



RAILROAD COMMISSION OF TEXAS

HEARINGS DIVISION

GUD NO. 10900, *Consolidated* Proposal for Decision

STATEMENT OF INTENT OF ATMOS ENERGY CORPORATION, WEST TEXAS DIVISION, TO ESTABLISH COST-BASED RATES FOR THE TRIANGLE DISTRIBUTION SYSTEM

Administrative Law Judge John Dodson
Technical Examiners: James Currier, Rose Ruiz

PARTIES

APPLICANT: **Atmos Energy Corporation, West Texas Division (Atmos)**
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INTERVENORS: **Staff of the Railroad Commission of Texas (Staff)**
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(West Texas Cities)**
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PROCEDURAL HISTORY:

Statement of Intent Filed:	September 27, 2019
Suspension Order:	October 22, 2019
GUD No. 10915 Appeal Filed:	November 7, 2019
Settlement Filed:	January 22, 2020
Hearing on the Merits:	February 3, 2020
Evidentiary Record Closed:	March 9, 2020
Deadline for Commission Action:	April 21, 2020

STATEMENT OF THE CASE

This is a gas utility rate case that resulted in a unanimous settlement by the parties. Atmos seeks to establish cost-based rates for 10 transportation customers currently paying market-based rates. Atmos also seeks a prudence determination with regard to all capital investment made in the Triangle Distribution System through March 31, 2019, as well as a public interest finding regarding Atmos's October 2003 acquisition of the Triangle Distribution System. This docket is the first rate case for the Triangle Distribution System following that acquisition.

Under the settlement, the parties resolved all issues and agreed to the establishment of cost-based rates for the Triangle Distribution System premised on a revenue requirement of \$7,681,934—a *decrease* in annual base revenue provided from the current market-based rates. The parties also agreed that the Triangle Distribution System is properly treated as a natural gas distribution system for ratemaking purposes and that its acquisition by Atmos in 2003 was in the public interest.

Included in this consolidated docket are GUD Nos. 10900 (the SOI), 10915 (municipal appeal), and 10907 (rate case expenses).

RECOMMENDATION

The Administrative Law Judge and Technical Examiners recommend that the Commission approve the parties' settlement.

The deadline for Commission action is April 21, 2020.

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1. Atmos West Texas Division & Triangle Distribution System Maps
2. Evidentiary Exhibit List
3. Settlement Agreement (excludes voluminous receipts and invoices)
4. Proposed Final Order

PROPOSAL FOR DECISION

I. INTRODUCTION

On September 27, 2019, Atmos Energy Corporation, West Texas Division ("Atmos"), filed with the Railroad Commission of Texas ("Commission") a statement of intent to establish cost-based rates for its Triangle Distribution System (the "SOI").¹ Atmos filed its SOI pursuant to Subtitle A (Gas Utility Regulatory Act) ("GURA") of the Texas Utilities Code, Chapter 104 (Rates and Services), Subchapter C (Rate Changes Proposed by Utility). The SOI was docketed as GUD No. 10900.

Atmos seeks to establish cost-based rates for 10 transportation customers currently paying market-based rates. The Commission has exclusive original jurisdiction here to set cost-based rates for service provided on the Triangle Distribution System within the unincorporated areas of Atmos's West Texas Division. Maps of Atmos's West Texas Division and the Triangle Distribution System are attached as PFD Attachment 1.

Two parties intervened and participated in discovery and settlement negotiations with Atmos: Staff of the Railroad Commission ("Staff") and the Steering Committee of Cities Served by Atmos West Texas ("West Texas Cities"). Atmos, Staff, and West Texas Cities ultimately reached a Unanimous Settlement Agreement ("Settlement"), which resolved all issues.² In the Settlement, the parties agree to the following:

- regulated rates for the Triangle Distribution System premised on a revenue requirement of \$7,681,934—a decrease of \$300,000 from the current revenue;
- for the 10 transportation customers affected by this case, a reduction of the current transportation charge from \$0.39840 to \$0.38152 per MMBtu;
- cost of equity set at 9.8 percent;
- the Triangle Distribution System is properly treated as a natural gas distribution system for ratemaking purposes;
- Atmos's October 2003 acquisition of the Triangle Distribution System was in the public interest;
- capital investment made in the Triangle Distribution System through March 31, 2019, is prudent, used and useful, and just and reasonable;
- establishment of Interim Rate Adjustment ("IRA") factors;
- depreciation rates consistent with those currently in effect for the West Texas Division;
- approval of test-year affiliate expenses totaling \$27,145;
- establishment by Atmos of a System Safety and Integrity ("SSI") regulatory asset to track certain third-party O&M expenses; and
- rate case expenses incurred by Atmos totaling no more than \$136,090.

The Administrative Law Judge ("ALJ") and Technical Examiners (together, the "Examiners") recommend that the Commission approve the Settlement.

¹ Atmos Ex. 1 (SOI).

² See Joint Ex. 1 (Settlement); see also PFD Attachment 3 (Settlement) (excluding voluminous receipts and invoices).

II. PARTIES

The parties in this proceeding are Applicant Atmos, Intervenor Staff, and Intervenor West Texas Cities.

Atmos

Applicant Atmos is a “gas utility” under GURA Section 101.003 (Definitions)³ and a provider of natural gas utility service to its customers located within the West Texas Division. In 2003, Atmos acquired the Triangle Distribution System, which traverses 20 counties within West Texas and consists of 2,075 miles of pipeline.⁴

Atmos states it made this filing for the following purposes: (1) to establish a cost-of-service rate for service on the Triangle Distribution System that will provide greater transparency regarding the cost of providing service and will facilitate Atmos’s ability to make additional capital investments in the system through the utilization of Gas Reliability Infrastructure Program (“GRIP”) filings; (2) to obtain regulatory clarity regarding the nature of the service provided on the system (*i.e.*, distribution, not transmission); (3) to take the first step toward integrating the Triangle Distribution System into a system-wide West Texas Division rate case; and (4) to provide the Commission the opportunity to reach a finding that Atmos’s 2003 acquisition of the Triangle Distribution System was in the public interest.⁵

Commission Staff

Intervenor Staff participated in this docket “to assert its interest in assuring that the rules and regulations of the Railroad Commission of Texas, together with the appropriate statutes, have been followed.”⁶

West Texas Cities

Intervenor West Texas Cities is a committee comprised of 70 municipalities served by Atmos.⁷ Member cities all are served by Atmos, are regulatory authorities, and are current customers of Atmos.⁸

III. PROCEDURAL BACKGROUND

On September 27, 2019, Atmos filed with the Commission its SOI.⁹ Subsequently, Staff and West Texas Cities timely intervened.¹⁰ On October 15, 2019,

³ Tex. Util. Code § 101.003(7) (Definitions) (defining “gas utility” as “a person or river authority that owns or operates for compensation in this state equipment or facilities to transmit or distribute combustible hydrocarbon natural gas or synthetic natural gas for sale or resale in a manner not subject to the jurisdiction of the Federal Energy Regulatory Commission under the Natural Gas Act (15 U.S.C. Section 717 et seq.). The term includes a lessee, trustee, or receiver of a gas utility.”).

⁴ Atmos Ex. 3 (Littlejohn Test.) at 8.

⁵ *Id.* at 11-12.

⁶ Staff’s Motion to Intervene, filed September 27, 2019, ¶ 1.

⁷ West Texas Cities’ Motion to Intervene, filed October 9, 2019, ¶ 1, Attachment A.

⁸ *Id.* ¶ 3.

⁹ Atmos Ex. 1 (SOI).

¹⁰ See Hearings Letter No. 02 (Motion to Intervene by Commission Staff), issued October 7, 2019 (granting Staff’s motion to intervene), and Hearings Letter No. 3 (Motion to Intervene by West Texas Cities), issued October 14,

Atmos filed certain errata to its original filing.¹¹ On October 16, 2019, the ALJ severed consideration of rate case expenses into a separate docket, GUD No. 10907.¹² On October 22, 2019, the Commission timely suspended the effective date of Atmos's proposed rate for a period of 150 days pursuant to GURA Section 104.107 (Rate Suspension; Deadline).¹³

On October 21, 2019, Atmos timely provided notice of its SOI to each affected customer by direct mail.¹⁴ On November 7, 2019, Atmos timely filed with the Commission a petition for review from municipal action taken by the City of Hereford, docketed as GUD No. 10915.¹⁵ This appeal subsequently was consolidated with the main GUD No. 10900 docket.¹⁶

On December 18, 2019, Atmos notified the ALJ that the parties reached a settlement in principle that resolves all issues.¹⁷

On January 13, 2020, the Notice of Hearing was issued, setting the hearing on the merits to commence on February 3, 2020 ("Notice of Hearing").¹⁸ On January 15, 2020, the Commission published the Notice of Hearing in *Gas Utilities Information Bulletin No. 1123*.¹⁹ On January 22, 2020, Atmos filed the parties' finalized Settlement. On January 30, 2020, the ALJ consolidated GUD No. 10907 (rate case expenses) back into the main SOI docket.²⁰

The hearing on the merits was held on February 3, 2020 (the "Hearing"). After the Hearing, the ALJ took official notice of Atmos's response filings to Examiner Request for Information ("RFI") requests 1-01 through 1-04.²¹ The evidentiary exhibit list is attached as PFD Attachment 2.

