

Office of the City Manager

City of Richland Hills, Texas

Memorandum

To: Honorable Mayor Bill Agan and members of the Richland Hills City Council
From: Eric Strong
Date: September 24, 2013
Subject: Atmos Rate Review Mechanism

Council Action Requested:

Consider Ordinance No. 1257-13 approving Atmos Rate Review Mechanism Rate Increase

Background Information:

The City, along with approximately 164 other cities served by Atmos Energy Mid-Tex Division (“Atmos Mid-Tex” or “Company”), is a member of the Atmos Cities Steering Committee (“ACSC”). On or about July 15, 2013, Atmos Mid-Tex filed with the City an application to increase natural gas rates pursuant to the Rate Review Mechanism (“RRM”) tariff renewed by the City in 2013 as a continuation and refinement of the previous RRM rate review process. This is the first annual RRM filing under the renewed RRM tariff.

The Atmos Mid-Tex RRM filing sought a \$22.7 million rate increase system-wide based on an alleged test-year cost of service revenue deficiency of \$25.7 million. The City worked with ACSC to analyze the schedules and evidence offered by Atmos Mid-Tex to support its request to increase rates. The Ordinance and attached rate tariffs are the result of negotiations between ACSC and the Company to resolve issues raised by ACSC during the review and evaluation of Atmos Mid-Tex’s RRM filing.

The Ordinance resolves the Company’s RRM filing by authorizing additional revenues to the Company of \$16.6 million system-wide. For purposes of comparison, this negotiated result is about \$11 million less than what ACSC’s consultants calculated that Atmos would have been entitled to if Atmos had filed a case under the Gas Reliability Infrastructure Program

("GRIP") rather than an RRM case. The settlement is expected to increase the average residential customer's bill by approximately **\$0.74 per month**. An Average Bill Comparison of base rates has been prepared for residential, commercial, industrial, and transportation customers.

The ACSC Executive Committee and ACSC legal counsel recommend that all ACSC Cities adopt the Ordinance implementing the rate change.

RRM Background:

The RRM tariff was originally approved by ACSC Cities as part of the settlement agreement to resolve the Atmos Mid-Tex 2007 system-wide rate filing at the Railroad Commission. In early 2013, the City adopted a renewed RRM tariff for an additional five years. Atmos Mid-Tex's July 2013 filing was made pursuant to the renewed RRM tariff.

The RRM tariff and the process implementing that tariff were created collaboratively by ACSC and Atmos Mid-Tex as an alternative to the legislatively-authorized GRIP surcharge process. ACSC has opposed GRIP because it constitutes piecemeal ratemaking, does not allow any review of the reasonableness of Atmos' expenditures, and does not allow participation by cities or recovery of cities' rate case expenses. In contrast, the RRM process has allowed for a more comprehensive rate review and annual adjustment as a substitute for GRIP filings. ACSC's consultants have calculated that had Atmos filed under the GRIP provisions, it would have received additional revenues from ratepayers in excess of \$28 million.

Purpose of the Ordinance:

Rates cannot change without the adoption of rate ordinances by cities. The purpose of the Ordinance is to approve rates (shown on "Attachment A" to the Ordinance) that reflect the negotiated rate changes pursuant to the RRM process and to ratify the recommendation of the ACSC Executive Committee.

As a result of the negotiations, ACSC was able to reduce the Company's requested \$22.7 million RRM increase to \$16.6 million. Approval of the Ordinance will result in the

implementation of new rates that increase Atmos Mid-Tex's revenues effective November 1, 2013.

Reasons Justifying Approval of the Negotiated Resolution:

Consultants working on behalf of ACSC Cities have investigated the support for the Company's requested rate increase. While the evidence does not support the \$22.7 million increase requested by the Company, ACSC's consultants agree that the Company can justify an increase in revenues of some lesser amount. The agreement on \$16.6 million is a compromise between the positions of the parties.

The alternative to a resolution of the RRM filing would be a GRIP filing by the Company, based upon the Railroad Commission's decision in the 2012 rate case. A GRIP filing would entitle the Company to receive more than \$28 million in additional revenues, with ACSC being precluded from reviewing the reasonableness of the GRIP filing. The ACSC Executive Committee recommends that ACSC members take action to approve the Ordinance authorizing new rate tariffs.

