

**BEFORE THE
RAILROAD COMMISSION OF TEXAS**

**PETITION FOR DE NOVO REVIEW
OF THE DENIAL OF THE
STATEMENT OF INTENT FILED BY
ATMOS ENERGY CORP., MID-TEX
DIVISION BY THE CITIES OF
BALCH SPRINGS, BANDERA,
BELTON, ET AL.**

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**GUD NO. 10779,
Consolidated**

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.* (West 2017 & Supp. 2018). The Railroad Commission of Texas adopts the following findings of fact and conclusions of law and orders as follows:

FINDINGS OF FACT

Procedural History and Notice

1. Atmos Energy Corp., Mid-Tex Division ("Atmos") 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. Atmos filed a municipal Statement of Intent proceeding with the cities of Austin, Balch Springs, Bandera, Belton, Blooming Grove, Burnet, Cameron, Cedar Park, Clifton, Commerce, Copperas Cove, Corsicana, Electra, Fredericksburg, Gatesville, Goldthwaite, Granbury, Greenville, Groesbeck, Hamilton, Heath, Henrietta, Hickory Creek, Hillsboro, Lampasas, Leander, Longview, Marble Falls, Mart, Mexia, Olney, Pflugerville, Point, Princeton, Ranger, Rice, Riesel, Rockdale, Rogers, Round Rock, San Angelo, Sanger, Somerville, Star Harbor, Trinidad, and Whitney on June 1, 2018, and the City of Hico on July 31, 2018 (collectively, "Affected Cities").
3. Atmos provided notice of the proposed rate changes to residential and commercial customers through bill insert. Notice to industrial and other non-residential and non-commercial customers was provided by direct mail to the billing address of the affected customer.
4. Atmos subsequently filed the following *Petitions for De Novo Review* ("Petitions") of the denial of the Statement of Intent by the various municipalities that denied that rate request:
 - a. GUD No. 10779, *Petition for De Novo Review of the Denial of the Statement of Intent Filed by Atmos Energy Corp., Mid-Tex Division by the Cities of Balch Springs, Bandera, Belton, et al.*

- b. GUD No. 10788, *Petition for De Novo Review of the Denial of the Statement of Intent Filed by Atmos Energy Corp., Mid-Tex Division by the Cities of Hico, Rogers, and Trinidad.*
- c. GUD No. 10794; *Petition for De Novo Review of the Denial of the Statement of Intent Filed by Atmos Energy Corp., Mid-Tex Division by the City of Clifton.*
5. On October 12, 2018, the Atmos Texas Municipalities ("ATM") filed a Motion to Intervene on behalf of the Affected Cities.
6. On October 23, 2018, the Administrative Law Judge ("ALJ") granted ATM's Motion to Intervene.
7. On December 4, 2018, Hearings Letter No. 5 was issued consolidating GUD Nos. 10788 and 10794 into GUD No. 10779.
8. The rate case expenses associated with GUD No. 10779 were severed on December 4, 2018 in Hearings Letter No. 7 and will be considered in a separate docket, GUD No. 10796.
9. On December 7, 2018, and February 7, 2019, Atmos filed certain errata to its original Petition (the "Errata Filings"). The Errata Filings did not change Atmos's requested cost of service.
10. On February 12, 2019, a Notice of Hearing was issued in Hearings Letter No. 8. The notice contained the date, time, place, and nature of the hearing, a statement of the legal authority and jurisdiction under which the hearing is to be held, a reference to the particular sections of the statutes and rules involved, and a short, plain statement of the factual matters asserted.
11. A hearing on the merits was held on March 7, 2019. It concluded the same day.
12. The evidentiary record closed on March 13, 2019, with the issuance of Hearings Letter No. 13.
13. The Proposal for Decision ("PFD") was issued on April 24, 2019.
14. The deadline for Commission action is May 31, 2019.

Temporary Rates

15. On February 22, 2019, Atmos and ATM filed a Joint Motion to Establish Temporary Rates.

16. On February 25, 2019, the ALJ issued an order establishing Temporary Rates from March 1, 2019, through May 31, 2019, as follows:

	Customer Charge	Consumption Charge	
Residential	\$20.89	\$0.14846 per Ccf	
Commercial	\$49.68	\$0.09165 per Ccf	
I&T	\$907.67	\$0.3312	0 to 1,500 MMBtu
		\$0.2425	Next 3,500 MMBtu
		\$0.0520	Over 5,000 MMBtu

17. The temporary rates established for the period March 1, 2019, through May 31, 2019, and adopted on February 25, 2019, are not subject to true up.

Partial Settlement Agreement

18. On February 22, 2019, Atmos and ATM filed a partial settlement agreement resolving all issues except whether short-term debt should be used in calculating Atmos's capital structure (the "Partial Settlement"). The Partial Settlement is appended to this Order as Attachment 1.
19. The terms of the Partial Settlement are just and reasonable.
20. All issues resolved in the Partial Settlement—approved and agreed to by Atmos and the Affected Cities—reflect ratemaking actions that Atmos and the Affected Cities agree should have been in the appealed ordinances.

Books and Records

21. Atmos established that it maintains its books and records in accordance with the Federal Energy Regulatory Commission's ("FERC") Uniform System of Accounts ("USOA") prescribed for natural gas companies.
22. Atmos established that it has complied with the books and records requirements of Commission Rule § 7.310, and therefore the amounts included therein are entitled to the presumption in Commission Rule § 7.503 that these amounts are reasonable and necessary.

Revenue Requirement

23. Atmos's proposed cost of service is based upon the financial data for the twelve-month period ending December 31, 2017, adjusted for known and measurable changes.

24. A system-wide base revenue requirement of \$594,158,976—excluding “Other Revenue” shown on cost of service Schedule A—for the Mid-Tex Division 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 expense.
25. Atmos Mid-Tex is an unincorporated division of Atmos Energy, and Atmos Energy is the corporate entity that issues debt and stock.
26. Adoption of a system-wide revenue requirement of \$594,158,976 will result in an apportioned revenue requirement increase of approximately \$2,026,653 for the Affected Cities, excluding revenue from Rider FF and Rider Tax, or \$2,160,494, including revenue from Rider FF and Rider Tax.
27. A rate base amount totaling \$2,572,769,055, as presented in Exhibit B to the Partial Settlement, is just and reasonable.
28. It is reasonable to continue the use of the depreciation rates established in GUD No. 10170 as presented in Exhibit B to the Partial Settlement.
29. The revenue requirement reflects a reduction of the corporate income tax rate from 35 percent to 21 percent to recognize changes to the Federal Tax Code due to the Tax Cuts and Jobs Act of 2017.
30. The revenue requirement reflects an adjustment to federal income tax expense for excess deferred income taxes (“EDIT”) resulting from the Tax Cuts and Jobs Act of 2017. The EDIT adjustment has been computed based on the Reverse South Georgia Method (“RSG”) for those amounts required under Internal Revenue Service normalization rules. This adjustment and methodology are reasonable.
31. It is reasonable to amortize Atmos’s protected EDIT liabilities over a 24-year period as determined by the RSG method. Atmos’s unprotected EDIT should be amortized over the same 24-year period.
32. Atmos established that system-wide expenses associated with services acquired from Blueflame, a wholly-owned subsidiary of Atmos Energy that provides insurance for all of its divisions, in the amount of \$453,877 are (a) reasonable and necessary and (b) the price charged to Atmos 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 as required by Tex. Util. Code § 104.055(b)(1).
33. Atmos may pursue recovery of a deferred benefit regulatory asset or liability pursuant to Tex. Util. Code § 104.059 (West 2007 & Supp. 2017) in a future filing. The following amounts are established as the base-year levels to track changes in pension-related and other post-employment benefits:

Entity	Pension Account Plan	Post-Employment Benefit Plan	Supplemental Executive Benefit Plan	Total
SSU Allocated to Mid-Tex	\$1,425,108	\$943,775	\$ 0	\$2,368,883
Mid-Tex Direct	\$1,987,133	\$1,062,621	\$35,837	\$3,085,591
Total	\$3,412,241	\$2,006,396	\$35,837	\$5,454,474

34. The purpose of establishing a ratemaking capital structure is to determine the rate of return that provides the utility a reasonable opportunity to earn a fair return on its invested capital.
35. An overall rate of return of 7.97 percent, calculated using the components in the below Finding of Fact No. 45, is just and reasonable, supported by the facts and evidence unique to this case, and will not yield more than a fair return on the adjusted value of the invested capital used and useful in providing service to the public.
36. Consistent with the Partial Settlement, the weight of the credible evidence supports a capital structure for Atmos composed of 60.18 percent equity and 39.82 percent long-term debt.
37. The preponderance of the evidence supports that Atmos Energy used short-term debt in each calendar quarter of each year since January 1, 2013, through the end of its test year, December 31, 2017, and for all but one quarter from January 1, 2018, through December 31, 2018.
38. Atmos Energy's 10K and 10Q forms support that Atmos Energy uses a combination of short-term debt, long-term debt, and equity to finance capital projects.
39. Atmos Energy's recent financings were shown to be consistent with financing long-term assets with equity and long-term debt and extinguishing short-term debt through a mix of permanent refinancing comprised of long-term debt and equity offerings.
40. Fluctuations in Atmos Energy's short-term debt balance support that it uses short-term debt funding to finance daily activities, such as payroll, purchased gas costs and construction work in progress, which are not included in rate base.
41. The preponderance of the evidence supports that Atmos does not rely on short-term debt to finance its assets in rate base.