On March 9, 2020, the evidentiary record closed.²²

2019 (granting West Texas Cities' motion to intervene); see also Hearings Letter No. 8 (Motion to Intervene), issued November 8, 2019 (intervention granted for the Cities of Lamesa, Littlefield, Olton, and Ralls, and aligning them with West Texas Cities), and Hearings Letter No. 11 (Motion to Intervene), issued December 18, 2019 (intervention granted for the Cities of Abernathy, Canyon, Crosbyton, Dimmitt, Hereford, Levelland, Midland, Muleshoe, Pampa, Panhandle, Plainview, Seminole, Shallowater, Silverton, Sudan, Tahoka, Timbercreek Canyon, Village of Tanglewood, Wellman, and Wilson, and aligning them with West Texas Cities).

¹¹ Errata Filing, filed by Atmos on October 15, 2019.

¹² Hearings Letter No. 6 (Rate Case Expenses Docket), issued October 16, 2019.

¹³ See Tex. Util. Code § 104.107(a)(2) (Rate Suspension; Deadline) ("Pending the hearing and a decision...the railroad commission may suspend the operation of the schedule for not longer than 150 days after the date the schedule would otherwise be effective.").

¹⁴ Atmos Ex. 6 (Affidavit of Philip R. Littlejohn, sworn to on December 18, 2019, attesting to Atmos providing public notice to affected customers by direct mail); see also Tex. Util. Code § 104.103(b) (permitting gas utilities to provide notice of proposed rate increases to customers by direct mail).

¹⁵ Atmos Ex. 2 (GUD No. 10915 Appeal). The City of Hereford is the only affected city whose original jurisdiction is triggered due to a small portion of the assets Atmos seeks to add to its rate base being located within the City of Hereford's municipal boundaries. *Id.* at Exhibit A, p. 3.

¹⁶ Hearings Letter No. 9 (Consolidation of GUD No. 10915 Appeal), issued November 21, 2019 (finding that the appeal and the main SOI docket involve identical issues of fact and law).

¹⁷ Letter to the ALJ from Ann M. Coffin, counsel for Atmos, filed December 18, 2019.

¹⁸ Hearings Letter No. 12 (Notice of Hearing), issued January 13, 2020 (attaching the Notice of Hearing).

¹⁹ See *Gas Utilities Information Bulletin No. 1123*, published by the Railroad Commission of Texas Oversight and Safety Division on January 15, 2020 ("Bulletin"), pp. 4-6.

²⁰ Hearings Letter No. 13 (Rate Case Expenses Docket Consolidated with GUD No. 10900), issued January 30, 2020.

²¹ See Hearings Letter No. 15 (Close of Evidentiary Record), issued March 9, 2020.

²² *Id.*

IV. JURISDICTION, BURDEN OF PROOF, AND NOTICE

Jurisdiction

The Commission has jurisdiction over Atmos, which is a gas utility as defined in GURA Section 101.003(7). Pursuant to GURA Section 102.001(a), the Commission has exclusive original jurisdiction to set the rates Atmos requests for its customers located within the unincorporated areas of the West Texas Division.

The Commission has jurisdiction over all matters at issue in this proceeding pursuant to GURA Chapters 102 (Jurisdiction and Powers of Railroad Commission and Other Regulatory Authorities) and 104 (Rates and Services). The statutes and rules involved in this proceeding include, but are not limited to, those contained in GURA Chapters 102, 103, and 104, and Title 16 (Economic Regulation), Part 1 (Railroad Commission of Texas), Chapters 1 (Practice and Procedure) and 7 (Gas Services Division) of the Texas Administrative Code.

Burden of Proof

As a gas utility proposing new rates, Atmos has the burden of proving its proposed rates are just and reasonable.²³

Notice

On October 21, 2019, Atmos timely provided notice of its SOI to each affected customer by direct mail.²⁴ On January 13, 2020, the ALJ issued the Notice of Hearing, which complied with Chapter 2001 (Administrative Procedure) of the Texas Government Code, Part 1 (Railroad Commission of Texas) of Title 16 (Economic Regulation) of the Texas Administrative Code, and other applicable authority. On January 15, 2020, the Commission published the Notice of Hearing in *Gas Utilities Information Bulletin No. 1123*, in compliance with Commission Rule § 7.235 (Publication and Service of Notice).²⁵

Proper notice has been issued in this proceeding in accordance with all applicable statutory and regulatory requirements.

V. COMPLIANCE WITH COMMISSION RULES; BOOKS AND RECORDS

Atmos presented evidence that it maintains its books and records in accordance with Commission requirements.²⁶ Atmos maintains its books and records in accordance with Commission Rule § 7.310 (System of Accounts), which requires each gas utility to “utilize the Federal Energy Regulatory Commission’s (FERC) Uniform System of Accounts (USOA) prescribed for Natural Gas Companies subject to the Provisions of the Natural Gas Act (as amended from time to time) (FERC USOA)

²³ Tex. Util. Code § 104.008 (Burden of Proof) (“In a proceeding involving a proposed rate change, the gas utility has the burden of proving that the rate change is just and reasonable, if the utility proposes the change.”).

²⁴ Atmos Ex. 6 (Affidavit of Philip R. Littlejohn, sworn to on December 18, 2019, attesting to Atmos providing public notice to affected customers by direct mail); see also Tex. Util. Code § 104.103(b) (permitting gas utilities to provide notice of proposed rate increases to customers by direct mail).

²⁵ See Bulletin, pp. 4-6 (containing the GUD No. 10900 Notice of Hearing); see also 16 Tex. Admin. Code § 7.235(a)(1)(A) (Publication and Service of Notice) (“The Commission shall publish the notice of hearing in the next Bulletin published after the date of issuance of the notice of hearing.”).

²⁶ See Atmos Ex. 4 (Myers Test.) at 8-18.

for all operating and reporting purposes.”²⁷ The information contained within Atmos’s books and records, as well as the summaries and excerpts therefrom, qualify for the presumption set forth in Commission Rule § 7.503 (Evidentiary Treatment of Uncontroverted Books and Records of Gas Utilities).²⁸ No party disputes that Atmos maintains its books and records in accordance with these requirements.

Considering the evidence, the Examiners find that Atmos has established that it complied with these Commission rules. Accordingly, Atmos is entitled to the presumption set forth in Commission Rule § 7.503 (Evidentiary Treatment of Uncontroverted Books and Records of Gas Utilities) that the unchallenged amounts shown in its books and records are presumed to have been reasonably and necessarily incurred.²⁹

VI. TERMS OF THE SETTLEMENT

The Settlement resolves all issues in GUD No. 10900. The parties—Atmos, Staff, and West Texas Cities—participated in discovery and settlement negotiations and agree that resolution of this docket by settlement will avoid prolonged litigation, which will significantly reduce the amount of reimbursable rate case expenses associated with this docket.³⁰ The parties agree that the rates, terms, and conditions reflected in the Settlement comply with the rate-setting requirements of GURA Chapter 104 (Rates and Services).³¹ A copy of the Settlement is attached as PFD Attachment 3.³²

Under the Settlement, the parties agree to the establishment of cost-based rates for the Triangle Distribution System consistent with the below rate components, and that the system is properly treated as a natural gas distribution system for ratemaking purposes.³³ Currently, Atmos applies a uniform “postage stamp rate”³⁴ per MMBtu transported across the Triangle Distribution System since acquiring the facilities in 2003.³⁵ This market-based rate has been adjusted periodically, with the current rate at \$0.39840 per MMBtu.³⁶ It is this transportation rate per MMBtu that is the subject of this case.

²⁷ *Id.*; see 16 Tex. Admin. Code § 7.310(a) (System of Accounts).

²⁸ Atmos Ex. 4 (Myers Test.) at 17-18; see 16 Tex. Admin. Code § 7.503(a) (Evidentiary Treatment of Uncontroverted Books and Records of Gas Utilities).

²⁹ See 16 Tex. Admin. Code § 7.503(a) (Evidentiary Treatment of Uncontroverted Books and Records of Gas Utilities) (“In any proceeding before the Commission involving a gas utility that keeps its books and records in accordance with Commission rules, the amounts shown on its books and records as well as summaries and excerpts therefrom shall be considered prima facie evidence of the amount of investment or expense reflected when introduced into evidence, and such amounts shall be presumed to have been reasonably and necessarily incurred; provided, however, that if any evidence is introduced that an investment or expense item has been unreasonably incurred, then the presumption as to that specific investment or expense item shall no longer exist and the gas utility shall have the burden of introducing probative evidence that the challenged item has been reasonably and necessarily incurred.”).

³⁰ Joint Ex. 1 (Settlement) at p. 1.

³¹ *Id.* ¶ 18.

³² Excludes voluminous receipts and invoices related to Atmos’s incurred rate case expenses, treated later in the PFD.

³³ Joint Ex. 1 (Settlement) ¶¶ 3, 4.

³⁴ A postage stamp rate is a standardized rate that would be applicable to any customer transporting across the Triangle Distribution System, regardless of the distance their gas was transported on the system. Atmos Ex. 3 (Littlejohn Test.) at 21.

³⁵ Atmos Ex. 3 (Littlejohn Test.) at 12.

³⁶ *Id.*

A. Revenue Requirement

The Texas Utilities Code requires that “the regulatory authority shall establish the utility’s overall revenues at an amount that will permit the utility a reasonable opportunity to earn a reasonable return on the utility’s invested capital used and useful in providing service to the public in excess of its reasonable and necessary operating expenses.”³⁷

Under the Settlement, the parties agree that an overall revenue requirement for the Triangle Distribution System of \$7,681,934 is just and reasonable.³⁸ This amount represents an overall settlement and amounts associated with particular expenses are not identified in the overall revenue requirement unless specified in the Settlement.³⁹ This revenue amount also reflects a corporate income tax rate of 21 percent to recognize changes to the Federal Tax Code due to the Tax Cuts and Jobs Act of 2017, and the parties agree that Atmos has fully complied with all requirements set forth in the Commission’s GUD No. 10695 Accounting Order issued in 2018.⁴⁰

The settled revenue requirement of \$7,681,934 *decreases* Atmos’s current base revenue by \$300,000, or 3.76 percent, and is lower than the \$8,248,080 initially requested by Atmos.⁴¹ The settled revenue requirement includes affiliate expenses, discussed separately below.