No Changes to Residential Customer Charges:

For the first annual filing under the revised RRM tariff, the Company agreed to forgo any change to the residential customer charge. Therefore, for the 2013 RRM, the result of the filing will not increase the residential customer charge, and the entirety of the increase to the residential class will be applied to the commodity (natural gas consumption) component of rates.

Board/Citizen Input:

N/A

Financial Impact:

N/A

Staff Contacts:

Eric Strong
Assistant City Manager
estrong@richlandhills.com

Attachments:

Letter from ASCS Attorneys
Ordinance No. 1257-13
Attachment A – Atmos-Mid Tex Tarrifs

MEMORANDUM

TO: Atmos Cities Steering Committee

FROM: Geoffrey M. Gay, Georgia N. Crump, Eileen L. McPhee

DATE: September 17, 2013

RE: Action Required – Ordinance Approving First Annual RRM Rate Increase Under the Renewed RRM Tariff

CONFIDENTIAL/ATTORNEY-CLIENT COMMUNICATION

Only July 15, 2013, Atmos Energy Corporation-Mid Tex Division (“Atmos” or “Company”) filed a Rate Review Mechanism (“RRM”) application with each of the Atmos Cities Steering Committee (“ACSC”) members. In the filing, Atmos alleges a test year revenue deficiency of \$25.7 million on a total company basis. Pursuant to the ordinances passed by cities that renewed the RRM process that was negotiated following the Railroad Commission’s (“RRC”) Final Order in the 2012 rate case, Atmos was required to make a downward adjustment of \$3 million to its alleged cost of service revenue deficiency. Thus, Atmos requested \$22.7 million in additional revenues.

ACSC consultants filed several discovery requests on the Company and produced a report to ACSC counsel on August 23, 2013. That report concluded that Atmos was entitled to additional revenues but significantly less than requested by the Company. After several rounds of negotiations with Atmos, the Company has agreed that it will accept additional revenues of \$16.6 million rather than the initially requested \$22.7 million. In a conference call Monday morning, September 16, 2013, the ACSC Executive Committee¹ unanimously approved the compromised revenue deficiency of \$16.6 million. The Executive Committee and legal counsel recommend adoption of an ordinance and tariffs that will collect that amount of additional revenue over a twelve (12) month period beginning November 1, 2013.

While the ordinance establishing a new RRM process passed by cities this past summer calls for an Effective Date of October 15, 2013 for the first RRM under the new process, the Company has agreed to a two-week extension to provide ACSC cities six weeks to take action. The rate ordinance provides an Effective Date of November 1, 2013.

Attached to this communication please find the following:

1. The RRM Rate Ordinance (with tariffs designated as Attachment A);
2. A Model Staff Report in support of the Ordinance; and

¹ The ACSC Executive Committee includes representatives from Abilene, Arlington, Benbrook, Carrollton, College Station, Colleyville, Denison, Duncanville, Eastland, Farmers Branch, Flower Mound, Fort Worth, Garland, Grand Prairie, Haltom City, Irving, Kerrville, Killeen, Lewisville, Mesquite, Plano, Sherman, Waco and Waxahachie. At least 15 representatives were on the call.

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3. A rate impact analysis (Average Bill Comparison-Base Rates).

None of these attachments are confidential and may be distributed as you choose.

The \$16.6 million to be approved by the Ordinance is superior to the \$25.7 million system-wide cost of service revenue deficiency alleged by the Company. The \$16.6 million compromise is significantly better than the \$28 million the Company would have received in the rubber-stamp process review at the RRC, if the Company had chosen to ignore city input by filing a GRIP application.

Please note that the significant increases in customer charges that occurred earlier this year resulted from a RRC order signed December 4, 2012. None of the \$16.6 million increase in this case will be applied to the residential customer charge pursuant to the agreement with Atmos earlier this year that led to the RRM renewal.

The Average Bill Comparison-Base Rates demonstrates that the monthly rate impact of the ordinance and new tariffs on an average residential or commercial customer will be \$0.74 (1.75% increase).