- 42. Atmos’s capital structure of 60.18 percent equity and 39.82 percent long-term debt is within the range of the capital structures of the comparable, proxy grouping of companies used in this case.
- 43. It is reasonable to adopt a 9.8 percent return on equity.
- 44. A cost of debt of 5.2 percent for purposes of determining Atmos’s weighted average cost of capital and allowable rate of return is just and reasonable.
- 45. The following capital structure, cost of debt, cost of equity, weighted cost of capital, overall return, and pre-tax return for the Mid-Tex Division is just and reasonable:

Class of Capital	Percent	Cost	Weighted Average Cost of Capital	Pre-Tax Return (ROR)
Long Term Debt	39.82%	5.2%	2.07%	2.07%
Common Equity	60.18%	9.8%	5.90%	7.47%
Weighted Average Cost of Capital	100.00%		7.97%	9.54%

- 46. It is just and reasonable that any Interim Rate Adjustment (“IRA”) filing made with the Affected Cities pursuant to Tex. Util. Code § 104.301 use the following additional factors until changed by a subsequent general rate proceeding:
 - a. For any initial IRA filing, the beginning ad valorem tax rate at a Mid-Tex Division level is 1.18 percent and the Shared Services Ad Valorem Tax Rate is 0.69 percent. For subsequent IRA filings, the Ad Valorem Tax Rates will be updated annually to include the actual taxes paid in the calculation of the tax rate.
 - b. For any initial IRA filing, the system-wide net plant in service amount in the Mid-Tex Division shall be \$3,209,005,831, as presented in Exhibit B to the Partial Settlement.
 - c. For any initial IRA filing and for any subsequent IRA filings, the depreciation rate for each account shall be those approved in GUD No. 10170 as presented in Exhibit B to the Partial Settlement.
 - d. For any initial IRA filing, the customer charges and consumption charges as shown below will be the starting rates 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 changes, in which case the new rate will be applied.

- f. The base rate revenue allocation factors to spread any change in IRA increase/decrease to the appropriate customer classes are as follows:

	Percentage
Rate R – Residential Sales	77.95%
Rate C – Commercial Sales	19.40%
Rate I & T – Industrial/Transportation Sales	2.65%

47. Rates for the Affected Cities based on a system-wide revenue requirement of \$594,158,976 are shown below:

	Customer Charge	Consumption Charge	
Residential	\$18.85	\$0.14846	
Commercial	\$43.50	\$0.09165	
I&T	\$784.00	\$0.3312	0 to 1,500 MMBtu
		\$0.2425	Next 3,500 MMBtu
		\$0.0520	Over 5,000 MMBtu

48. Rates adopted as part of this Order are effective for bills rendered on and after June 1, 2019.
49. The tariffs attached to this Order are just and reasonable.

CONCLUSIONS OF LAW

1. Atmos is a gas utility as defined in Tex. Util. Code §§ 101.003(7) and 121.001, and is, therefore subject to the jurisdiction of the Commission.
2. Under Tex. Util. Code § 103.051, *et seq.*, the Commission has jurisdiction over the appeal of a municipal order establishing gas utility rates.
3. This proceeding was conducted in accordance with the requirements of Tex. Util. Code §§ 103.051 *et seq.* and the Administrative Procedure Act, Tex. Gov't Code §§ 2001.001 *et seq.*
4. Adequate notice was properly provided under Tex. Util. Code § 104.103 and Gov't Code § 2001.051.
5. Atmos established that its books and records conform with 16 Tex. Admin. Code § 7.310. Therefore, Atmos is entitled to the presumption that the amounts included therein are reasonable and necessary in accordance with 16 Tex. Admin. Code § 7.503.
6. Atmos's insurance transactions with Blueflame comply with Tex. Util. Code § 104.055(b)(1).

7. The overall revenues as established by the findings of fact and attached schedules are reasonable; fix an overall level of revenues for Atmos that will permit it 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 Tex. Util. Code § 104.051; and otherwise comply with Chapter 104 of the Texas Utilities Code.
8. 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 Tex. Util. Code §§ 101.002, *et seq.*
9. 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 Tex. Util. Code § 104.052.
10. The rates established in this docket comport with the requirements of Tex. Util. Code § 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.
11. The test-year level of pension-related and other post-employment benefits expenses are consistent with Tex. Util. Code § 104.055.
12. The rates established in this case comply with the affiliate transaction standard set out in Tex. Util. Code § 104.055.
13. Atmos has complied with all requirements set forth in the February 2018 Gas Utilities Accounting Order in GUD No. 10695, and the related March 2018 Order Nunc Pro Tunc.
14. Capital investment made through December 31, 2017, was reasonable and prudent and consistent with Tex. Util. Code, Chapter 104.
15. A rate of return of 7.97 percent based on Atmos's weighted average cost of capital, including the components specified in this Order, is consistent with the requirements of Tex. Util. Code § 104.052.
16. An overall base revenue requirement of \$2,160,494 for the Affected Cities and a system-wide base revenue requirement of \$594,158,976 is just and reasonable for the Mid-Tex Division, 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.

17. In accordance with 16 Tex. Admin. Code § 7.7101, Atmos may adjust its revenue in future Interim Rate Adjustment filings as set forth in the findings of fact.
18. The rate schedules and tariffs established in this Order reflect ratemaking actions the Affected Cities should have set in their ordinances, consistent with Tex. Util. Code § 103.055.
19. The rate schedules and tariffs reflected in this Order are consistent with applicable statutory and Commission requirements.
20. Atmos is required by 16 Tex. Admin. Code § 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 terms of this Order and the Partial 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 in the findings of fact for future Interim Rate Adjustments are **APPROVED**.

IT IS FURTHER ORDERED that the Partial Settlement appended to this Order as Attachment 1 is hereby **APPROVED**.

IT IS FURTHER ORDERED that within thirty (30) days of this Order in accordance with 16 Tex. Admin. Code § 7.315, Atmos shall electronically file its rate schedules in proper form that accurately reflect the rates approved in this Order.

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 16 Tex. Admin. Code § 7.315.

IT IS FURTHER ORDERED that all proposed findings of act 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 date this 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 case prior to its being overruled by operation of law is hereby extended until 100 days from the date this Order is signed.

Signed on May 21, 2019.

RAILROAD COMMISSION OF TEXAS



CHAIRMAN CHRISTI CRADDICK


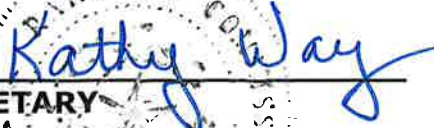


COMMISSIONER RYAN SETTON



COMMISSIONER WAYNE CHRISTIAN

ATTEST:

SECRETARY

Final Order
GUD No. 10779

ATTACHMENT 1

Settlement Agreement

GUD NO. 10779 (Consolidated)

PETITION FOR DE NOVO REVIEW OF	§	
THE DENIAL OF THE STATEMENT	§	BEFORE THE
OF INTENT FILED BY ATMOS	§	
ENERGY CORP., MID-TEX DIVISION	§	RAILROAD COMMISSION OF
BY THE CITIES OF BALCH SPRINGS,	§	
BANDERA, BELTON, ET AL.	§	TEXAS

SETTLEMENT AGREEMENT ON REVENUE REQUIREMENT AND IDENTIFICATION OF SOLE ISSUE REMAINING IN DISPUTE

This Settlement Agreement regarding the revenue requirement to be used to determine new rates and the identification of the sole issue remaining in dispute is entered into by and between Atmos Energy Corp., Mid-Tex Division (“Atmos Energy” or the “Company”) and the Atmos Texas Municipalities (“ATM”), (collectively, the “Signatories”).