Considering the Settlement and evidence, the Examiners find the settled revenue requirement of \$7,681,934 to be just and reasonable and consistent with GURA Section 104.051 (Establishing Overall Revenues).

B. Cost of Capital

Under the Settlement, the parties agree to the below capital structure and weighted cost of capital, including the pre-tax return.⁴²

Capital Class	Percent	Cost	Weighted Cost of Capital	Pre-Tax Return
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%		7.71%	9.28%

Considering the evidence, the Examiners find the rate of return contained in the Settlement—including the capital structure, cost of debt, and cost of equity—to be just and reasonable. Accordingly, Atmos met its burden in proving that the above capital structure and cost of capital are just and reasonable.

³⁷ Tex. Util. Code § 104.051 (Establishing Overall Revenues).

³⁸ Joint Ex. 1 (Settlement) ¶¶ 1, 5.

³⁹ *Id.* ¶ 8.

⁴⁰ *Id.* ¶¶ 13, 14.

⁴¹ Atmos Ex. 1 (SOI), Schedule A.

⁴² Joint Ex. 1 (Settlement) ¶ 11.

C. Rates

The Settlement rates are designed for Atmos to recover annual revenues of \$6,782,017 from its 10 city gate and transportation customers.⁴³ The balance of the revenue requirement—\$899,917—will be recovered from Atmos’s customers with negotiated contracts.⁴⁴ The Settlement provides for a \$0.38152 per MMBtu charge, which is a 4.2-percent reduction from the current charge of \$0.39840 per MMBtu. The revenue and rates are summarized in the below table, with the rates expressed in \$/MMBtu.

Customer	Current		Proposed	
	Revenue	Rate	Revenue	Rate
City Gate and Transportation	\$7,082,018	\$0.39840	\$6,782,017	\$0.38152
Negotiated Contracts	\$899,917		\$899,917	

This new, reduced rate of \$0.38152 per MMBtu applies only to Triangle Distribution System customers who are not subject to competitive market-based rates.⁴⁵ This cost-of-service rate will be recovered from Atmos West Texas Distribution (“WTX Distribution”), other local distribution companies, and marketers taking transportation service in the same manner as it is currently recovered from those customers.⁴⁶

Considering the evidence, the Examiners find that the Settlement rates are just and reasonable and consistent with the requirements contained in GURA Chapter 104 (Rates and Services).

D. Depreciation Rates

Depreciation rates established by the Commission must be “proper and adequate.”⁴⁷ Here, the parties agree that the existing depreciation rates currently in effect for the West Texas Division also should be adopted for the Triangle Distribution System assets.⁴⁸ These depreciation rates were approved by the Commission for the West Texas Division’s environs in 2018.⁴⁹

The Examiners find these depreciation rates to be proper and adequate, just and reasonable, supported by the evidence,⁵⁰ and consistent with the requirements in GURA Section 104.054 (Depreciation, Amortization, and Depletion).

⁴³ *Id.* at Exhibit B.

⁴⁴ *Id.*

⁴⁵ *Id.* ¶ 9.

⁴⁶ Atmos Ex. 1 (SOI) at 3.

⁴⁷ Tex. Util. Code § 104.054(a) (Depreciation, Amortization, and Depletion) (“The railroad commission shall establish **proper and adequate** rates and methods of depreciation, amortization, or depletion for each class of property of a gas utility or municipally owned utility.”) (emphasis added).

⁴⁸ Joint Ex. 1 (Settlement) ¶ 7, Exhibit C (depreciation rates).

⁴⁹ Final Order, GUD No. 10743, Statement of Intent filed by Atmos Energy Corp. to Change Gas Utility Rates Within the Unincorporated Areas in its West Texas Division (Dec. 11, 2018).

⁵⁰ Atmos Ex. 4 (Myers Test.), Exhibit BWM-1 (Affidavit of Dane A. Watson, sworn to on August 14, 2019).

E. Capital Investment Prudence

Atmos seeks a prudence determination with regard to all capital investment made in the Triangle Distribution System through March 31, 2019. Under the Settlement, the parties agree that capital investment made in the system through March 31, 2019, is prudent, used and useful, and just and reasonable.⁵¹

Atmos provided evidence to support the reasonableness, necessity, and usefulness of the capital investments it made in the Triangle Distribution System.⁵² According to Atmos, system safety and reliability are the driving forces for its capital investment in the system and can be grouped into seven categories: 1) System Integrity; 2) System Improvements; 3) Public Improvements; 4) Growth; 5) Equipment; 6) Information Technology; and 7) Structures, plus miscellaneous additions, retirements, and transfers.⁵³ Atmos explains that this capital investment has “made a safe system safer” and relates to Atmos’s compliance with the requirements of pipeline safety programs, specifically Commission Rule §§ 8.206-8.209, which include provisions for leak surveys, scheduling of leak repairs, and the implementation of a risk-based program for the removal or replacement of distribution facilities.⁵⁴

Consistent with the Settlement, the Examiners find that Atmos’s capital investment made in the Triangle Distribution System through March 31, 2019, is prudent, used and useful, and just and reasonable.

F. Future Interim Rate Adjustment (IRA) Factors

This case will establish a baseline for future interim rate adjustment (“IRA”) filings made pursuant to GURA Section 104.301 (Interim Adjustment for Changes in Investment).⁵⁵ Under the Settlement, the parties agree that any IRA filing for the Triangle Distribution System pursuant to this statute shall use the following factors until changed by a subsequent general rate proceeding.⁵⁶

- a. The below capital structure and related components:

Capital Class	Percent	Cost	Weighted Cost of Capital	Pre-Tax Return
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%		7.71%	9.28%

- b. For any initial IRA filing, the beginning amount for system-wide net plant in service for the system shall be \$46,252,340, as presented in Exhibit C to the Settlement.

⁵¹ Joint Ex. 1 (Settlement) ¶ 6.

⁵² Atmos Ex. 5 (Brooks Test.) at 17-23.

⁵³ *Id.* at 17-18.

⁵⁴ *Id.* at 7, 22.

⁵⁵ Atmos Ex. 1 (SOI) at 3.

⁵⁶ Joint Ex. 1 (Settlement) at ¶¶ 11, 12.

- c. For any initial IRA filing and for any subsequent IRA filings, the depreciation rate for each account shall be those presented in Exhibit C to the Settlement.
- d. For any initial IRA filing, the transportation charge of \$0.38152 per MMBtu will be the starting rate to which any IRA adjustment is applied.
- e. 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.
- f. Any change in IRA increase/decrease may be recovered from system customers as an increase/decrease to the City Gate/Transportation charge.

Consistent with the Settlement, the Examiners find these factors to be just and reasonable.

G. System Safety and Integrity (SSI) Regulatory Asset

Under the Settlement, the parties agree that Atmos is authorized to establish a System Safety and Integrity ("SSI") Regulatory Asset to track certain third-party operations and maintenance expenses associated with facility reclassification or other activities necessary to comply with state or federal regulations relating to natural gas pipeline safety and integrity.⁵⁷ The baseline level of third-party SSI costs under the Settlement totals \$143,000.⁵⁸ The parties further agree 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 this asset within 90 days after each calendar year end.⁵⁹

Considering the evidence,⁶⁰ the Examiners find that establishment of this SSI Regulatory Asset, consistent with the Settlement, is just and reasonable.

H. Tariffs

Atmos, Staff, and West Texas Cities agree to the rates, terms, and conditions reflected in the tariffs attached as Exhibit A to the Settlement.⁶¹ The parties further agree that these tariffs, listed below, comply with the rate-setting requirements of GURA Chapter 104 (Rates and Services).⁶²

Rate Schedule
City Gate / Transportation Service
SUR – Surcharges
FF – Franchise Fee Adjustment
Pipeline Safety Fee

Consistent with the Settlement, the Examiners find these tariffs to be just and reasonable.

⁵⁷ *Id.* ¶ 19.

⁵⁸ *Id.* ¶ 20.

⁵⁹ *Id.* ¶ 21.

⁶⁰ Atmos Ex. 4 (Myers Test.) at 37-39; Atmos Ex. 5 (Brooks Test.) at 10-12.

⁶¹ Joint Ex. 1 (Settlement) ¶ 1.

⁶² *Id.* ¶ 18.

I. Services Provided by Affiliate Blueflame

The Commission is required to make specific findings related to affiliate transactions before rates may be adopted.⁶³ Those findings include: (1) a specific finding of the reasonableness and necessity of each item or class of items allowed; and (2) a finding that the price to the gas utility is not higher than the prices charged by the supplying affiliate to its other affiliates or division or to a non-affiliated person for the same item or class of items.⁶⁴

Here, Atmos requests approval for recovery of test-year expenses totaling \$27,145 that are associated with Blueflame Insurance Services, Ltd. ("Blueflame"), an Atmos affiliate that provides property insurance for all divisions of Atmos Energy Corporation, including the West Texas Division.⁶⁵ Atmos provided evidence supporting that these affiliate services and expenses were reasonable and necessary, and the prices charged by Blueflame are no higher than the prices charged to other affiliates or divisions of Atmos, or to a non-affiliated person for the same item or class of items.⁶⁶ According to Atmos, Blueflame provides broader property insurance coverage and at a lower cost than what Atmos could obtain if it sought insurance on its own through the general property insurance marketplace.⁶⁷

Atmos, Staff, and West Texas Cities agree that the rate of insurance paid by Atmos to Blueflame is just and reasonable and recoverable consistent with the provisions of GURA Section 104.055(b)(1).⁶⁸ Consistent with the Settlement and supporting evidence, the Examiners find that Atmos has established: (1) the insurance services provided to it by its affiliate, Blueflame, are reasonable and necessary; and (2) these affiliate expenses (a) are reasonable and necessary costs of providing insurance coverage, and (b) the prices charged to Atmos are not higher than the prices charged to other affiliates or divisions of Atmos, or to a non-affiliated person for the same item or class of items. Accordingly, the Examiners find that these affiliate costs are reasonable, necessary, and recoverable consistent with the provisions of GURA Section 104.055 (Net Income; Allowable Expenses).