Note that the tariffs include a Conservation and Efficiency (CEE) surcharge that had been previously approved pursuant to RRC orders. It is not a new item and is not referenced in the Ordinance or Model Staff Report.

If you have any concerns or questions, please do not hesitate to call Geoffrey (512-322-5875), Georgia (512-322-5832), or Eileen (512-322-5817).

**ATMOS ENERGY CORP., MID-TEX DIVISION
AVERAGE BILL COMPARISON - BASE RATES
TEST YEAR ENDING DECEMBER 31, 2012**

Line						CURRENT	November 1, 2013	
							PROPOSED	CHANGE
1	Rate R @ 41.7 Ccf							
2	Customer charge					\$ 17.70		
3	Consumption charge	41.7	CCF	X \$ 0.04172	=	1.74		
4	Rider GCR Part A	41.7	CCF	X \$ 0.32167	=	13.41		
5	Rider GCR Part B	41.7	CCF	X \$ 0.16324	=	6.81		
6	Subtotal					<u>\$39.66</u>		
7	Rider FF & Rider TAX		\$ 39.66	X 0.06769	=	2.68		
8	Total					<u><u>\$42.34</u></u>		
9								
10	Customer charge						\$ 17.70	
11	Consumption charge	41.7	CCF	X \$ 0.05831	=		2.43	
12	Rider GCR Part A	41.7	CCF	X \$ 0.32167	=		13.41	
13	Rider GCR Part B	41.7	CCF	X \$ 0.16324	=		6.81	
14	Subtotal						<u>\$40.35</u>	
15	Revenue-related Tax Reimbursement		\$ 40.35	X 0.06769	=		2.73	
16	Total						<u><u>\$43.08</u></u>	\$0.74
17								1.75%
18								
19	Rate C @ 327.2 Ccf							
20	Customer charge					\$ 34.72		
21	Consumption charge	327.2	CCF	X \$ 0.06589	=	21.56		
22	Rider GCR Part A	327.2	CCF	X \$ 0.32167	=	105.24		
23	Rider GCR Part B	327.2	CCF	X \$ 0.11765	=	38.49		
24	Subtotal					<u>\$200.01</u>		
25	Revenue-related Tax Reimbursement		\$ 200.01	X 0.06769	=	13.54		
26	Total					<u><u>\$213.55</u></u>		
27								
28	Customer charge						\$ 35.75	
29	Consumption charge	327.2	CCF	X \$ 0.06893	=		22.55	
30	Rider GCR Part A	327.2	CCF	X \$ 0.32167	=		105.24	
31	Rider GCR Part B	327.2	CCF	X \$ 0.11765	=		38.49	
32	Subtotal						<u>\$202.03</u>	
33	Revenue-related Tax Reimbursement		\$ 202.03	X 0.06769	=		13.68	
34	Total						<u><u>\$215.71</u></u>	\$2.16
35								1.01%

