

**BEFORE THE  
RAILROAD COMMISSION OF TEXAS**

<b>APPLICATION OF ATMOS ENERGY, WEST TEXAS DIVISION FOR TEST YEAR 2010 ANNUAL INTERIM RATE ADJUSTMENT PROGRAM FOR THE UNINCORPORATED AREAS OF THE LUBBOCK RATE DIVISION</b>	§ § § § § §	<b>GAS UTILITIES DOCKET NO. 10061</b>
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**INTERIM RATE ADJUSTMENT ORDER**

Notice of Open Meeting to consider this Order was duly posted with the Secretary of State within the time period provided by law pursuant to TEX. GOV'T CODE ANN. Chapter 551 (Vernon 2008 & Supp. 2009). The Railroad Commission of Texas (Commission) adopts the following findings of fact and conclusions of law and orders as follows:

**FINDINGS OF FACT**

*Background*

1. Atmos Energy Corporation (Atmos) is a "gas utility," as that term is defined in the TEXAS UTILITY CODE, and is subject to the jurisdiction of the Railroad Commission of Texas (Commission).
2. Atmos Energy Corporation, West Texas Division (Atmos West Texas), a division of Atmos, owns and operates a natural gas distribution system that provides natural gas to customers in the Lubbock, Texas service area known as the Lubbock Rate Division.
3. The Lubbock Rate Division includes incorporated territories within the boundaries of the City of Lubbock and unincorporated territories outside the boundaries of the City of Lubbock, hereafter referred to as the Lubbock unincorporated areas.
4. On March 1, 2011, Atmos West Texas filed with the Commission, pursuant to Texas Utilities Code Sec. 104.301 and Rule §7.7101, an application to recover \$64,835 of 2010 infrastructure investment costs through the implementation of an Interim Rate Adjustment (IRA) applicable to customers in Lubbock unincorporated areas.
5. On March 2, 2011, the Commission suspended implementation of Atmos West Texas' proposed IRA until June 14, 2011, which is 45 days following the 60<sup>th</sup> day after the filing date of the application.
6. Neither TEXAS UTILITIES CODE, §104.301 (Vernon 2007) nor 16 TEX. ADMIN. CODE, §7.7101 (2009) provide the opportunity for parties to intervene in the Commission's review of an application for an annual IRA.



Revenue increase for Lubbock unincorporated areas	\$120,338 (Dkt. 9563)	\$66,138 (Dkt. 9609)	\$0 (Dkt. 9692)	\$52,167 (Dkt. 9772)	\$39,199 (Dkt. 9834)	\$51,552 (Dkt. 9876)	\$41,952 (Dkt. 9955)	\$64,835 (Dkt. 10061)
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Source: Atmos' April 22, 2010 response to Request for Information No. 1-13.

14. The test year end dates and Interim Rate Adjustment effective dates for each of the seven Interim Rate Adjustment cases applicable to Atmos' Lubbock unincorporated areas are shown in Table 2.0, following.

**Table 2.0 Interim Rate Adjustment Cases – Lubbock Unincorporated Areas**

	Docket No.	Test year end date	Interim Rate Adjustment effective date
1	9609	12/31/2004	12/13/2005
2	9692	12/31/2005	None*
3	9772	12/31/2006	4/8/2008
4	9834	12/31/2007	2/11/2009
5	9876	12/31/2008	7/21/2009
6	9955	12/31/2009	6/8/2010
7	10061	12/31/2010	5/24/2011 upon approval

\* In 2005, Atmos earnings exceeded the allowable level; Atmos forfeited its Interim Rate Adjustment.

15. Until promulgation of Sec. 104.301 of the Texas Utilities Code, a gas utility could initiate rate increases applicable to customers in unincorporated areas only by filing with the Commission a formal Statement of Intent rate case, including a comprehensive cost of service rate review.
16. Section 104.301 of the Texas Utilities Code provides Atmos West Texas an opportunity to recover, subject to refund, its annual infrastructure investment costs, including incremental depreciation expense, incremental ad valorem taxes, incremental revenue related taxes, incremental federal income taxes, and a return on its incremental investment, without the necessity of filing a Statement of Intent rate case and without an immediate review by the Commission of Atmos' comprehensive cost of service.

#### Applicability

17. This docket applies only to rates over which the Commission has original jurisdiction, which includes all of Atmos West Texas' unincorporated customers in the Lubbock Rate Division.
18. As of year-end 2010, the Lubbock Rate Division Customers totaled 4,827 customers in unincorporated areas. Of these, 4,482 were residential customers, 311 were commercial

customers, 4 were small industrial customers, 15 were public authority customers, and 15 were state institution customers. (Atmos April 29, 2011 response to Request for Information No. 1-8)

Most Recent Comprehensive Rate Case

19. In Docket No. 9563, the most recent rate case for Lubbock unincorporated areas, the Commission determined that a rate of return of 9.15% is reasonable for Atmos West Texas. (June 21, 2005 *Final Order* at Finding of Fact No. 24)
20. In Docket No. 9563, the Commission determined that Atmos West Texas' depreciation rates are reasonable and approved those rates, as described in the June 21, 2005 *Final Order*, Exhibit A, Depreciation Schedules 6, WP6-1, WP6-2, WP6-3, WP6-3, WP6-4 and WP6-5. (*Final Order* at Finding of Fact Nos. 25 and 47)
21. In the Interim Rate Adjustment applications filed by Atmos after Docket No. 9563, Atmos used a composite depreciation rate of 3.35% to calculate its incremental revenue requirement.
22. Atmos West Texas' 3.35% composite depreciation rate is the result of dividing depreciation expense of \$2,450,256 by the amount of Invested Capital – Gross Plant of \$73,041,238, as determined in Docket No. 9563. (Docket No. 9563 *Final Order* at Schedule 6, column (b), line 12 and Docket No. 9563 Application, Schedule WP 7-1, line 33)
23. In Docket No. 9563, the Commission approved Customer Charges applicable to Lubbock unincorporated areas. Subsequently, the Customer Charges approved in Docket No. 9563 were reduced in Docket No. 9712 to the levels shown in Table 3.0, column A, following.