J. Public Interest Finding

GURA Section 102.051 (Report of Certain Transactions; Railroad Commission Consideration) requires a gas utility to report to the Commission a sale, acquisition, or lease of a plant as an operating unit or system for total consideration of more than \$1 million.⁶⁹ Here, Atmos requests a favorable public interest finding from the Commission regarding its 2003 acquisition of the Triangle Distribution System.⁷⁰ Under the Settlement, the parties agree that Atmos timely reported this acquisition

⁶³ See Tex. Util. Code § 104.055 (Net Income; Allowable Expenses).

⁶⁴ *Id.* § 104.055(b).

⁶⁵ Atmos Ex. 3 (Littlejohn Test.) at 18-19, Exhibit PRL-6 (Affidavit of Derek W. Boyd, sworn to on September 24, 2019 (the "Boyd Aff.")); see also Atmos's response to RFI 1-03, filed February 18, 2020 (official notice taken by the ALJ on March 9, 2020).

⁶⁶ See Atmos Ex. 3 (Littlejohn Test.) at Exhibit PRL-6 (Boyd Aff.).

⁶⁷ *Id.* ¶¶ 4, 5.

⁶⁸ Joint Ex. 1 (Settlement) ¶ 10.

⁶⁹ Tex. Util. Code § 102.051(a)(1).

⁷⁰ This is the first rate case for the Triangle Distribution System following that acquisition. Atmos Ex. 1 (SOI) at 4.

as required by GURA Section 102.051 and that the acquisition was in the public interest.⁷¹

In finding a public interest determination, the Commission shall consider “the reasonable value of the property, facilities, or securities to be acquired, disposed of, merged, or consolidated.”⁷² Here, Atmos offered evidence that its acquisition of the Triangle Distribution System meets the public interest threshold.⁷³ In support, Atmos states that it has operated the assets in compliance with Commission safety regulations and maintains the assets in a manner that has provided safe, reliable service to the system’s customers since acquiring the system in October 2003.⁷⁴ According to Atmos, it has the financial resources necessary to continue operating and maintaining the system in compliance with those safety regulations and to provide reliable service to the customers served on the system.⁷⁵ In further support, Atmos provided evidence that it has invested an average of \$3 million each year in the system and expects to continue making investments in the future.⁷⁶

Consistent with the Settlement, and having considered the above factors and Atmos’s supporting evidence, the Examiners find that Atmos’s 2003 acquisition of the Triangle Distribution System was timely reported to the Commission and was in the public interest, consistent with GURA Section 102.051 (Report of Certain Transactions; Railroad Commission Consideration).

K. Rate Case Expenses

In any gas utility rate proceeding, the utility and municipalities participating in the proceeding, if any, may be reimbursed their reasonable rate case expenses.⁷⁷ Any gas utility or municipality claiming reimbursement for its rate case expenses shall have the burden to prove the reasonableness of such rate case expenses by a preponderance of the evidence.⁷⁸ Each gas utility and/or municipality shall detail and itemize all rate case expenses and allocations and shall provide evidence showing the reasonableness of the cost of all professional services, including but not limited to:

- (1) the amount of work done;
- (2) the time and labor required to accomplish the work;
- (3) the nature, extent, and difficulty of the work done;
- (4) the originality of the work;
- (5) the charges by others for work of the same or similar nature; and
- (6) any other factors taken into account in setting the amount of the compensation.⁷⁹

⁷¹ Joint Ex. 1 (Settlement) ¶ 2.

⁷² Tex. Util. Code § 102.051(b).

⁷³ Atmos Ex. 3 (Littlejohn Test.) at 10-11.

⁷⁴ *Id.*

⁷⁵ *Id.* at 11.

⁷⁶ *Id.*

⁷⁷ See 16 Tex. Admin. Code § 7.5530 (Allowable Rate Case Expenses) (providing that a utility may be reimbursed its reasonable rate case expenses from certain customers), Tex. Util. Code § 103.022 (Rate Assistance and Cost Reimbursement) (providing that the governing body of a participating municipality may be reimbursed its reasonable rate case expenses from the utility).

⁷⁸ 16 Tex. Admin. Code § 7.5530(a) (Allowable Rate Case Expenses).

⁷⁹ *Id.*

In determining the reasonableness of the rate case expenses, the Commission shall consider all relevant factors including, but not limited to, the above evidence, and the Commission also shall consider whether the request for a rate change was warranted, whether there was duplication of services or testimony, whether the work was relevant and reasonably necessary to the proceeding, and whether the complexity and expense of the work was commensurate with both the complexity of the issues in the proceeding and the amount of the increase sought, as well as the amount of any increase that may be granted.⁸⁰

Here, Atmos seeks recovery of its own rate case expenses only, agreeing to pay the litigation expenses incurred by West Texas Cities without seeking recovery of those amounts through rates.⁸¹ The parties agree that Atmos shall be allowed to recover its own actual rate case expenses through a rate case expense surcharge.⁸²

The amounts and agreed allocation under the Settlement are treated separately below.

1. Amounts

Atmos represents that its reasonable recoverable rate case expenses incurred through January 15, 2020, and estimated expenses through completion of this case, are as follows:

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

Attorney hourly rates for Atmos's outside counsel ranged from \$415 to \$560.⁸³ Atmos provided evidence supporting reimbursement of the above amounts under Commission Rule § 7.5530 (Allowable Rate Case Expenses), including: (1) the amount of work done; (2) the time and labor required to accomplish the work; (3) the nature, extent, and difficulty of the work done; (4) the originality of the work; (5) the charges by others for work of the same or similar nature; and (6) other factors taken into account in setting the amount of compensation.⁸⁴

Staff and West Texas Cities agree that the above amounts are reasonable and recoverable.⁸⁵

The Examiners reviewed the testimony and documentation supporting the rate case expense amounts shown above. Considering the above factors, the Examiners find that the above rate case expense amounts for Atmos are reasonable and recoverable consistent with Commission Rule § 7.5530 (Allowable Rate Case Expenses).

⁸⁰ *Id.*

⁸¹ Joint Ex. 1 (Settlement) ¶ 22.

⁸² *Id.*

⁸³ See *id.* at Exhibit E (Affidavit of Ann M. Coffin, sworn to on January 16, 2020 (the "Coffin Aff."), with attached receipts and invoices), pp. 3-33.

⁸⁴ *Id.* at Exhibit E (Coffin Aff.), pp. 1-2.

⁸⁵ See *id.* ¶ 24.

2. Allocation and Surcharge

Under the Settlement, the parties agree that Atmos shall be allowed to recover its actual rate case expenses through a rate case expense surcharge.⁸⁶ The surcharge will apply to the below nine customers,⁸⁷ and the recovery period will be approximately 12 months until all approved and expended rate case expenses are recovered from the applicable customer classes.⁸⁸

Customer Number	Rate Surcharge
37259	\$ 374.39
28255	\$ 229.05
26370	\$ 37.97
33710	\$ 1,555.85
29888	\$ 995.60
31173	\$ 949.04
37337	\$ 145.22
37339	\$ 21.61
38494	\$ 7,032.14
Total	\$ 11,340.87

Monthly surcharges will be calculated based on the weighted volumetric usage of each customer taking service under Rate Schedule City Gate/Transportation Service.⁸⁹ The surcharge will be in effect until all approved and expended rate case expenses are recovered under the applicable rate schedule.⁹⁰

Consistent with the Settlement, the Examiners find the parties' proposed allocation and surcharge to be just and reasonable and consistent with Commission Rule § 7.5530 (Allowable Rate Case Expenses).

3. Compliance

Atmos, Staff, and West Texas Cities agree to the below compliance terms.⁹¹

- Atmos shall file annually, due on or before April 1, a rate case expense recovery compliance filing with the Commission's Oversight and Safety Division, referencing GUD No. 10900, within 90 days after each calendar year end until and including the calendar year end in which the rate case expenses are fully recovered.
- Atmos shall submit to 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. In no case shall the total actual expenses exceed the

⁸⁶ *Id.* ¶ 22 and Exhibit A, p. 3 (Rate Case Expense Surcharge tariff).

⁸⁷ One customer, identified as Customer 38519, was excluded because its facilities are located within the City of Lubbock, which did not participate in this case. See Joint Ex. 1 (Settlement) at Exhibit D, p. 5 n1.

⁸⁸ Joint Ex. 1 (Settlement) ¶ 24.

⁸⁹ *Id.* at Exhibit A, p. 3 (Rate Case Expense Surcharge tariff).

⁹⁰ *Id.*

⁹¹ *Id.* ¶ 25.

actual expenses submitted to the Commission, plus the approved estimated expenses.

- Atmos's annual rate case expense compliance filing shall detail 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.

Consistent with the Settlement, the Examiners find these terms to be just and reasonable and recommend their approval.


VII. CONCLUSION

Atmos's request for the establishment of a regulated rate pursuant to the Settlement is warranted. The recommendations contained herein are just and reasonable, supported by the weight of reliable and probative evidence, consistent with the public interest, and proper under applicable Texas law. Accordingly, the Examiners respectfully recommend that the Commission approve the Settlement.