WHEREAS, Atmos Energy filed its municipal Statement of Intent with all cities participating in the ATM Coalition on June 1, 2018, with the exception of the City of Hico, where the Statement of Intent was filed on July 31, 2018; and

WHEREAS, Atmos Energy subsequently appealed these municipal rate decisions with the Railroad Commission of Texas (“Commission”) pursuant to Tex. Util. Code § 103.054; and

WHEREAS, the Commission docketed these appeals as GUD No. 10779 (consolidated); and

WHEREAS ATM sought intervention and was granted party status in GUD No. 10779; and

WHEREAS, the Company has filed direct and rebuttal testimony and errata to its Statement of Intent; and

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

WHEREAS, ATM filed direct testimony on January 14, 2018; and

WHEREAS, the Signatories agree that resolution of the revenue requirement to be used to determine new rates and their agreement regarding the sole issue remaining in dispute will significantly reduce the amount of reimbursable rate case expenses associated with this docket;

NOW, THEREFORE, in consideration of the mutual agreements and covenants established herein, the Signatories, through their undersigned representatives, agree as follows:

Settlement Terms

1. As a product of compromise and for the purposes of settlement, the Signatories agree to fully litigate whether short-term debt should be included or excluded from the Company's capital structure for purposes of establishing Atmos Energy's revenue requirement and corresponding new rates in this proceeding.
2. The Signatories agree that in the event that the Commission adopts the Company's proposed capital structure comprised of 60.18% equity and 39.82% long-term debt, the annual system-wide base rate revenue requirement – excluding "Other Revenue" shown in Schedule A – of \$594,158,976 should be adopted. This results in an increase to Atmos Energy's system-wide base rate revenues of \$23,358,519, excluding revenue from Rider FF and Rider Tax or \$24,901,124 including revenue from Rider FF and Rider Tax.
3. Signatories further agree that the rates resulting from the Paragraph 2 revenue requirement and capital structure are shown below and in the tariffs included as Exhibit A:

	Customer Charge	Consumption Charge	
Residential	\$18.85	\$0.14846	
Commercial	\$43.50	\$0.09165	
I&T	\$784.00	\$0.3312	0 to 1,500 MMBtu
		\$0.2425	Next 3,500 MMBtu
		\$0.0520	Over 5,000 MMBtu

4. The Signatories agree that a Commission decision to include short-term debt in Atmos Energy's capital structure would modify the base rate revenue requirement of \$594,158,976 and the \$23,358,519 system-wide increase set forth in Paragraph 2 and the corresponding rates shown in Paragraph 3. The Signatories further agree that the annual revenue requirement difference associated with any Commission decision to include short-term debt in Atmos Energy's capital structure will be allocated proportionately to customer classes and rate components.
5. The Signatories agree that rates adopted as part of the Commission's Final Order in this proceeding should be effective for bills rendered on and after June 1, 2019.
6. The Signatories agree that it is reasonable to adopt a 9.8% return on equity regardless of the Commission's decision on whether to include short-term debt in Atmos Energy's capital structure.
7. The Signatories agree that, if the Commission adopts the Company's proposed capital structure comprised of 60.18% equity and 39.82% long-term debt, Rate of Return (ROR) and capital structure for purposes of future Interim Rate Adjustment (IRA) filings should be established as follows:

Class of Capital	Percent	Cost	Weighted Average Cost of Capital	Pre-Tax Return (ROR)
Long Term Debt	39.82%	5.2%	2.07%	2.07%
Common Equity	60.18%	9.8%	5.90%	7.47%
Weighted Average Cost of Capital	100.00%		7.97%	9.54%

8. The Signatories agree that a Commission decision to include short-term debt would modify the components shown in the table above, by adding as an element Short Term Debt and modifying the other elements including the Capital Structure, the Weighted Average Cost of Capital, and ROR. Return on equity would, however, remain unchanged.
9. The Signatories further agree that any IRA filing made with the ATM cities pursuant to Texas Utilities Code § 104.301 shall use the following additional factors until changed by a subsequent general rate proceeding:
 - a. For any initial IRA filing, the beginning ad valorem tax rate at a Mid-Tex Division level is 1.18% and the Shared Services Ad Valorem Tax Rate is 0.69%. For subsequent IRA filings, the Ad Valorem Tax Rates will be updated annually to include the actual taxes paid in the calculation of the tax rate.
 - b. For any initial IRA filing, the system-wide net plant in service amount in the Mid-Tex Division shall be \$3,209,005,831 as presented in Exhibit B.
 - c. For any initial IRA filing and for any subsequent IRA filings, the depreciation rate for each account shall be those approved in GUD No. 10170 as presented in Exhibit B.
 - d. For any initial IRA filing, the customer charges and consumption charges as shown in Paragraph 3 or as modified by Paragraph 4 above will be the starting rates to which any IRA adjustment is applied.
 - e. Federal income taxes will be calculated using a 21% rate, unless the federal income tax rate changes, in which case the new rate will be applied.
 - f. The base rate revenue allocation factors to spread any change in IRA increase/decrease to the appropriate customer classes are as follows:

	Percentage
Rate R – Residential Sales	77.95%
Rate C – Commercial Sales	19.40%
Rate I & T – Industrial/Transportation Sales	2.65%

10. The Signatories agree that the rates, terms and conditions resulting from a Commission Final Order issued consistent with the terms of this Settlement Agreement comply with the rate-setting requirements of Chapter 104 of the Texas Utilities Code.

11. Signatories agree that the revenue requirement in paragraph 1 includes expenses associated with services acquired by Blueflame, a wholly-owned subsidiary of Atmos Energy that provides insurance for all of the Company's divisions. Signatories further agree that system-wide expenses in the amount of \$453,877 associated with services acquired by Blueflame are (a) reasonable and necessary and (b) the price charged to Atmos Energy's Mid-Tex Division 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 as required by Tex. Util. Code § 104.055(b)(1).
12. The Signatories agree that the following amounts are reasonable to establish the base-year levels to track changes in pension-related and other post-employment benefits:

Entity	Pension Account Plan	Post-Employment Benefit Plan	Supplemental Executive Benefit Plan	Total
SSU Allocated to Mid-Tex	\$1,425,108	\$943,775	\$ 0	\$2,368,883
Mid-Tex Direct	\$1,987,133	\$1,062,621	\$35,837	\$3,085,591
Total	\$3,412,241	\$2,006,396	\$35,837	\$5,454,474

13. The Signatories agree that the revenue requirement in Paragraph 1 includes a reduction of the corporate income tax rate from 35% to 21% to recognize changes to the Federal Tax Code due to the Tax Cuts and Jobs Act of 2017.

The Signatories further agree that the revenue requirement in Paragraph 1 reflects an adjustment to federal income tax expense for excess deferred income taxes (EDIT) resulting from the Tax Cuts and Jobs Act of 2017. The EDIT adjustment has been computed based on the Reverse South Georgia Method for those amounts required under Internal Revenue Service (IRS) normalization rules.

Signatories agree that it is reasonable to amortize the Company's protected EDIT liabilities over a 24 year period as determined by the RSG method and shown on Exhibit C. The Signatories further agree that the Company's unprotected EDIT should be amortized over the same 24 year period as shown on Exhibit C.

14. Unless otherwise agreed to by Atmos Energy and ATM, the Signatories agree that the recovery of reasonable rate case expenses will be addressed in GUD No. 10796.
15. The classes and number of customers affected by this Settlement Agreement include approximately 152,734 residential, 10,871 commercial, and 72 industrial and transportation customers.