**ATMOS ENERGY CORP., MID-TEX DIVISION
AVERAGE BILL COMPARISON - BASE RATES
TEST YEAR ENDING DECEMBER 31, 2012**

					<u>CURRENT</u>	<u>PROPOSED</u>	<u>CHANGE</u>
36	<u>Rate I @ 3955 MMBTU</u>						
37	Customer charge				\$ 600.00		
38	Consumption charge	1,500	MMBTU	X \$ 0.2473 =	370.95		
39	Consumption charge	2,455	MMBTU	X \$ 0.1812 =	444.88		
40	Consumption charge	0	MMBTU	X \$ 0.0389 =	0.00		
41	Rider GCR Part A	3,955	MMBTU	X \$ 0.3294 =	1,302.79		
42	Rider GCR Part B	3,955	MMBTU	X \$ 0.2591 =	1,024.63		
43	Subtotal				<u>\$3,743.25</u>		
44	Revenue-related Tax Reimbursement	\$ 3,743.25		X 0.06769 =	253.38		
45	Total				<u><u>\$3,996.63</u></u>		
46							
47	Customer charge					\$ 620.00	
48	Consumption charge	1,500	MMBTU	X \$ 0.2565 =		384.75	
49	Consumption charge	2,455	MMBTU	X \$ 0.1879 =		461.33	
50	Consumption charge	0	MMBTU	X \$ 0.0403 =		0.00	
51	Rider GCR Part A	3,955	MMBTU	X \$ 0.3294 =		1,302.79	
52	Rider GCR Part B	3,955	MMBTU	X \$ 0.2591 =		1,024.63	
53	Subtotal					<u>\$3,793.50</u>	
54	Revenue-related Tax Reimbursement	\$ 3,793.50		X 0.06769 =		256.78	
55	Total					<u><u>\$4,050.28</u></u>	\$53.65
56							1.34%
57	<u>Rate T @ 3955 MMBTU</u>						
58	Customer charge				\$ 600.00		
59	Consumption charge	1,500	MMBTU	X \$ 0.2473 =	370.95		
60	Consumption charge	2,455	MMBTU	X \$ 0.1812 =	444.88		
61	Consumption charge	0	MMBTU	X \$ 0.0389 =	0.00		
62	Rider GCR Part B	3,955	MMBTU	X \$ 0.2591 =	1,024.63		
63	Subtotal				<u>\$2,440.46</u>		
64	Revenue-related Tax Reimbursement	\$ 2,440.46		X 0.06769 =	165.19		
65	Total				<u><u>\$2,605.65</u></u>		
66							
67	Customer charge					\$ 620.00	
68	Consumption charge	1,500	MMBTU	X \$ 0.2565 =		384.75	
69	Consumption charge	2,455	MMBTU	X \$ 0.1879 =		461.33	
70	Consumption charge	0	MMBTU	X \$ 0.0403 =		0.00	
71	Rider GCR Part B	3,955	MMBTU	X \$ 0.2591 =		1,024.63	
72	Subtotal					<u>\$2,490.71</u>	
73	Revenue-related Tax Reimbursement	\$ 2,490.71		X 0.06769 =		168.59	
74	Total					<u><u>\$2,659.30</u></u>	\$53.65
75							2.06%

ORDINANCE NO. 1257-13

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF RICHLAND HILLS, TEXAS, APPROVING A NEGOTIATED RESOLUTION BETWEEN THE ATMOS CITIES STEERING COMMITTEE AND ATMOS ENERGY CORP., MID-TEX DIVISION REGARDING THE COMPANY'S 2013 ANNUAL RATE REVIEW MECHANISM FILING IN ALL CITIES EXERCISING ORIGINAL JURISDICTION; DECLARING EXISTING RATES TO BE UNREASONABLE; ADOPTING TARIFFS THAT REFLECT RATE ADJUSTMENTS CONSISTENT WITH THE NEGOTIATED SETTLEMENT AND FINDING THE RATES TO BE SET BY THE ATTACHED TARIFFS TO BE JUST AND REASONABLE; REQUIRING THE COMPANY TO REIMBURSE CITIES' REASONABLE RATEMAKING EXPENSES; REPEALING CONFLICTING RESOLUTIONS OR ORDINANCES; DETERMINING THAT THIS ORDINANCE WAS PASSED IN ACCORDANCE WITH THE REQUIREMENTS OF THE TEXAS OPEN MEETINGS ACT; ADOPTING A SAVINGS CLAUSE; DECLARING AN EFFECTIVE DATE; PROVIDING A MOST FAVORED NATIONS CLAUSE; AND REQUIRING DELIVERY OF THIS ORDINANCE TO THE COMPANY AND THE STEERING COMMITTEE'S LEGAL COUNSEL.

WHEREAS, the City of Richland Hills, Texas ("City") is a gas utility customer of Atmos Energy Corp., Mid-Tex Division ("Atmos Mid-Tex" or "Company"), and a regulatory authority with an interest in the rates and charges of Atmos Mid-Tex; and

WHEREAS, the City is a member of the Atmos Cities Steering Committee ("ACSC"), a coalition of approximately 164 similarly situated cities served by Atmos Mid-Tex that have joined together to facilitate the review of and response to natural gas issues affecting rates charged in the Atmos Mid-Tex service area; and