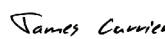
VIII. FINDINGS OF FACT AND CONCLUSIONS OF LAW

The Findings of Fact and Conclusions of Law contained in the Proposed Final Order, attached as PFD Attachment 4, are incorporated herein by reference.

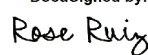
Signed on April 8, 2020.

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John Dodson
Administrative Law Judge

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James Currier
Technical Examiner


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Rose Ruiz
Technical Examiner


Proposal for Decision
GUD No. 10900, *consol.*

ATTACHMENT 1

(Maps)




ATMOS
energy®

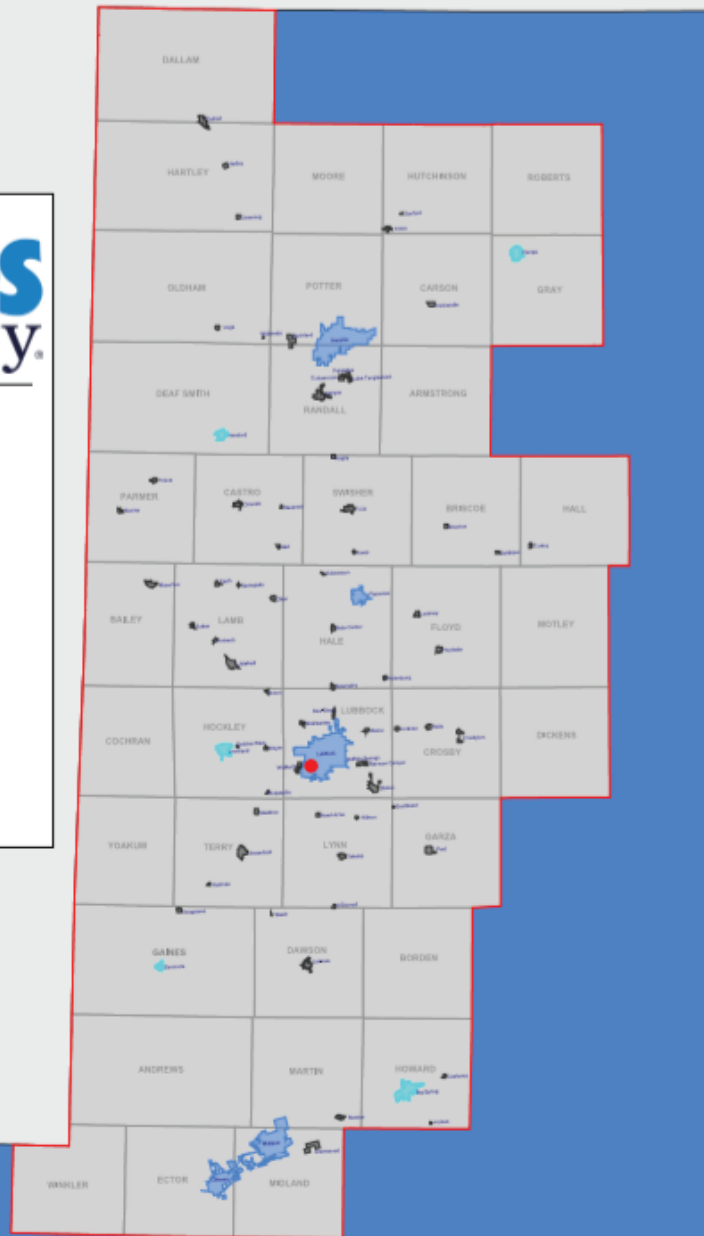


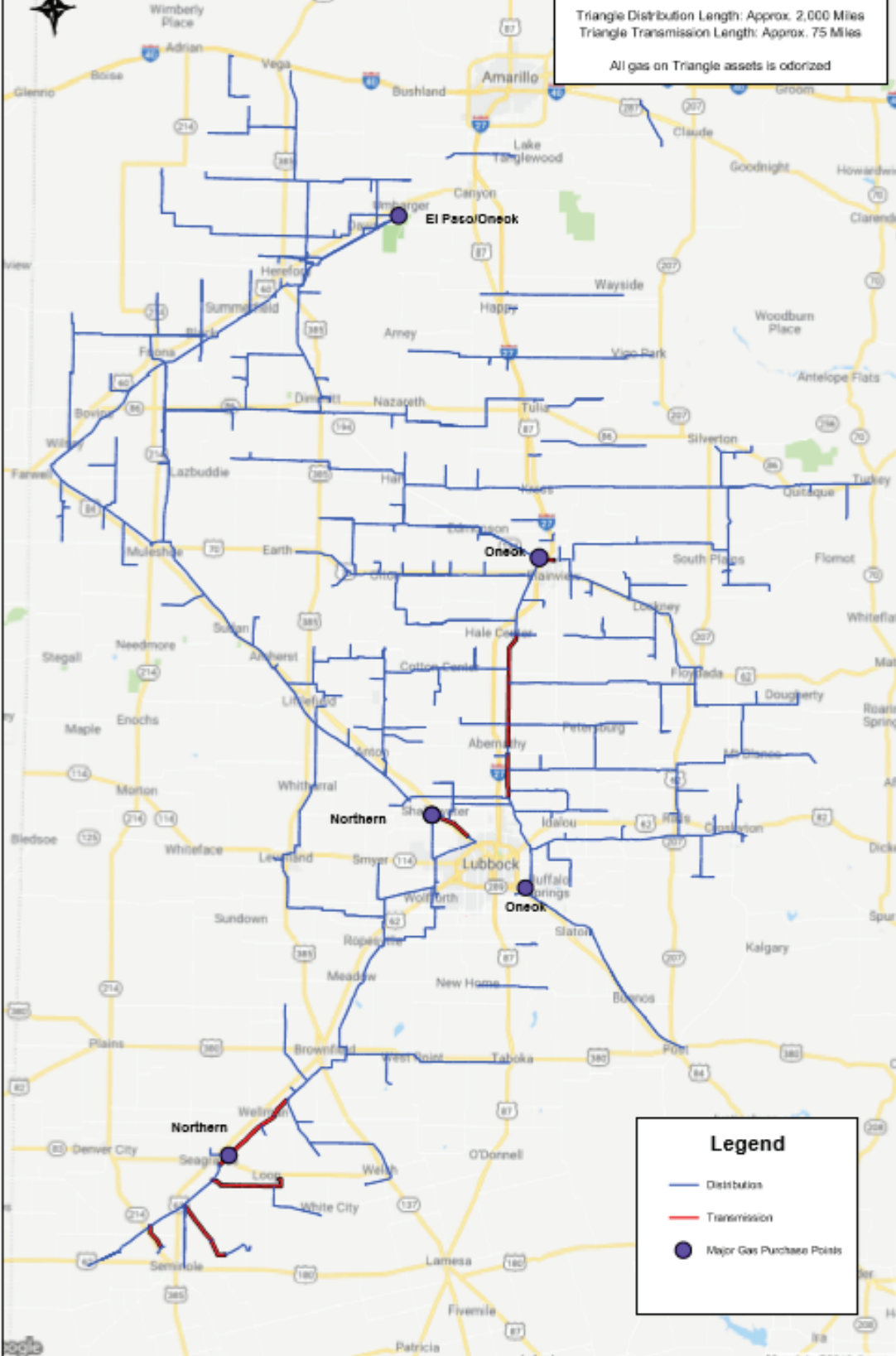
West Texas Division

- Texas Boundary
- Division Boundary
- County Boundary
- Operational Center
- Operational Office
- Served Community
- Division Headquarters



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Proposal for Decision
GUD No. 10900, *consol.*

ATTACHMENT 2

(Exhibit List)

**GUD NO. 10900, Consolidated
EVIDENTIARY EXHIBIT LIST**

EX. No.	DESCRIPTION	OFFERED	ADMITTED/DATE
Atmos Ex. 1	Statement of Intent of Atmos Energy Corporation, West Texas Division, to Establish Cost-Based Rates for the Triangle Distribution System (includes errata and all attachments except testimony)	✓	2/3/20
Atmos Ex. 1a	Atmos Energy Corporation, West Texas Division's Confidential Schedule Workpapers	✓	2/3/20
Atmos Ex. 2	GUD No. 10915, Petition for Review of Municipal Rate Decision and Motion to Consolidate into GUD No. 10900 (Hereford) (includes all attachments)	✓	2/3/20
Atmos Ex. 3	Direct Testimony, Exhibits and Workpapers of Philip R. Littlejohn (includes errata)	✓	2/3/20
Atmos Ex. 4	Direct Testimony and Exhibits of Barbara W. Myers	✓	2/3/20
Atmos Ex. 4a	Confidential Exhibits of Barbara W. Myers	✓	2/3/20
Atmos Ex. 4b	Voluminous Workpapers of Barbara W. Myers	✓	2/3/20
Atmos Ex. 5	Direct Testimony and Exhibits of William W. Brooks	✓	2/3/20
Atmos Ex. 6	Affidavit of Philip R. Littlejohn attesting to Completion of Public Notice, filed December 19, 2019	✓	2/3/20
West Texas Cities Ex. 1	Direct Testimony of Constance T. Cannady (includes Cannady Schedules)	✓	2/3/20
West Texas Cities Ex. 2	Direct Testimony of Karl J. Nalepa	✓	2/3/20
Joint Ex. 1	Unanimous Settlement Agreement (Includes all Attachments)	✓	2/3/20

Proposal for Decision
GUD No. 10900, *consol.*

ATTACHMENT 3

(Settlement Agreement)
with Exhibits A, B, C, D, and E (affidavit only)

GUD NO. 10900

STATEMENT OF INTENT OF ATMOS	§	
ENERGY CORPORATION, WEST	§	BEFORE THE
TEXAS DIVISION TO ESTABLISH	§	RAILROAD COMMISSION
COST-BASED RATES FOR THE	§	
TRIANGLE DISTRIBUTION SYSTEM	§	OF TEXAS

UNANIMOUS SETTLEMENT AGREEMENT

This Unanimous Settlement Agreement is entered into by and between Atmos Energy Corporation, West Texas Division (“Atmos Energy”), the Steering Committee of Cities Served by Atmos West Texas (“West Texas Cities”) and the Railroad Commission of Texas Staff (“Commission Staff”), (collectively, the “Signatories”).