16. The Signatories agree to support and seek Commission approval of the terms outlined in this Settlement Agreement and make all efforts to enable new rates to be effective for bills rendered on and after June 1, 2019.
17. The Signatories agree to support and seek Commission approval to establish temporary rates for the period March 1, 2019 through May 31, 2019. Signatories further agree that these temporary rates shall not be subject to true up.
18. 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 Settlement Agreement are privileged and inadmissible to prove the validity or invalidity of any issue raised by or presented in GUD No. 10779.
19. The Signatories agree that neither this Settlement Agreement nor any oral or written statements made during the course of settlement negotiations may be used for any purpose other than as necessary to support the entry by the Commission of an order approving this Settlement Agreement.
20. The Signatories agree that the terms of the Settlement Agreement are interdependent and indivisible, and that if the Commission intends to enter an order that is inconsistent with this 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 Settlement Agreement or its subsequent withdrawal and further agrees that Atmos Energy's application to increase rates will be remanded for hearings.
21. The Signatories agree that this 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 a compromise and settlement. Except to the extent the Settlement Agreement governs a Signatory's rights and obligations for future periods, this 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 Stipulation 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 Stipulation 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 Stipulation. Agreement by the Signatories to any provision in this Stipulation will not be used against any Signatory in any future proceeding with respect to different positions that may be taken by that Signatory.
22. The provisions of this Stipulation 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

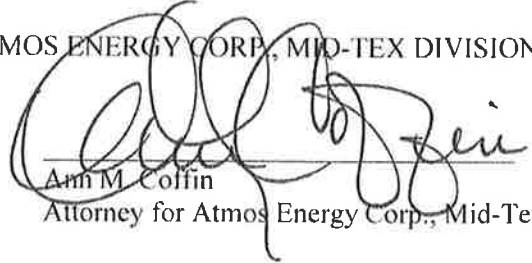
understand and agree that this Stipulation represents a negotiated settlement of all issues in this proceeding.

23. The Signatories agree that this Settlement Agreement may be executed in multiple counterparts and may be filed with facsimile signatures.

Agreed to this 22nd day of February 2019.

ATMOS ENERGY CORP., MID-TEX DIVISION

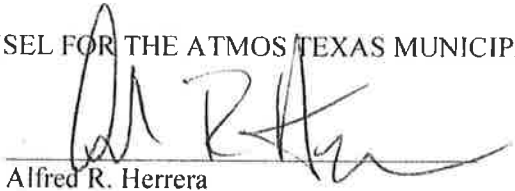
By:



Ann M. Coffin
Attorney for Atmos Energy Corp., Mid-Tex Division

COUNSEL FOR THE ATMOS TEXAS MUNICIPALITIES

By:



Alfred R. Herrera
Attorney for the Atmos Texas Municipalities

**MID-TEX DIVISION
ATMOS ENERGY CORPORATION**

RATE SCHEDULE:	R – RESIDENTIAL SALES	
APPLICABLE TO:	ALL CUSTOMERS IN THE MID-TEX DIVISION IN THE ATMOS TEXAS MUNICIPALITIES COALITION (“ATM”)	
EFFECTIVE DATE:	Bills Rendered on or after 06/01/2019	PAGE:

Application

Applicable to Residential Customers for all natural gas provided at one Point of Delivery and measured through one meter.

Type of Service

Where service of the type desired by Customer is not already available at the Point of Delivery, additional charges and special contract arrangements between Company and Customer may be required prior to service being furnished.

Monthly Rate

Customer's monthly bill will be calculated by adding the following Customer and Ccf charges to the amounts due under the riders listed below:

Charge	Amount
Customer Charge per Bill	\$ 18.85 per month
Rider CEE Surcharge	\$ 0.03 per month ¹
Total Customer Charge	\$ 18.88 per month
Commodity Charge – All <u>Ccf</u>	\$0.14846 per Ccf

Gas Cost Recovery: Plus an amount for gas costs and upstream transportation costs calculated in accordance with Part (a) and Part (b), respectively, of Rider GCR.

Weather Normalization Adjustment: Plus or Minus an amount for weather normalization calculated in accordance with Rider WNA.

Franchise Fee Adjustment: Plus an amount for franchise fees calculated in accordance with Rider FF. Rider FF is only applicable to customers inside the corporate limits of any incorporated municipality.

Tax Adjustment: Plus an amount for tax calculated in accordance with Rider TAX.

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

Agreement

An Agreement for Gas Service may be required.

Notice

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.

¹Reference Rider CEE - Conservation and Energy Efficiency as approved in GUD 10170. Surcharge billing effective July 1, 2018.

**MID-TEX DIVISION
ATMOS ENERGY CORPORATION**

RATE SCHEDULE:	R – RESIDENTIAL SALES	
APPLICABLE TO:	ALL CUSTOMERS IN THE MID-TEX DIVISION IN THE ATMOS TEXAS MUNICIPALITIES COALITION (“ATM”)	
EFFECTIVE DATE:	Bills Rendered on or after 06/01/2019	PAGE:

Exhibit A

Cities in the Atmos Texas Municipalities Coalition:

- | | |
|----------------|-------------|
| AUSTIN | STAR HARBOR |
| BALCH SPRINGS | TRINIDAD |
| BANDERA | WHITNEY |
| BELTON | |
| BLOOMING GROVE | |
| BURNET | |
| CAMERON | |
| CEDAR PARK | |
| CLIFTON | |
| COMMERCE | |
| COPPERAS COVE | |
| CORSICANA | |
| ELECTRA | |
| FREDERICKSBURG | |
| GATESVILLE | |
| GOLDTHWAITE | |
| GRANBURY | |
| GREENVILLE | |
| GROESBECK | |
| HAMILTON | |
| HEATH | |
| HENRIETTA | |
| HICKORY CREEK | |
| HICO | |
| HILLSBORO | |
| LAMPASAS | |
| LEANDER | |
| LONGVIEW | |
| MARBLE FALLS | |
| MART | |
| MEXIA | |
| OLNEY | |
| PFLUGERVILLE | |
| POINT | |
| PRINCETON | |
| RANGER | |
| RICE | |
| RIESEL | |
| ROCKDALE | |
| ROGERS | |
| ROUND ROCK | |
| SAN ANGELO | |
| SANGER | |
| SOMERVILLE | |

**MID-TEX DIVISION
ATMOS ENERGY CORPORATION**

RATE SCHEDULE:	C – COMMERCIAL SALES	
APPLICABLE TO:	ALL CUSTOMERS IN THE MID-TEX DIVISION IN THE ATMOS TEXAS MUNICIPALITIES COALITION (“ATM”)	
EFFECTIVE DATE:	Bills Rendered on or after 06/01/2019	PAGE:

Application

Applicable to Commercial Customers for all natural gas provided at one Point of Delivery and measured through one meter and to Industrial Customers with an average annual usage of less than 30,000 Ccf.

Type of Service

Where service of the type desired by Customer is not already available at the Point of Delivery, additional charges and special contract arrangements between Company and Customer may be required prior to service being furnished.

Monthly Rate

Customer's monthly bill will be calculated by adding the following Customer and Ccf charges to the amounts due under the riders listed below:

Charge	Amount
Customer Charge per Bill	\$ 43.50 per month
Rider CEE Surcharge	\$ (0.03) per month ¹
Total Customer Charge	\$ 43.47 per month
Commodity Charge – All Ccf	\$ 0.09165 per Ccf

Gas Cost Recovery: Plus an amount for gas costs and upstream transportation costs calculated in accordance with Part (a) and Part (b), respectively, of Rider GCR.

Weather Normalization Adjustment: Plus or Minus an amount for weather normalization calculated in accordance with Rider WNA.

Franchise Fee Adjustment: Plus an amount for franchise fees calculated in accordance with Rider FF. Rider FF is only applicable to customers inside the corporate limits of any incorporated municipality.

Tax Adjustment: Plus an amount for tax calculated in accordance with Rider TAX.

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

Agreement

An Agreement for Gas Service may be required.

Notice

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.

¹ Reference Rider CEE - Conservation and Energy Efficiency as approved in GUD 10170. Surcharge billing effective July 1, 2018.