WHEREAS, pursuant to the terms of the agreement settling the Company's 2007 Statement of Intent to increase rates, ACSC Cities and the Company worked collaboratively to develop a Rate Review Mechanism ("RRM") tariff that allows for an expedited rate review

process controlled in a three-year experiment by ACSC Cities as a substitute to the current Gas Reliability Infrastructure Program (“GRIP”) process instituted by the Legislature; and

WHEREAS, the City took action in 2008 to approve a Settlement Agreement with Atmos Mid-Tex resolving the Company’s 2007 rate case and authorizing the RRM tariff; and

WHEREAS, in 2013, ACSC and the Company negotiated a renewal of the RRM tariff process for an additional five years; and

WHEREAS, the City passed an ordinance renewing the RRM tariff process for the City for an additional five years; and

WHEREAS, the RRM renewal tariff contemplates reimbursement of ACSC Cities’ reasonable expenses associated with RRM applications; and

WHEREAS, on or about July 15, 2013, the Company filed with the City its first annual RRM filing under the renewed RRM tariff, requesting to increase natural gas base rates by \$22.7 million; and

WHEREAS, ACSC coordinated its review of Atmos Mid-Tex’s RRM filing through its Executive Committee, assisted by ACSC attorneys and consultants, to resolve issues identified by ACSC in the Company’s RRM filing; and

WHEREAS, the ACSC Executive Committee, as well as ACSC’s counsel and consultants, recommend that ACSC Cities approve the attached rate tariffs (“Attachment A” to this Ordinance), which will increase the Company’s revenues by \$16.6 million; and

WHEREAS, the attached tariffs implementing new rates are consistent with the negotiated resolution reached by ACSC Cities and are just, reasonable, and in the public interest;

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF RICHLAND HILLS, TEXAS:

Section 1. That the findings set forth in this Ordinance are hereby in all things approved.

Section 2. That the City Council finds the existing rates for natural gas service provided by Atmos Mid-Tex are unreasonable and new tariffs which are attached hereto and incorporated herein as Attachment A, are just and reasonable and are hereby adopted.

Section 3. That Atmos Mid-Tex shall reimburse the reasonable ratemaking expenses of the ACSC Cities in processing the Company's RRM application.

Section 4. That to the extent any resolution or ordinance previously adopted by the Council is inconsistent with this Ordinance, it is hereby repealed.

Section 5. That the meeting at which this Ordinance was approved was in all things conducted in strict compliance with the Texas Open Meetings Act, Texas Government Code, Chapter 551.

Section 6. That if any one or more sections or clauses of this Ordinance is adjudged to be unconstitutional or invalid, such judgment shall not affect, impair or invalidate the remaining provisions of this Ordinance and the remaining provisions of the Ordinance shall be interpreted as if the offending section or clause never existed.

Section 7. That if ACSC determines any rates, revenues, terms and conditions, or benefits resulting from a Final Order or subsequent negotiated settlement approved in any proceeding addressing the issues raised in Atmos' 2013 RRM filing would be more beneficial to the ACSC Cities than the terms of the attached tariffs, then the more favorable rates, revenues, terms and conditions, or benefits shall additionally and automatically accrue to the ACSC Cities, including the City, without the need for City to take any further action. If this automatic adjustment occurs, Atmos Mid-Tex shall promptly thereafter file with the City an amended tariff documenting the adjustment to rates.

Section 8. That this Ordinance shall become effective from and after its passage with rates authorized by attached tariffs to be effective for bills rendered on or after November 1, 2013.

Section 9. That a copy of this Ordinance shall be sent to Atmos Mid-Tex, care of Chris Felan, Manager of Rates and Regulatory Affairs, at Atmos Energy Corporation, 5420 LBJ Freeway, Suite 1862, Dallas, Texas 75240, and to Geoffrey Gay, General Counsel to ACSC, at Lloyd Gosselink Rochelle & Townsend, P.C., P.O. Box 1725, Austin, Texas 78767-1725.

PASSED AND APPROVED this _____ day of _____, 2013.