WHEREAS, Atmos Energy filed its West Texas Division’s Statement of Intent to Establish Cost-Based Rates for the Triangle Distribution System (“Triangle System”) on September 27, 2019; and

WHEREAS, the Commission docketed the rate request as GUD No. 10900; and

WHEREAS, the Commission Staff and the West Texas Cities sought intervention and were granted party status in GUD No. 10900; and

WHEREAS, the Signatories have engaged in discovery regarding the issues in dispute; and

WHEREAS, the West Texas Cities filed testimony on November 15, 2019, regarding the issues in dispute; and

WHEREAS, the Signatories agree that resolution of this docket by Unanimous Settlement Agreement will significantly reduce the amount of reimbursable rate case expenses associated with this docket; and

NOW, THEREFORE, in consideration of the mutual agreements and covenants established herein, the Signatories, through their undersigned representatives, agree to and recommend for approval by the Commission the following Settlement Terms as a means of concluding the above-referenced docket filed by Atmos Energy without the need for prolonged litigation:

Settlement Terms

1. As a product of compromise and for the purposes of settlement, the Signatories agree to the rates, terms and conditions reflected in the tariffs attached to this Unanimous Settlement Agreement as Exhibit A. The tariffs attached as Exhibit A shall be the initial rate tariffs for the Triangle System. These tariffs are premised on a revenue requirement of \$7,681,934. The recovery of the revenue requirement is illustrated in the proof of revenues attached as part of Exhibit B to this Unanimous Settlement Agreement.

2. The Signatories agree Atmos Energy timely reported the acquisition of the Triangle System as required by Tex. Util. Code § 102.051 and that the acquisition was in the public interest.
3. The Signatories agree that the Triangle System is properly treated as a natural gas distribution system for ratemaking purposes.
4. The Signatories agree that it is just and reasonable to establish cost-based rates for the Triangle System.
5. The Signatories agree that an overall revenue requirement for the Triangle System of \$7,681,934 is just and reasonable.
6. The Signatories agree that capital investment made in the Triangle System through March 31, 2019 is prudent, used and useful, and just and reasonable.
7. The Signatories agree that the existing West Texas Division depreciation rates approved in *Statement of Intent filed by Atmos Energy Corp. to Change Gas Utility Rates Within the Unincorporated Areas Served by its West Texas Division*, GUD No. 10743 and currently in effect for the West Texas Division as presented in Exhibit C to this Unanimous Settlement Agreement should be adopted for Triangle System assets.
8. The Signatories agree that the revenue requirement in paragraph 5 represents an overall settlement and that amounts associated with particular expenses are not identified in the overall revenue requirement unless specified in this Unanimous Settlement Agreement.
9. The Signatories agree that a City Gate/Transportation Charge of \$0.38152 per MMBtu shall apply to Triangle system customers who are not subject to competitive market-based rates.
10. Blueflame is a wholly owned subsidiary of Atmos Energy that provides insurance for all of the Company's divisions. The Signatories agree that the rate of insurance included in the Company's filing is just and reasonable and consistent with Tex. Util. Code § 104.055(b)(1).
11. The Signatories agree to use of the following capital structure and weighted cost of capital in future Interim Rate Adjustment ("IRA") filings for the Triangle System, as shown below.

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%

12. The Signatories agree that any IRA filing for the Triangle System pursuant to Texas Utilities Code § 104.301 shall use the following factors until changed by a subsequent general rate proceeding:
 - a. The capital structure and related components as shown above in Paragraph 11.
 - b. For any initial IRA filing, the beginning amount for system-wide net plant in service for the Triangle system shall be \$46,252,340 as presented in Exhibit C to this Unanimous Settlement Agreement.
 - c. For any initial IRA filing and for any subsequent IRA filings, the depreciation rate for each account shall be those presented in Exhibit C to this Unanimous Settlement Agreement.
 - d. For any initial IRA filing, the transportation charge as shown in Paragraph 9 above will be the starting rate to which any IRA adjustment is applied.
 - e. Federal income taxes will be calculated using a 21% rate, unless the federal income tax rate is changed, in which case the new rate will be applied.
 - f. Any change in IRA increase/decrease may be recovered from Triangle System customers as an increase/decrease to the City Gate/Transportation charge.
13. The Signatories agree that the revenue requirement in Paragraph 5 reflects a corporate income tax rate of 21% to recognize changes to the Federal Tax Code due to the Tax Cuts and Jobs Act of 2017.
14. The Signatories further agree that with regard to the Triangle System, Atmos Energy has fully complied with all requirements set forth in the Gas Utilities Accounting Order (February 27, 2018) and Order Nunc Pro Tunc (March 20, 2018) issued in GUD No. 10695.
15. The Signatories agree that there shall be no future litigation regarding Excess Deferred Income Taxes as the issue relates to the Triangle System.
16. The Signatories agree that Atmos Energy shall file a system-wide Statement of Intent (“SOI”) to change rates for the incorporated and unincorporated areas of Atmos Energy’s West Texas Division no later than November 1, 2024. As part of this future SOI filing, Atmos Energy will include the Triangle System in the requested cost of service and this request to include the Triangle System as part of the West Texas Division will be supported by Staff and the West Texas Cities. The West Texas Cities’ and Staff’s support of the inclusion of the Triangle System into the West Texas Division shall, however, not foreclose the West Texas Cities or Staff from challenging the methodology used to effectuate this result.
17. The Signatories agree that if prior to November 1, 2024, Atmos Energy files a SOI to change rates of the Triangle System, Atmos Energy shall include as part of the SOI filing a one-time amortized decrease 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 SOI filing and November 1, 2024.

18. The Signatories agree that the rates, terms and conditions resulting from a Commission Final Order issued consistent with the terms of this Unanimous Settlement Agreement comply with the rate-setting requirements of Chapter 104 of the Texas Utilities Code.
19. The Signatories agree that Atmos Energy is authorized to establish a System Safety and Integrity (“SSI”) Regulatory Asset to track certain third-party operations and maintenance expenses associated with facility reclassification or other activities necessary to comply with state or federal regulations relating to natural gas pipeline safety and integrity.
20. The Signatories agree that SSI Regulatory Asset baseline level of third-party SSI costs approved in this case total \$143,000.
21. The Signatories agree that Atmos Energy 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 SSI Regulatory Asset within ninety (90) days after each calendar year end.
22. The Signatories agree that Atmos Energy shall reimburse the West Texas Cities for their actual rate case expenses up to \$60,000 within 30 days of receiving supporting invoices. Atmos Energy agrees not to seek recovery of the rate case expenses reimbursed to Cities. Signatories further agree that the Company shall be allowed to recover the Company’s actual rate case expenses through a rate case expense surcharge.
23. Atmos Energy represents that its reasonable rate case expenses incurred through January 15, 2020, and estimated rate case expenses incurred through completion of this case, are as follows:

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

24. Atmos Energy has attached as Exhibit D a summary of Atmos Energy’s required regulatory, litigation and estimated expenses. Atmos Energy has attached as Exhibit E an affidavit and invoices in support of these amounts and will supplement with additional invoices as they are processed.¹ The Signatories agree that the amounts represented above are reasonable and recoverable pursuant to Texas Utilities Code § 104.051. The Signatories agree that the recovery period for the applicable surcharge to recover rate-case expenses shall be twelve (12) months. The Signatories intend and advocate that the Commission authorize recovery of the rate case expenses recited above in the same proceeding and at the same time as it approves this Unanimous Settlement Agreement.

¹ While some rate case expense invoices included in Exhibit E are stamped “Privileged & Confidential,” Atmos Energy does not seek to classify these documents as confidential.

25. Atmos Energy shall file annually, due on or before April 1, a rate case expense recovery compliance filing with the Railroad Commission of Texas, Oversight and Safety Division, referencing GUD No. 10900. The Signatories agree to and propose the inclusion of the following Findings of Fact and Ordering Paragraph in the Final Order in this docket:
 - a. Finding of Fact: It is reasonable that Atmos Energy submit to 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. In no case shall the total actual expenses exceed the actual expenses submitted to the Commission as of December 31, 2019, plus the approved estimated expenses of \$25,000.00.
 - b. Finding of Fact: It is reasonable that Atmos Energy file an annual Rate Case Expense Compliance Filing with 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 ninety (90) days after each calendar year end until and including the calendar year end in which the rate case expenses are fully recovered.
 - c. Ordering Paragraph: IT IS FURTHER ORDERED that Atmos Energy file an annual Rate Case Expense Compliance Filing with Staff detailing recovery of rate case expenses as described in proposed Finding of Fact 37 within ninety (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.
26. The Signatories agree to support and seek Commission approval of the terms outlined in this Unanimous Settlement Agreement.
27. Except as may be allowed under Rule 408 of the Texas Rules of Evidence, the Signatories agree that all negotiations, discussions, and conferences related to the Unanimous Settlement Agreement are privileged and inadmissible to prove the validity or invalidity of any issue raised by or presented in GUD No. 10900.
28. The Signatories agree that the terms of the Unanimous Settlement Agreement are interdependent and indivisible, and that if the Commission issues an Order that is inconsistent with this Unanimous Settlement Agreement, then any Signatory may withdraw without being deemed to have waived any procedural right or to have taken any substantive position on any fact or issue by virtue of that Signatory's entry into the Unanimous Settlement Agreement or its subsequent withdrawal and further agrees that Atmos Energy's application to increase rates will be remanded for hearings.
29. The Signatories agree that this Unanimous Settlement Agreement is binding on each Signatory only for the purpose of settling the issues set forth herein and for no other purposes. The matters resolved herein are resolved on the basis of compromise and settlement. Except to the extent the Unanimous Settlement Agreement governs a Signatory's rights and obligations for future periods, this Unanimous Settlement Agreement shall not be binding or precedential upon a Signatory outside this proceeding.

