					
2						
3	Ad Valorem Tax	\$ 21,129,326	\$ 4,248,834	\$ 25,378,160	\$ 6,063,398	\$ 6,063,398
4						
5	Revenue - Related					
6						
7	State Gross Receipts - Tax	\$ 20,249,735	Note 4	Note 4	Note 4	Note 4
8	Local Gross Receipts - Tax	60,167,610	Note 4	Note 4	Note 4	Note 4
9	Railroad Commission - Gas Utility Tax	62,540	Note 4	Note 4	Note 4	Note 4
10						
11	Total Revenue Related Taxes	<u>\$ 80,479,885</u>	Note 4	Note 4	Note 4	Note 4
12						
13						
14	TOTAL TAXES OTHER THAN INCOME	<u>\$ 101,609,211</u>	Note 4	Note 4	Note 4	Note 4
15						

Notes:

1. Column (b) is the amount authorized in GUD 10170.
2. Adjustment amount is the amount authorized in the Company's Interim Rate Adjustments for Year 2015
3. Adjustment amount is per the methodology in GUD 9734 Final Order, Finding of Fact No. 46, adjusting proposed rates using a property tax factor calculated based upon 2016 Property Tax payments. See Company IRA Schedule B, Col (b), Lines 10 & 15.
4. Revenue-related taxes are recovered through Rider TAX and Rider FF.

FEDERAL INCOME TAX
ATMOS ENERGY CORP., MID-TEX DIVISION - UNINCORPORATED AREAS
For the Period Ending December 31, 2016

Line No.	Description	PRIOR YEAR		CURRENT YEAR	
		(a)	(b)	(d)	(e)
			Amount (c)		Amount
1	Return on Investment				
2	Invested Capital (Rate Base)	\$	2,348,954,067	\$	2,637,198,871
3	Rate of Return		8.57%		8.57%
4	Return on Investment	\$	201,267,537	\$	225,965,474
5					
6	Interest Expense				
7	Invested Capital (Rate Base)	\$	2,348,954,067	\$	2,637,198,871
8	Weighted Cost of Debt		3.14%		3.14%
9	Interest Expense	\$	73,779,203	\$	82,832,795
10					
11	After Tax Income	\$	127,488,334	\$	143,132,680
12					
13	Gross-up Factor	=1+(C17)/(1-C17)	1.538461538	=1+(E17)/(1-E17)	1.538461538
14					
15	Before Tax Return	\$	196,135,898	\$	220,204,123
16					
17	Federal Income Tax Rate		35%		35%
18					
19	Federal Income Tax	\$	68,647,564	\$	77,071,443
20					
21					
22	CHANGE IN FEDERAL INCOME TAX		\$ 8,423,879		

**WEIGHTED AVERAGE COST OF CAPITAL
ATMOS ENERGY CORP., MID-TEX DIVISION - UNINCORPORATED AREAS
AS OF DECEMBER 31, 2015
PER MOST RECENT RATE CASE - GUD DOCKET NO. 10170**

Per Last Rate Case Docket No. 10170						
Line No.	Investment Balance (a)	Percent of Total (b)	Cost (c)	Weighted Cost (d)		
1	\$ 782,062,494	51.69%	10.50%	5.427%		
2	-	0.0%	0.00%	0.000%		
3	-	0.0%	0.00%	0.000%		
4	730,923,252	48.31%	6.50%	3.141%		
5						
6						
7	\$ 1,512,985,746	100.0%		8.568%		

Rate of Return 8.57% allowed in Docket No. 10170

**ALLOCATION OF INVESTMENT RECOVERY
ATMOS ENERGY CORP., MID-TEX DIVISION - UNINCORPORATED AREAS**

Allocation Factors Per Rate Case - Docket No. 10170	
Rate R:	0.779535 GUD 10170, RevReq-CCS1, Base Revenue Requirements Allocation, Residential Allocation Factor
Rate C:	0.193999 GUD 10170, RevReq-CCS1, Base Revenue Requirements Allocation, Commercial Allocation Factor
Rate I and Rate T:	0.026467 GUD 10170, RevReq-CCS1, Base Revenue Requirements Allocation, Industrial & Transport Allocation Factor
Total System: <u>1.000000</u>	

Allocation Factors Requested in this filing	
Rate R:	0.779535 GUD 10170, RevReq-CCS1, Base Revenue Requirements Allocation, Residential Allocation Factor
Rate C:	0.193999 GUD 10170, RevReq-CCS1, Base Revenue Requirements Allocation, Commercial Allocation Factor
Rate I and Rate T:	0.026467 GUD 10170, RevReq-CCS1, Base Revenue Requirements Allocation, Industrial & Transport Allocation Factor
Total System: <u>1.000000</u>	

New Investment Recovery Distribution	
Requested Recovery Amount	\$ 48,916,549 (IRA-3, Ln. 8, Col. d)
Rate R:	38,132,155 IRA - Company, Sch A, Ln. 18, Col g
Rate C:	9,489,744 IRA - Company, Sch A, Ln. 19, Col g
Rate I and Rate T:	1,294,651 IRA - Company, Sch A, Ln. 20, Col g
Total System	<u>\$ 48,916,549</u>