**MID-TEX DIVISION
ATMOS ENERGY CORPORATION**

RATE SCHEDULE:	C – COMMERCIAL SALES	
APPLICABLE TO:	ALL CUSTOMERS IN THE MID-TEX DIVISION IN THE ATMOS TEXAS MUNICIPALITIES COALITION (“ATM”)	
EFFECTIVE DATE:	Bills Rendered on or after 06/01/2019	PAGE:

Exhibit A

Cities in the Atmos Texas Municipalities Coalition:

- | | |
|----------------|-------------|
| AUSTIN | STAR HARBOR |
| BALCH SPRINGS | TRINIDAD |
| BANDERA | WHITNEY |
| BELTON | |
| BLOOMING GROVE | |
| BURNET | |
| CAMERON | |
| CEDAR PARK | |
| CLIFTON | |
| COMMERCE | |
| COPPERAS COVE | |
| CORSICANA | |
| ELECTRA | |
| FREDERICKSBURG | |
| GATESVILLE | |
| GOLDTHWAITE | |
| GRANBURY | |
| GREENVILLE | |
| GROESBECK | |
| HAMILTON | |
| HEATH | |
| HENRIETTA | |
| HICKORY CREEK | |
| HICO | |
| HILLSBORO | |
| LAMPASAS | |
| LEANDER | |
| LONGVIEW | |
| MARBLE FALLS | |
| MART | |
| MEXIA | |
| OLNEY | |
| PFLUGERVILLE | |
| POINT | |
| PRINCETON | |
| RANGER | |
| RICE | |
| RIESEL | |
| ROCKDALE | |
| ROGERS | |
| ROUND ROCK | |
| SAN ANGELO | |
| SANGER | |
| SOMERVILLE | |

**MID-TEX DIVISION
ATMOS ENERGY CORPORATION**

RATE SCHEDULE:	I – INDUSTRIAL SALES	
APPLICABLE TO:	ALL CUSTOMERS IN THE MID-TEX DIVISION IN THE ATMOS TEXAS MUNICIPALITIES COALITION (“ATM”)	
EFFECTIVE DATE:	Bills Rendered on or after 06/01/2019	PAGE:

Application

Applicable to Industrial Customers with a maximum daily usage (MDU) of less than 3,500 MMBtu per day for all natural gas provided at one Point of Delivery and measured through one meter. Service for Industrial Customers with an MDU equal to or greater than 3,500 MMBtu per day will be provided at Company's sole option and will require special contract arrangements between Company and Customer.

Type of Service

Where service of the type desired by Customer is not already available at the Point of Delivery, additional charges and special contract arrangements between Company and Customer may be required prior to service being furnished.

Monthly Rate

Customer's monthly bill will be calculated by adding the following Customer and MMBtu charges to the amounts due under the riders listed below:

Charge	Amount
Customer Charge per Meter	\$ 784.00 per month
First 0 MMBtu to 1,500 MMBtu	\$ 0.3312 per MMBtu
Next 3,500 MMBtu	\$ 0.2425 per MMBtu
All MMBtu over 5,000 MMBtu	\$ 0.0520 per MMBtu

Gas Cost Recovery: Plus an amount for gas costs and upstream transportation costs calculated in accordance with Part (a) and Part (b), respectively, of Rider GCR.

Franchise Fee Adjustment: Plus an amount for franchise fees calculated in accordance with Rider FF. Rider FF is only applicable to customers inside the corporate limits of any incorporated municipality.

Tax Adjustment: Plus an amount for tax calculated in accordance with Rider TAX.

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

Curtailement Overpull Fee

Upon notification by Company of an event of curtailement or interruption of Customer's deliveries, Customer will, for each MMBtu delivered in excess of the stated level of curtailement or interruption, pay Company 200% of the midpoint price for the Katy point listed in *Platts Gas Daily* published for the applicable Gas Day in the table entitled "Daily Price Survey."

Replacement Index

In the event the "midpoint" or "common" price for the Katy point listed in *Platts Gas Daily* in the table entitled "Daily Price Survey" is no longer published, Company will calculate the applicable imbalance fees utilizing a daily price index recognized as authoritative by the natural gas industry and most closely approximating the applicable index.

**MID-TEX DIVISION
ATMOS ENERGY CORPORATION**

RATE SCHEDULE:	I – INDUSTRIAL SALES	
APPLICABLE TO:	ALL CUSTOMERS IN THE MID-TEX DIVISION IN THE ATMOS TEXAS MUNICIPALITIES COALITION (“ATM”)	
EFFECTIVE DATE:	Bills Rendered on or after 06/01/2019	PAGE:

Agreement

An Agreement for Gas Service may be required.

Notice

Service hereunder and the rates for services provided are subject to the orders of regulatory bodies having jurisdiction and to the Company's Tariff for Gas Service.

Special Conditions

In order to receive service under Rate I, Customer must have the type of meter required by Company. Customer must pay Company all costs associated with the acquisition and installation of the meter.

**MID-TEX DIVISION
ATMOS ENERGY CORPORATION**

RATE SCHEDULE:	I – INDUSTRIAL SALES	
APPLICABLE TO:	ALL CUSTOMERS IN THE MID-TEX DIVISION IN THE ATMOS TEXAS MUNICIPALITIES COALITION (“ATM”)	
EFFECTIVE DATE:	Bills Rendered on or after 06/01/2019	PAGE:

Exhibit A

Cities in the Atmos Texas Municipalities Coalition:

- | | |
|----------------|-------------|
| AUSTIN | STAR HARBOR |
| BALCH SPRINGS | TRINIDAD |
| BANDERA | WHITNEY |
| BELTON | |
| BLOOMING GROVE | |
| BURNET | |
| CAMERON | |
| CEDAR PARK | |
| CLIFTON | |
| COMMERCE | |
| COPPERAS COVE | |
| CORSICANA | |
| ELECTRA | |
| FREDERICKSBURG | |
| GATESVILLE | |
| GOLDTHWAITE | |
| GRANBURY | |
| GREENVILLE | |
| GROESBECK | |
| HAMILTON | |
| HEATH | |
| HENRIETTA | |
| HICKORY CREEK | |
| HICO | |
| HILLSBORO | |
| LAMPASAS | |
| LEANDER | |
| LONGVIEW | |
| MARBLE FALLS | |
| MART | |
| MEXIA | |
| OLNEY | |
| PFLUGERVILLE | |
| POINT | |
| PRINCETON | |
| RANGER | |
| RICE | |
| RIESEL | |
| ROCKDALE | |
| ROGERS | |
| ROUND ROCK | |
| SAN ANGELO | |
| SANGER | |
| SOMERVILLE | |

**MID-TEX DIVISION
ATMOS ENERGY CORPORATION**

RATE SCHEDULE:	T – TRANSPORTATION	
APPLICABLE TO:	ALL CUSTOMERS IN THE MID-TEX DIVISION IN THE ATMOS TEXAS MUNICIPALITIES COALITION (“ATM”)	
EFFECTIVE DATE:	Bills Rendered on or after 06/01/2019	PAGE:

Application

Applicable, in the event that Company has entered into a Transportation Agreement, to a customer directly connected to the Atmos Energy Corp., Mid-Tex Division Distribution System (Customer) for the transportation of all natural gas supplied by Customer or Customer’s agent at one Point of Delivery for use in Customer’s facility.

Type of Service

Where service of the type desired by Customer is not already available at the Point of Delivery, additional charges and special contract arrangements between Company and Customer may be required prior to service being furnished.

Monthly Rate

Customer’s bill will be calculated by adding the following Customer and MMBtu charges to the amounts and quantities due under the riders listed below:

Charge	Amount
Customer Charge per Meter	\$ 784.00 per month
First 0 MMBtu to 1,500 MMBtu	\$ 0.3312 per MMBtu
Next 3,500 MMBtu	\$ 0.2425 per MMBtu
All MMBtu over 5,000 MMBtu	\$ 0.0520 per MMBtu

Upstream Transportation Cost Recovery: Plus an amount for upstream transportation costs in accordance with Part (b) of Rider GCR.

Retention Adjustment: Plus a quantity of gas as calculated in accordance with Rider RA.

Franchise Fee Adjustment: Plus an amount for franchise fees calculated in accordance with Rider FF. Rider FF is only applicable to customers inside the corporate limits of any incorporated municipality.

Tax Adjustment: Plus an amount for tax calculated in accordance with Rider TAX.

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

Imbalance Fees

All fees charged to Customer under this Rate Schedule will be charged based on the quantities determined under the applicable Transportation Agreement and quantities will not be aggregated for any Customer with multiple Transportation Agreements for the purposes of such fees.