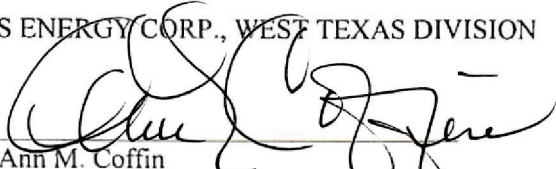
Each Signatory acknowledges that a Signatory's support of the matters contained in this Unanimous Settlement Agreement may differ from the position taken or testimony presented by it in other dockets or other jurisdictions. To the extent that there is a difference, a Signatory does not waive its position in any of those other dockets or jurisdictions. Because this is a stipulated resolution, no Signatory is under any obligation to take the same positions as set out in this Unanimous Settlement Agreement in other dockets or jurisdictions, regardless of whether other dockets present the same or a different set of circumstances, except as otherwise may be explicitly provided by this Unanimous Settlement Agreement. Agreement by the Signatories to any provision in this Unanimous Settlement Agreement will not be used against any Signatory in any future proceeding with respect to different positions that may be taken by that Signatory.

- 30. The provisions of this Unanimous Settlement Agreement are intended to relate to only the specific matters referred to herein. By agreeing to this Stipulation, no Signatory waives any claim it may otherwise have with respect to issues not expressly provided for herein. The Signatories further understand and agree that this Unanimous Settlement Agreement represents a negotiated settlement of all issues in this proceeding.
- 31. The Signatories agree that this Unanimous Settlement Agreement may be executed in multiple counterparts and may be filed with facsimile signatures.

Agreed to this 22nd day of January 2020.


ATMOS ENERGY CORP., WEST TEXAS DIVISION

By:


Ann M. Coffin
Attorney for Atmos Energy Corp., West Texas Division

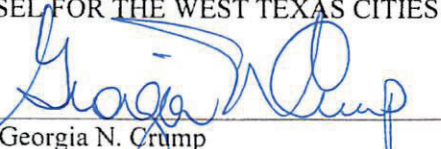
STAFF OF THE RAILROAD COMMISSION OF TEXAS

By:


Natalie Dubiel
Attorney for Staff of the Railroad Commission of Texas

COUNSEL FOR THE WEST TEXAS CITIES

By:


Georgia N. Crump
Attorney for Steering Committee of Cities Served by Atmos West Texas

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.

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.

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

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.

	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 §8.201 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.

	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.

	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)
1	WTX Triangle Direct:					
2	Distribution Plant					
3	374.02	Land Rights	\$ 1,208,375	\$ 305,025	\$ 903,350	1.56%
4	375.00	Structures and Improvements	120,468	46,181	74,286	3.05%
5	376.00	Mains - Cathodic Protection	8,019,056	366,843	7,652,213	2.68%
6	376.01	Mains - Steel	20,187,572	1,435,915	18,751,657	2.68%
7	376.02	Mains - Plastic	24,787	89	24,698	2.68%
8	378.00	M&R Station Equipment	4,291,167	305,785	3,985,382	2.65%
9	379.00	City Gate Equipment	8,628,592	255,466	8,373,126	3.92%
10	380.00	Services	386,865	(14,026)	400,891	3.55%
11	381.00	Meters	3,500,022	306,509	3,193,512	5.97%
12	382.00	Meter Installations	279,304	26,354	252,951	6.62%
13	385.00	Industrial M&R Station Equipment	1,892,494	83,364	1,809,130	4.04%
14	RWIP	Retirement Work in Progress	-	(149,524)	149,524	
15		Total Distribution Plant	\$ 48,538,700	\$ 2,967,980	\$ 45,570,720	
16						

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	Telemetering 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	\$ 558,184	\$ 153,577	\$ 404,606	
34						
35		Total WTX Triangle Direct	\$ 49,096,884	\$ 3,121,558	\$ 45,975,326	
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		SSU General Office (Div. 002):				
38		General Plant				
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	\$ 411,109	\$ 190,513	\$ 220,596	
55						
56		SSU Greenville Data Center (Div. 002):				
57		General Plant				
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	\$ 11,444	\$ 4,764	\$ 6,680	
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	\$ 98,170	\$ 54,125	\$ 44,045	
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	\$ -	\$ -	\$ -	
83						

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	SSU Customer Support (Div 012):					
85	General Plant					
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						

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)	
101		SSU CKV Training Center (Div 012):				
102		General Plant				
103	389.10	Land and Land Rights	\$ 66	\$ -	\$ 66	0.00%
104	390.10	Structures and Improvements	436	107	329	3.34%
105	391.10	Office Furniture and Equipment	16	2	14	4.03%
106	392.10	Transportation Equipment	3	3	0	10.32%
107	394.10	Tools, Shop, and Garage Equipment	17	5	13	8.88%
108	395.10	Laboratory Equipment	1	1	0	10.32%
109	397.10	Communication Equipment	11	6	5	5.54%
110	398.10	Miscellaneous Equipment	18	5	13	1.72%
111	399.10	Other Tangible Property	10	4	7	13.84%
112	399.16	PC Hardware	2	1	1	8.78%
113	399.17	PC Software	0	(1)	1	6.64%
114	399.18	Application Software	-	(0)	0	6.57%
115		Total SSU CKV Training Center	\$ 581	\$ 131	\$ 449	
116						
117		Total Allocated SSU Plant to WTX Triangle	\$ 529,294	\$ 252,281	\$ 277,014	
118						
119		Total WTX Triangle Net Plant	\$ 49,626,178	\$ 3,373,838	\$ 46,252,340	
120						
121		Rate Base Adjustments			\$ 3,464,168	
122						

Note:

1. The WTX General Office and SSU Plant Balances and Accumulated Depreciation reflect allocated amounts to WTX Triangle.

Atmos Energy Corporation, West Texas Division ("WTX"), Triangle Distribution System
GUD No. 10900 - Rate Case Expenses
Summary of WTX Required Regulatory, Litigation and Estimated Expenses
At January 15, 2020

Statement of Intent Filing Date: September 27, 2019

Line No.	Description (a)	Total Adjusted Amounts (b)
1	Total Required Regulatory Expenses	
2	Required Regulatory Expenses	\$ 90,926.11
3		
4	Total Litigation Expenses	
5	Litigation Expenses	\$ 20,164.30
6		
7	Total Estimated Expenses	
8	Estimated Expenses	<u>\$ 25,000.00</u>
9		
10		
11	Total WTX - Required Regulatory, Litigation and Estimated Expenses (Ln 2 + Ln 5 + Ln 8)	<u><u>\$ 136,090.41</u></u>
12		
13		
14	Notes:	
15	1. WTX rate case expenses have been grouped into the three (3) categories as per 16 TEX. ADMIN. CODE § 7.5530 (d)(1-3), as follows:	
16	1) required regulatory expenses, which shall consist of expenses the utility incurs that are related to the initial filing of the statement of intent and the expenses the utility incurs to provide or publish notices;	
17	2) litigation expenses, which shall consist of expenses incurred after the utility files its statement of intent, excluding the cost of providing notice; and,	
18	3) estimated expenses, which shall consist of the costs the utility estimates it will incur for potential appellate proceedings.	

Atmos Energy Corporation, West Texas Division ("WTX"), Triangle Distribution System
GUD No. 10900 - Rate Case Expenses
Summary of WTX Legal and Other Expenses
At January 15, 2020

Line No.	Description (a)	Total Amount Before Adjustment (b)	Adjustment Amounts (c)	Total Adjusted Amounts (d)
1	Total Legal Expenses			
2	Legal Expenses	\$ 111,090.41	-	\$ 111,090.41
3				
4	Total Legal Expenses (Ln 2)	\$ 111,090.41	-	\$ 111,090.41
5				
6	Total Legal Expense Estimate (1)			
7		\$ 25,000.00	-	\$ 25,000.00
8	Total WTX - Legal Expenses (Ln 4 + Ln 6)	\$ 136,090.41	-	\$ 136,090.41
9				

Note:

1. The legal expense estimate is to complete the Statement of Intent process.

Atmos Energy Corporation, West Texas Division ("WTX"), Triangle Distribution System
GUD No. 10900 - Rate Case Expenses
Summary of WTX Legal Expenses
At January 15, 2020

Line No.	Description (a)	Total Amount Before Adjustment (b)	Adjustment Amounts (c)	Total Adjusted Amounts (d)
1	Total Legal Expenses			
2	Legal Expenses	\$ 111,090.41	-	\$ 111,090.41
3				
4				
	Total Legal Expenses (Ln 2)	\$ 111,090.41	-	\$ 111,090.41

Atmos Energy Corporation, West Texas Division ("WTX"), Triangle Distribution System
GUID No. 10900 - Rate Case Expenses
Summary of WTX Legal Expenses
At January 15, 2020