Mayor

ATTEST:

City Secretary

APPROVED AS TO FORM:

City Attorney

Attachment A

**Atmos Mid-Tex Tariffs
Effective November 1, 2013**

**MID-TEX DIVISION
ATMOS ENERGY CORPORATION**

RATE SCHEDULE:	R – RESIDENTIAL SALES	
APPLICABLE TO:	ALL CUSTOMERS IN THE MID-TEX DIVISION EXCEPT THE CITY OF DALLAS AND UNINCORPORATED AREAS	
EFFECTIVE DATE:	Bills Rendered on or after 11/01/2013	

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	\$ 17.70 per month
Rider CEE Surcharge	\$ 0.02 per month ¹
Total Customer Charge	\$ 17.72 per month
Commodity Charge – All <u>Ccf</u>	\$0.05831 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, 2013.

**MID-TEX DIVISION
ATMOS ENERGY CORPORATION**

RATE SCHEDULE:	C – COMMERCIAL SALES	
APPLICABLE TO:	ALL CUSTOMERS IN THE MID-TEX DIVISION EXCEPT THE CITY OF DALLAS AND UNINCORPORATED AREAS	
EFFECTIVE DATE:	Bills Rendered on or after 11/01/2013	

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	\$ 35.75 per month
Rider CEE Surcharge	\$ 0.10 per month ¹
Total Customer Charge	\$ 35.85 per month
Commodity Charge – All Ccf	\$ 0.06893 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, 2013.

**MID-TEX DIVISION
ATMOS ENERGY CORPORATION**

RATE SCHEDULE:	I – INDUSTRIAL SALES	
APPLICABLE TO:	ALL CUSTOMERS IN THE MID-TEX DIVISION EXCEPT THE CITY OF DALLAS AND UNINCORPORATED AREAS	
EFFECTIVE DATE:	Bills Rendered on or after 11/01/2013	

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	\$ 620.00 per month
First 0 MMBtu to 1,500 MMBtu	\$ 0.2565 per MMBtu
Next 3,500 MMBtu	\$ 0.1879 per MMBtu
All MMBtu over 5,000 MMBtu	\$ 0.0403 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).

Curtailment Overpull Fee

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

Replacement Index

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

**MID-TEX DIVISION
ATMOS ENERGY CORPORATION**

RATE SCHEDULE:	I – INDUSTRIAL SALES	
APPLICABLE TO:	ALL CUSTOMERS IN THE MID-TEX DIVISION EXCEPT THE CITY OF DALLAS AND UNINCORPORATED AREAS	
EFFECTIVE DATE:	Bills Rendered on or after 11/01/2013	

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:	T – TRANSPORTATION	
APPLICABLE TO:	ALL CUSTOMERS IN THE MID-TEX DIVISION EXCEPT THE CITY OF DALLAS AND UNINCORPORATED AREAS	
EFFECTIVE DATE:	Bills Rendered on or after 11/01/2013	

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	\$ 620.00 per month
First 0 MMBtu to 1,500 MMBtu	\$ 0.2565 per MMBtu
Next 3,500 MMBtu	\$ 0.1879 per MMBtu
All MMBtu over 5,000 MMBtu	\$ 0.0403 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 EXCEPT THE CITY OF DALLAS AND UNINCORPORATED AREAS	
EFFECTIVE DATE:	Bills Rendered on or after 11/01/2013	

Curtailment Overpull Fee

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

Replacement Index

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

Agreement

A transportation agreement is required.

Notice

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

Special Conditions

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

**MID-TEX DIVISION
ATMOS ENERGY CORPORATION**

RIDER:	WNA – WEATHER NORMALIZATION ADJUSTMENT	
APPLICABLE TO:	ALL CUSTOMERS IN THE MID-TEX DIVISION EXCEPT THE CITY OF DALLAS AND UNINCORPORATED AREAS	
EFFECTIVE DATE:	Bills Rendered on or after 11/01/2013	

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.

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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	9.97	0.1318	96.50	0.5659
Austin	11.05	0.1262	189.59	0.7195
Dallas	13.13	0.1832	171.84	0.8797
Waco	9.78	0.1262	117.60	0.5774
Wichita Falls	10.99	0.1297	107.70	0.5041

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 WNAs factor during the preceding winter season. Additionally, on or before June 1 of each year, the company files one hard copy and a Excel version of the *WNA Report* with the Railroad Commission of Texas' Gas Services Division, addressed to the Director of that Division.