Monthly Imbalance Fees

Customer shall pay Company the greater of (i) \$0.10 per MMBtu, or (ii) 150% of the difference per MMBtu between the highest and lowest “midpoint” price for the Katy point listed in *Platts Gas Daily* in the table entitled “Daily Price Survey” during such month, for the MMBtu of Customer’s monthly Cumulative Imbalance, as defined in the applicable Transportation Agreement, at the end of each month that exceeds 10% of Customer’s receipt quantities for the month.

**MID-TEX DIVISION
ATMOS ENERGY CORPORATION**

RATE SCHEDULE:	T – TRANSPORTATION	
APPLICABLE TO:	ALL CUSTOMERS IN THE MID-TEX DIVISION IN THE ATMOS TEXAS MUNICIPALITIES COALITION (“ATM”)	
EFFECTIVE DATE:	Bills Rendered on or after 06/01/2019	PAGE:

Curtailement Overpull Fee

Upon notification by Company of an event of curtailment or interruption of Customer's deliveries, Customer will, for each MMBtu delivered in excess of the stated level of curtailment or interruption, pay Company 200% of the midpoint price for the Katy point listed in *Platts Gas Daily* published for the applicable Gas Day in the table entitled “Daily Price Survey.”

Replacement Index

In the event the “midpoint” or “common” price for the Katy point listed in *Platts Gas Daily* in the table entitled “Daily Price Survey” is no longer published, Company will calculate the applicable imbalance fees utilizing a daily price index recognized as authoritative by the natural gas industry and most closely approximating the applicable index.

Agreement

A transportation agreement is required.

Notice

Service hereunder and the rates for services provided are subject to the orders of regulatory bodies having jurisdiction and to the Company's Tariff for Gas Service.

Special Conditions

In order to receive service under Rate T, customer must have the type of meter required by Company. Customer must pay Company all costs associated with the acquisition and installation of the meter.

**MID-TEX DIVISION
ATMOS ENERGY CORPORATION**

RATE SCHEDULE:	T – TRANSPORTATION	
APPLICABLE TO:	ALL CUSTOMERS IN THE MID-TEX DIVISION IN THE ATMOS TEXAS MUNICIPALITIES COALITION (“ATM”)	
EFFECTIVE DATE:	Bills Rendered on or after 06/01/2019	PAGE:

Exhibit A

Cities in the Atmos Texas Municipalities Coalition:

AUSTIN	STAR HARBOR
BALCH SPRINGS	TRINIDAD
BANDERA	WHITNEY
BELTON	
BLOOMING GROVE	
BURNET	
CAMERON	
CEDAR PARK	
CLIFTON	
COMMERCE	
COPPERAS COVE	
CORSICANA	
ELECTRA	
FREDERICKSBURG	
GATESVILLE	
GOLDTHWAITE	
GRANBURY	
GREENVILLE	
GROESBECK	
HAMILTON	
HEATH	
HENRIETTA	
HICKORY CREEK	
HICO	
HILLSBORO	
LAMPASAS	
LEANDER	
LONGVIEW	
MARBLE FALLS	
MART	
MEXIA	
OLNEY	
PFLUGERVILLE	
POINT	
PRINCETON	
RANGER	
RICE	
RIESEL	
ROCKDALE	
ROGERS	
ROUND ROCK	
SAN ANGELO	
SANGER	
SOMERVILLE	

**MID-TEX DIVISION
ATMOS ENERGY CORPORATION**

RIDER:	SUR – SURCHARGES	
APPLICABLE TO:	ALL CUSTOMERS IN THE MID-TEX DIVISION IN THE ATMOS TEXAS MUNICIPALITIES COALITION (“ATM”)	
EFFECTIVE DATE:	Bills Rendered on or after 06/01/2019	PAGE:

Application

The Rate Case Expense Surcharge (RCE) rate as set forth below is pursuant to the Final Order in GUD No. 10779. This monthly rate shall apply to residential, commercial, industrial and transportation rate classes of Atmos Energy Corporation’s Mid-Tex Division in the rate area and amounts shown below. The fixed-price surcharge rate will be in effect for approximately 12 months until all approved and expended rate case expenses are recovered from the applicable customer classes as documented in the Final Order in GUD No. 10779. This rider is subject to all applicable laws and orders, and the Company’s rules and regulations on file with the regulatory authority. This surcharge is for city rate case expenses incurred to review the 2016 Rate Review Mechanism.

Monthly Calculation

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

Rate Schedule	ATM Coalition
R – Residential Sales	\$0.04
C – Commercial Sales	\$0.10
I – Industrial Sales	\$1.93
T - Transportation	\$1.93

**MID-TEX DIVISION
ATMOS ENERGY CORPORATION**

RIDER:	WNA – WEATHER NORMALIZATION ADJUSTMENT	
APPLICABLE TO:	ALL CUSTOMERS IN THE MID-TEX DIVISION IN THE ATMOS TEXAS MUNICIPALITIES COALITION (“ATM”)	
EFFECTIVE DATE:	Bills Rendered on or after 06/01/2019	PAGE:

Provisions for Adjustment

The Commodity Charge per Ccf (100 cubic feet) for gas service set forth in any Rate Schedules utilized by the cities of the Mid-Tex Division service area for determining normalized winter period revenues shall be adjusted by an amount hereinafter described, which amount is referred to as the "Weather Normalization Adjustment." The Weather Normalization Adjustment shall apply to all temperature sensitive residential and commercial bills based on meters read during the revenue months of November through April. The five regional weather stations are Abilene, Austin, Dallas, Waco, and Wichita Falls.

Computation of Weather Normalization Adjustment

The Weather Normalization Adjustment Factor shall be computed to the nearest one-hundredth cent per Ccf by the following formula:

$$WNAF_i = R_i \frac{(HSF_i \times (NDD-ADD))}{(BL_i + (HSF_i \times ADD))}$$

Where

- i = any particular Rate Schedule or billing classification within any such particular Rate Schedule that contains more than one billing classification
- $WNAF_i$ = Weather Normalization Adjustment Factor for the i^{th} rate schedule or classification expressed in cents per Ccf
- R_i = Commodity Charge rate of temperature sensitive sales for the i^{th} schedule or classification.
- HSF_i = heat sensitive factor for the i^{th} schedule or classification divided by the average bill count in that class
- NDD = billing cycle normal heating degree days calculated as the simple ten-year average of actual heating degree days.
- ADD = billing cycle actual heating degree days.
- BL_i = base load sales for the i^{th} schedule or classification divided by the average bill count in that class

The Weather Normalization Adjustment for the j th customer in i th rate schedule is computed as:

$$WNA_j = WNAF_i \times q_{ij}$$

Where q_{ij} is the relevant sales quantity for the j th customer in i th rate schedule.

**MID-TEX DIVISION
ATMOS ENERGY CORPORATION**

RIDER:	WNA – WEATHER NORMALIZATION ADJUSTMENT	
APPLICABLE TO:	ALL CUSTOMERS IN THE MID-TEX DIVISION IN THE ATMOS TEXAS MUNICIPALITIES COALITION (“ATM”)	
EFFECTIVE DATE:	Bills Rendered on or after 06/01/2019	PAGE:

Base Use/Heat Use Factors

Weather Station	<u>Residential</u>		<u>Commercial</u>	
	Base use <u>Ccf</u>	Heat use <u>Ccf/HDD</u>	Base use <u>Ccf</u>	Heat use <u>Ccf/HDD</u>
Abilene	9.77	0.1201	99.33	0.5737
Austin	10.38	0.1493	201.46	0.8942
Dallas	13.17	0.2062	183.71	1.0046
Waco	9.26	0.1323	124.57	0.6398
Wichita Falls	11.62	0.1278	114.97	0.5226

Weather Normalization Adjustment (WNA) Report

On or before June 1 of each year, the company posts on its website at atmosenergy.com/mtx-wna, in Excel format, a *Weather Normalization Adjustment (WNA) Report* to show how the company calculated its WNA factor during the preceding winter season. Additionally, on or before June 1 of each year, the company files one hard copy and an Excel version of the *WNA Report* with the Railroad Commission of Texas' Gas Services Division, addressed to the Director of that Division.