Statement of Intent Filing Date: September 27, 2019

Line No.	Invoice Date (a)	Invoice Number (b)	Vendor Name (c)	Total Amount (d)	Service Period / Description (e)	Category (f)	Required (g)	Litigated (h)	Total (i)
1	01/16/2019	5618	Coffin, Renner LLP	\$ 2,375.00	Dec-18	Required	\$ 2,375.00	\$ -	\$ 2,375.00
2	02/14/2019	5631	Coffin, Renner LLP	21,475.18	Jan-19	Required	21,475.18	-	21,475.18
3	03/21/2019	5645	Coffin, Renner LLP	281.50	Feb-19	Required	281.50	-	281.50
4	04/16/2019	5658	Coffin, Renner LLP	2,095.93	Mar-19	Required	2,095.93	-	2,095.93
5	05/21/2019	5672	Coffin, Renner LLP	2,708.50	Apr-19	Required	2,708.50	-	2,708.50
6	06/17/2019	5683	Coffin, Renner LLP	1,231.00	May-19	Required	1,231.00	-	1,231.00
7	07/23/2019	5695	Coffin, Renner LLP	6,818.00	Jun-19	Required	6,818.00	-	6,818.00
8	08/22/2019	5707	Coffin, Renner LLP	9,481.00	Jul-19	Required	9,481.00	-	9,481.00
9	09/20/2019	5720	Coffin, Renner LLP	26,449.00	Aug-19	Required	26,449.00	-	26,449.00
10	10/28/2019	5733	Coffin, Renner LLP	18,283.00	Sep-19	Litigated	18,011.00	272.00	18,283.00
11	11/08/2019	5743	Coffin, Renner LLP	11,383.20	Oct-19	Litigated	-	11,383.20	11,383.20
12	12/20/2019	5754	Coffin, Renner LLP	8,509.10	Nov-19	Litigated	-	8,509.10	8,509.10
13									
14			Total Legal (Sum of Lns 1 - 13)	\$ 111,090.41			\$ 90,926.11	\$ 20,164.30	\$ 111,090.41
15									
16			Adjustments:						
17			No Adjustments	\$ -			\$ -	\$ -	\$ -
18									
19			Total Adjustments Legal (Sum of Ln 17)	\$ -			\$ -	\$ -	\$ -
20									
21			Total Adjusted Legal (Ln 14 + Ln 19)	\$ 111,090.41			\$ 90,926.11	\$ 20,164.30	\$ 111,090.41

Atmos Energy Corporation, West Texas Division ("WTX"), Triangle Distribution System
GUD No. 10900 - Rate Case Expenses
Summary of WTX Legal and Other Expenses
At January 15, 2020

Line No.	Description (a)	Adjusted Volume by Customer (1) (b)	Amounts (c)	Reference (d)
1	Total Legal Expenses		\$ 136,090.41	Summary Tab, Column (d), Line 8
2	Legal Expenses (Monthly - 1 Year Period)		\$ 11,340.87	Line 1, Column (c) divided by 12
3				
4	<u>City Gate / Transportation Services</u>			
5	<u>Customer Number</u>		<u>Allocations</u>	
6	37259	583,670	3.30%	
7	28255	357,081	2.02%	
8	26370	59,193	0.33%	
9	33710	2,425,556	13.72%	
10	29888	1,552,131	8.78%	
11	31173	1,479,538	8.37%	
12	37337	226,402	1.28%	
13	37339	33,696	0.19%	
15	38494	10,963,054	62.01%	
16	Total	<u>17,680,321</u>	<u>100.00%</u>	Sum of Lines 6 through 15
17				
18	<u>City Gate / Transportation Services (Monthly - 1 Year Period)</u>			
19	<u>Customer Number</u>		<u>Rate Surcharge</u>	
20	37259		\$ 374.39	
21	28255		229.05	
22	26370		37.97	
23	33710		1,555.85	
24	29888		995.60	
25	31173		949.04	
26	37337		145.22	
28	37339		21.61	
29	38494		7,032.14	
30	Total		<u>\$ 11,340.87</u>	Sum of Lines 20 through 29
31				
32	Note:			
33	1. The annual volume by customer is as per the Cost of Service Filing, Schedule WP_J-1 with the detail by customer shown in the Relied File "WP_J-1 & J-2.1 - WTX Triangle BDS" The WTX Triangle Tab. Note that Customer 38519 has been excluded herein as there facilities are within the City of Lubbock which did not intervene in this Rate Case.			

GUD NO. 10900

STATEMENT OF INTENT OF ATMOS	§	BEFORE THE
ENERGY CORPORATION, WEST	§	
TEXAS DIVISION TO ESTABLISH	§	RAILROAD COMMISSION
COST-BASED RATES FOR THE	§	
TRIANGLE DISTRIBUTION SYSTEM	§	OF TEXAS

AFFIDAVIT OF ANN M. COFFIN

Before me, the undersigned authority, on this date personally appeared Ann M. Coffin, known to me to be the person whose name is subscribed below, and being by me first duly sworn, stated upon oath as follows:

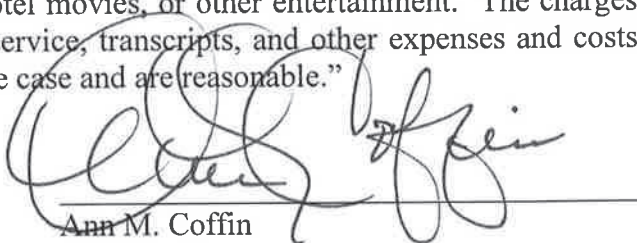
1. “My name is Ann M. Coffin. I am over 18 years of age, of sound mind, and fully competent to make this affidavit. Each statement of fact herein is true and of my own personal knowledge.
2. I am a partner in the Austin, Texas law firm of Coffin Renner LLP, and have practiced law in Travis County since 1993. I have held positions at both the Railroad Commission of Texas (“Commission”) and the Public Utility Commission of Texas. My law practice encompasses a wide range of administrative areas, including the representation of natural gas distribution companies and pipeline companies, as well as electric and telecommunications utilities. I have extensive experience representing and defending clients before the Commission and the Public Utility Commission of Texas.
3. I was retained by Atmos Energy Corp., West-Texas Division (“Atmos Energy”) to serve as counsel of record in GUD No. 10900 and currently serve as counsel of record in the severed rate case expense docket, GUD No. 10907.
4. Attached to this Affidavit are invoices supporting \$111,090.41 in actual rate case expenses incurred by Atmos Energy. In addition, based on my experience in proceedings of this type and my knowledge of issues likely to be raised, I estimate that rate case expenses incurred for the completion of this docket, if uncontested, to be \$25,000. Collectively, Atmos Energy seeks recovery of its total actual and estimated future rate case expenses in the amount of \$136,090.41.
5. In GUD No. 10900, my services, and the services of my firm, were associated with efforts that were reasonable and necessary for the presentation and processing of Atmos Energy’s Statement of Intent. The services performed include the preparation of testimony and exhibits, responses to discovery, attendance at meetings with participating parties, and the drafting of various pleadings throughout the proceeding.
6. I have reviewed the billings of Coffin Renner LLP submitted to Atmos Energy for legal services performed in this proceeding and I affirm that those billings accurately reflect the time spent and expenditures incurred by Coffin Renner LLP on Atmos Energy’s behalf. The charges and rates of my firm are reasonable and consistent with those billed by others for similar work, and the legal rates charged by the Coffin Renner attorneys that worked

on this matter are comparable to rates charged by other professionals with the same level of expertise and experience and commensurate with the complexity of the issues in the proceeding. The calculation of the charges is correct and there was no duplication of services and no double billing of charges.

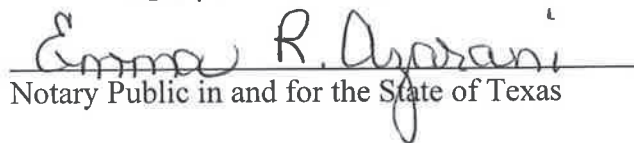
7. I am familiar with the Commission Rule on Rate Case Expenses, 16 Tex. Admin. Code §7.5530, as well as past decisions rendered by the Commission regarding the types of expenses that are eligible for rate case expenses. Based upon my experience, my review of the work done in this proceeding, the invoices of my firm, I believe that the work done was reasonable, the time and labor to accomplish the work was reasonable and commensurate with the nature, extent, difficulty and complexity of the work done.
8. As required by Rule 7.5530(d), Atmos Energy's reasonably and necessarily incurred required regulatory expenses, litigation expenses and estimated expenses are as follows:

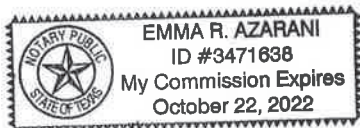
Required Regulatory Expenses	Litigation Expenses	Estimated Expenses	Total Expenses
\$90,926.11	\$20,164.30	\$25,000.00	\$136,090.41

9. No portion of fees or expenses is or will be for luxury items, such as limousine service, sporting events, alcoholic beverages, hotel movies, or other entertainment. The charges for copies, printing, overnight courier service, transcripts, and other expenses and costs were necessary for the prosecution of the case and are reasonable."


Ann M. Coffin

SWORN AND SUBSCRIBED before me on this 16th day of January, 2020.


Notary Public in and for the State of Texas



Proposal for Decision
GUD No. 10900, *consol.*

ATTACHMENT 4

(Proposed Final Order)

**BEFORE THE
RAILROAD COMMISSION OF TEXAS**

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

PROPOSED 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, Silverton, 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, Silverton, 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

CHAIRMAN WAYNE CHRISTIAN

COMMISSIONER CHRISTI CRADDICK

COMMISSIONER RYAN SITTON

ATTEST:

SECRETARY

Final Order
GUD No. 10900, *consol.*

ATTACHMENT 1

(Settlement Exhibits A, B, and C)