**MID-TEX DIVISION
ATMOS ENERGY CORPORATION**

RIDER:	WNA – WEATHER NORMALIZATION ADJUSTMENT	
APPLICABLE TO:	ALL CUSTOMERS IN THE MID-TEX DIVISION IN THE ATMOS TEXAS MUNICIPALITIES COALITION (“ATM”)	
EFFECTIVE DATE:	Bills Rendered on or after 06/01/2019	PAGE:

Exhibit A

Cities in the Atmos Texas Municipalities Coalition:

AUSTIN	ROUND ROCK
BALCH SPRINGS	SAN ANGELO
BANDERA	SANGER
BELTON	SOMERVILLE
BLOOMING GROVE	STAR HARBOR
BURNET	TRINIDAD
CAMERON	WHITNEY
CEDAR PARK	
CLIFTON	
COMMERCE	
COPPERAS COVE	
CORSICANA	
ELECTRA	
FREDERICKSBURG	
GATESVILLE	
GOLDTHWAITE	
GRANBURY	
GREENVILLE	
GROESBECK	
HAMILTON	
HEATH	
HENRIETTA	
HICKORY CREEK	
HICO	
HILLSBORO	
LAMPASAS	
LEANDER	
LONGVIEW	
MARBLE FALLS	
MART	
MEXIA	
OLNEY	
PFLUGERVILLE	
POINT	
PRINCETON	
RANGER	
RICE	
RIESEL	
ROCKDALE	
ROGERS	

ATMOS ENERGY CORP., MID-TEX DIVISION
NET INVESTMENT AND RATE BASE ADJUSTMENTS
TEST YEAR ENDING DECEMBER 31, 2017

Line No.	Acct.	Description	Plant Balances	Accumulated Depreciation	Net Plant	Depreciation Rate
	(a)	(b)	(c)	(d)	(e) = (c)-(d)	(f)
1	<u>Mid-Tex:</u>					
2	<u>Distribution Plant</u>					
3	374	Land	\$ 969,751	\$ 90	\$ 969,661	0.00%
4	374	Land Rights	3,436,235	1,496,141	1,940,094	0.98%
5	375	Structures & Improvements	1,593,440	1,000,412	593,028	1.71%
6	376	Mains-Cathodic Protection	176,245,240	48,934,906	127,310,335	1.85%
7	376	Mains-Steel	623,552,746	211,431,541	412,121,205	3.97%
8	376	Mains-Plastic	1,617,624,079	430,076,650	1,187,547,429	2.21%
9	378	M&R Station Equipment - General	72,217,273	24,532,123	47,685,150	3.09%
10	379	M&R Station Equipment - City Gate	5,737,696	3,197,871	2,539,825	1.88%
11	380	Services	1,263,784,834	382,969,832	880,815,002	3.67%
12	381	Meters	269,036,417	64,015,902	205,020,515	3.31%
13	382	Meter Installations	124,150,788	34,256,337	89,894,450	3.66%
14	383	House Regulators	92,306,262	21,942,045	70,364,218	3.50%
15	385	Industrial M&R Station Equipment	2,777,560	327,091	2,450,469	2.80%
16		Total Mid-Tex Distribution Plant (Sum of Ln 3 through Ln 15)	\$ 4,253,432,321	\$ 1,224,180,940	\$ 3,029,251,381	
17						
18	<u>General Plant</u>					
19	302	Franchises & Consents	\$ 18,896	\$ 7,231	\$ 11,665	0.00%
20	303	Computer Software	709,231	797,603	(88,372)	0.00%
21	389	Land	5,141,158	114	5,141,045	0.00%
22	390	Structures & Improvements	58,308,484	15,275,690	43,032,795	2.54%
23	390	Air Conditioning Equipment	323,282	52,729	270,553	2.75%
24	391	Office Furniture & Equipment	10,681,124	959,242	9,721,882	4.00%
25	392	Transportation Equipment	1,744,975	725,919	1,019,056	9.04%
26	393	Stores Equipment	102,553	23,454	79,098	4.00%
27	394	Tools, Shop, and Garage Equipment	23,058,833	6,393,734	16,665,100	5.00%
28	395	Laboratory Equipment	361,884	208,926	152,958	10.00%
29	396	Power Oper. Tool & Work Equipment	1,903,358	676,434	1,226,924	7.24%
30	397	Radio Communication Equipment	5,675,755	3,771,085	1,904,669	6.67%
31	398	Miscellaneous Equipment	1,879,501	794,182	1,085,319	2.50%
32	399	Other Tangible Property	341,848	136,991	204,857	14.29%
33	399.01	Other Tangible Property-Servers Hardware	80,686	80,686	-	14.29%
34	399.02	Other Tangible Property-Servers Software	258,852	72,896	185,956	14.29%
35	399.03	Other Tangible Property-Network-Hardware	1,404,540	491,188	913,351	11.11%
36	399.06	Other Tangible Property-PC Hardware	11,980,671	5,707,220	6,273,451	14.29%
37	399.07	Other Tangible Property-PC Software	701,337	501,919	199,418	14.29%
38	399.08	Other Tangible Property-Application Software	5,588,144	3,159,690	2,428,454	14.29%
39	RWIP	Retirement Work in Progress		(1,579,392)	1,579,392	
40		Total Mid-Tex General Plant (Sum of Ln 19 through Ln 39)	\$ 130,265,112	\$ 38,257,542	\$ 92,007,570	
41						
42		Total Mid-Tex Direct Plant (Ln 16 plus Ln 40)	\$ 4,383,697,434	\$ 1,262,438,482	\$ 3,121,258,952	
43						

44							
45	<u>SSU - Customer Support (Div 012):</u>						
46	<u>General Plant</u>						
47	389	Land & Land Rights	\$ 1,498,341	\$ 846,360	\$ 651,981		0.00%
48	390	Structures & Improvements	6,604,351	831,470	5,772,881		3.34%
49	390.09	Improvements to Leased Premises	1,470,386	399,157	1,071,228		4.06%
50	391	Office Furniture & Equipment	1,213,850	510,591	703,259		4.03%
51	397	Communication Equipment - Telephone	997,308	5,682	991,626		5.54%
52	398	Miscellaneous Equipment	36,499	217,854	(181,355)		1.72%
53	399	Other Tangible Property	327,984	2,257,878	(1,929,894)		13.84%
54	399.01	Other Tangible Property-Servers Hardware	5,391,936	552,182	4,839,754		8.62%
55	399.02	Other Tangible Property-Servers Software	1,055,078	170,113	884,965		8.78%
56	399.03	Other Tangible Property-Network-Hardware	328,015	252,300	75,715		8.72%
57	399.06	Other Tangible Property-PC Hardware	521,209	64,976	456,233		8.78%
58	399.07	Other Tangible Property-PC Software	99,176	13,539,253	(13,440,077)		6.64%
59	399.08	Other Tangible Property-Application Software	46,987,217	-	46,987,217		6.57%
60	Total SSU Customer Support (Sum of Ln 47 through Ln 59)		\$ 66,531,351	\$ 19,647,815	\$ 46,883,535		
61							
62							
63	<u>SSU - Customer Support (Div 012):</u>						
64	<u>General Plant</u>						
65	Charles K. Vaughn Center						
66	389.10	Land & Land Rights	\$ 1,442,551	\$ -	\$ 1,442,551		0.00%
67	390.10	Structures & Improvements	9,410,198	1,956,188	7,454,010		3.34%
68	391.10	Office Furniture & Equipment	291,181	24,703	266,478		4.03%
69	392.10	Transportation Equipment	73,633	70,406	3,226		28.96%
70	394.10	Tools, Shop, and Garage Equipment	307,542	66,306	241,236		8.88%
71	395.10	Laboratory Equipment	18,071	10,867	7,204		10.00%
72	397.10	Communication Equipment	222,909	109,337	113,571		5.54%
73	398.10	Miscellaneous Equipment	389,445	99,600	289,845		1.72%
74	399.10	Other Tangible Equipment	259,734	100,214	159,520		13.84%
75	399.16	PC Hardware	196,746	172,014	24,732		8.78%
76	399.17	PC Software	79,445	53,254	26,192		6.64%
77	399.18	Other Tangible Property	15,722	7,417	8,305		15.89%
78	Total SSU CKV Center (Sum of Ln 66 through Ln 77)		\$ 12,707,179	\$ 2,670,308	\$ 10,036,870		
79							
80							
81	<u>SSU - General Office (Div 002):</u>						
82	<u>General Plant</u>						
83	390	Structures & Improvements	\$ 539,292	\$ 179,862	\$ 359,430		3.34%
84	390	Improvements to Leased Premises	3,323,586	3,346,088	(22,502)		4.06%
85	391	Office Furniture & Equipment	1,786,133	622,890	1,163,243		4.03%
86	392	Transportation Equipment	2,723	1,941	782		28.96%
87	393	Stores Equipment	-	-	-		10.00%
88	394	Tools & Work Equipment	29,067	11,269	17,798		8.88%
89	395	Laboratory Equipment	-	-	-		10.00%
90	397	Communication Equipment - Telephone	397,133	193,186	203,947		5.54%
91	398	Miscellaneous Equipment	52,160	16,313	35,847		1.72%
92	399	Other Tangible Property	62,003	62,044	(42)		13.84%
93	399.01	Other Tangible Property-Servers Hardware	14,122,193	7,569,076	6,553,117		8.62%
94	399.02	Other Tangible Property-Servers Software	7,262,029	6,345,288	916,742		8.78%
95	399.03	Other Tangible Property-Network-Hardware	1,356,055	914,075	441,980		8.72%
96	399.06	Other Tangible Property-PC Hardware	939,219	379,417	559,801		8.78%
97	399.07	Other Tangible Property-PC Software	562,935	76,217	486,718		6.64%
98	399.08	Other Tangible Property-Application Software	25,355,009	11,717,687	13,637,323		6.57%
99	399.09	Other Tangible Property-System Software	14,998	16,611	(1,613)		6.21%
100	Retirement Work in Progress		-	-	-		
101	Total SSU General Plant (Sum of Ln 83 through Ln 100)		\$ 55,804,535	\$ 31,451,963	\$ 24,352,572		
102							

103							
104	<u>SSU - General Office (Div 002):</u>						
105	<u>General Plant</u>						
106	Greenville Data Center (010.11520)						
107	390.05	G-Structures & Improvements	\$	1,281,518	\$	483,815	\$ 797,704 3.34%
108	391.04	G-Office Furniture & Equip.		8,891		4,213	4,678 4.03%
109		Total SSU Greenville Data Center (Sum of Ln 107 through Ln 108)	\$	1,290,410	\$	488,028	\$ 802,382
110							
111							
112	<u>SSU - General Office (Div 002):</u>						
113	<u>General Plant</u>						
114	Distribution and Marketing						
115	391.20	Office Furniture & Equipment-AEAM	\$	89,351	\$	37,968	\$ 51,383 4.03%
116	394.20	Tools & Work Equipment-AEAM		-		184	(184) 8.88%
117	397.20	Communication Equipment-AEAM		4,192		1,672	2,520 5.54%
118	398.20	Miscellaneous Equipment-AEAM		3,510		335	3,175 1.72%
119	399.21	Other Tangible Property-Servers Hardware-AEAM		773,890		521,281	252,609 8.62%
120	399.22	Other Tangible Property-Servers Software-AEAM		456,693		204,582	252,111 8.78%
121	399.23	Other Tangible Property-Network-Hardware-AEAM		28,587		19,628	8,959 8.72%
122	399.26	Other Tangible Property-PC Hardware-AEAM		149,362		19,285	130,076 8.78%
123	399.28	Other Tangible Property-Application Software-AEAM		9,330,573		5,329,213	4,001,360 6.57%
124		Total SSU Distribution & Marketing (Sum of Ln 115 through Ln 123)	\$	10,836,158	\$	6,134,149	\$ 4,702,008
125							
126							
127	<u>SSU - General Office (Div 002):</u>						
128	<u>General Plant</u>						
129	Align Pipe Projects						
130	399.31	Other Tangible Property-Servers Hardware-Align	\$	19,022	\$	2,529	\$ 16,493 8.62%
131	399.32	Other Tangible Property-Servers Software-Align		22,123		2,110	20,013 8.78%
132	399.38	Other Tangible Property-Application Software-Align		1,120,918		187,912	933,006 6.57%
133		Total SSU Align Pipe Projects (Sum of Ln 130 through Ln 132)	\$	1,162,063	\$	192,551	\$ 969,512
134							
136							
137		Total Allocated SSU Plant (Ln 60, 78, 101, 109, 124, 133)	\$	148,331,695	\$	60,584,815	\$ 87,746,880
138							
139		Total Mid-Tex Net Plant (Ln 42 plus Ln 137)	\$	4,532,029,129	\$	1,323,023,298	\$ 3,209,005,831
140							
141		Rate Base Adjustments				\$	11,532,315

**ATMOS ENERGY CORP., MID-TEX DIVISION
INTERIM RATE ADJUSTMENT NET INVESTMENT AND RATE BASE ADJUSTMENTS
PER TEXAS UTILITIES CODE SECTION 104.301
TEST YEAR ENDING DECEMBER 31, 2017**

Line No.	Description (a)	Amount (b)	Reference (c)
1	Net Investment:		
2	Gross Plant - Direct	\$ 4,383,697,434	Schedule C
3	Accumulated Depreciation - Direct	1,262,438,482	Schedule D
4	Gross Plant - Allocated	148,331,695	Schedule C
5	Accumulated Depreciation - Allocated	60,584,816	Schedule D
6	Total Net Investment	<u>\$ 3,209,005,831</u>	Line 6 = (Line 2 - Line 3 + Line 4 - Line 5)
7			
8	Rate Base Adjustments	\$ 11,532,315	Schedule B

ATMOS ENERGY CORP., MID-TEX DIVISION
RATE BASE ADJUSTMENTS
TEST YEAR ENDING DECEMBER 31, 2017
AMORTIZATION OF REGULATORY LIABILITY

Line No.	Year Ended Dec. 31	Beginning of Year		Annual Amortization (1)	End of Year		Balance as of December 31, 2017
		Rate Base Adjustment Amount	Rate Base Adjustment Amount		Rate Base Adjustment Amount	Rate Base Adjustment Amount	
	(a)	(b)	(c)	(d)	(e)		
1	2017 (2)						
2	2018	\$ 290,043,948	\$ 12,085,165	\$ 290,043,948	\$ 290,043,948	\$ 290,043,948	
3	2019	277,958,784	12,085,165	277,958,784	277,958,784		
4	2020	265,873,619	12,085,165	265,873,619	265,873,619		
5	2021	253,788,455	12,085,165	253,788,455	253,788,455		
6	2022	241,703,290	12,085,165	241,703,290	241,703,290		
7	2023	229,618,126	12,085,165	229,618,126	229,618,126		
8	2024	217,532,961	12,085,165	217,532,961	217,532,961		
9	2025	205,447,797	12,085,165	205,447,797	205,447,797		
10	2026	193,362,632	12,085,165	193,362,632	193,362,632		
11	2027	181,277,468	12,085,165	181,277,468	181,277,468		
12	2028	169,192,303	12,085,165	169,192,303	169,192,303		
13	2029	157,107,139	12,085,165	157,107,139	157,107,139		
14	2030	145,021,974	12,085,165	145,021,974	145,021,974		
15	2031	132,936,810	12,085,165	132,936,810	132,936,810		
16	2032	120,851,645	12,085,165	120,851,645	120,851,645		
17	2033	108,766,481	12,085,165	108,766,481	108,766,481		
18	2034	96,681,316	12,085,165	96,681,316	96,681,316		
19	2035	84,596,152	12,085,165	84,596,152	84,596,152		
20	2036	72,510,987	12,085,165	72,510,987	72,510,987		
21	2037	60,425,823	12,085,165	60,425,823	60,425,823		
22	2038	48,340,658	12,085,165	48,340,658	48,340,658		
23	2039	36,255,494	12,085,165	36,255,494	36,255,494		
24	2040	24,170,329	12,085,165	24,170,329	24,170,329		
25	2041	12,085,165	12,085,165	12,085,165	12,085,165		(0)
26							
27	Revenue Related Tax Factor		6.60%	See WP_F-5.1			
28	Revenue Related Taxes on Annual Amortization		\$ 798,108	Amortization * Tax Factor			
29	Amortization Including Revenue Related Taxes		\$ 12,883,272	Amortization + Taxes			
30							

31 Note:
32 1. The annual amortization of a 24 year recovery period is based on the
33 Reverse South Georgia Method.
34 2. The 2017 balance has been revised to include a known and measurable adjustment to update the balance to September 30, 2018.