Interim Rate Adjustments

24. Interim Rate Adjustments approved by the Commission for the 2004 – 2009 calendar years applicable to Atmos' customers in Lubbock unincorporated areas are shown in Table 3.0, Columns B through G, following.
25. Atmos West Texas' proposed Interim Rate Adjustment for the 2010 calendar year, applicable to customers in Lubbock unincorporated areas, is shown in Table 3.0, Column H, following.
26. When Atmos West Texas' Interim Rate Adjustments for 2004-2010 are added to Customer Charges approved by the Commission in Docket No. 9712, the resulting total is shown in Table 3.0, Column I, following.

**Table 3.0 Atmos' Customer Charges and Interim Rate Adjustments**

	A	B	C	D	E	F	G	H	I
	Customer Charge	2004	2005	2006	2007	2008	2009	2010	Total
Residential	\$8.74	\$1.21	\$ -	\$0.70	\$0.52	\$0.70	\$0.57	\$0.89	\$13.33
Commercial	\$12.26	\$3.49	\$ -	\$2.01	\$1.59	\$2.13	\$1.78	\$2.77	\$26.03
Public authority	\$29.93	\$17.29	\$ -	\$9.95	\$7.70	\$10.45	\$8.94	\$14.25	\$98.51
State institution	\$29.23	\$15.18	\$ -	\$8.73	\$8.01	\$10.67	\$8.38	\$12.50	\$92.70
Industrial	\$30.14	\$38.82	\$ -	\$22.33	\$23.54	\$31.35	\$26.36	\$44.23	\$216.77
Docket Nos.	9712	9609	9692	9772	9834	9876	9955	10061	

Source: Application, Tab 2, IRA-4, tariffs applicable to Lubbock unincorporated areas

27. Atmos represented that its proposed Interim Rate Adjustment for the 2010 calendar year is based upon the difference between the value of the Company's invested capital for the Lubbock Rate Division as of December 31, 2010 and the value of the invested capital as of December 31, 2009.
28. Per Rule §7.7101(f)(3), the value of invested capital is equal to the original cost of the investment at the time the investment was first dedicated to public use minus the accumulated depreciation related to that investment.
29. For 2010, Atmos West Texas reported incremental Utility Plant Investment of \$6,871,422 for the Lubbock Rate Division. (Application, Tab 2, IRA-3, column (c), line 1)
30. For 2010, Atmos West Texas reported an Accumulated Depreciation decrease of \$1,833,002 for the Lubbock Rate Division. (Application, Tab 2, IRA-3, column (c), line 2)
31. In its April 29, 2011 response to Request for Information No. 1-5, Atmos represented that \$180 of costs for entertainment, alcoholic beverages, and meals were excluded from the revenue requirement calculation. (Application, Tab 2, IRA-3, column (c), line 5)
32. After reducing the \$6,871,422 of Utility Plant Investment by \$1,833,002 of Accumulated Depreciation and \$180 of exclusions, the net increase in Rate Base for 2010 for the Lubbock Rate Division is \$5,038,240. (Application, Tab 2, IRA-3, column (c), line 9)
33. For 2010, Atmos reported incremental depreciation expense of \$230,193, as permitted by Texas Utilities Code Sec. 104.301(d) and Rule §7.7101(f)(4)(B). (Application, Tab 2, IRA-3, column (c), line 13)
34. For 2010, Atmos West Texas reported incremental taxes of \$277,561, including ad valorem taxes of \$61,469, revenue-related taxes of \$63,351, and federal income taxes of \$152,741, as permitted by Texas Utilities Code Sec. 104.301(d) and Rule §7.7101(f)(4)(C) - (E). (Application, Tab 2, IRA-3, column (c), lines 14-16)

35. For 2010, Atmos West Texas used an overall rate of return of 9.15% to calculate an incremental increase in return of \$460,999, consistent with Texas Utilities Code Sec. 104.301(d) and Rule §7.7101(f)(4)(A). (Application, Tab 2, IRA-3, column (c), line 11)
36. Atmos used the same factors to calculate the Docket No. 10061 return on investment, depreciation expense, and federal income tax as those used to set rates in the Company’s most recent rate case, Docket No. 9563, consistent with Rule §7.7101(f)(5).
37. For 2010, Atmos West Texas reported an incremental increase in Lubbock Rate Division net revenue requirement of \$968,752. Of this amount, Atmos proposed to recover \$64,835 from customers in Lubbock unincorporated areas. (Atmos’ April 29, 2011 response to Request for Information No. 1-13)
38. Atmos West Texas determined the 2010 incremental increase in revenue requirement of \$968,752 attributable to Lubbock Rate Division infrastructure investment by summing its incremental increases in depreciation expense, taxes, and return, as shown in Exhibit C, attached.
39. Of 72,713 customers located in the Lubbock Rate Division, 4,827 or 6.64%, are located in unincorporated areas. Similarly, the \$64,835 revenue requirement to be recovered from customers in Lubbock unincorporated areas is 6.69% of the \$968,752 revenue requirement attributable to the Lubbock Rate Division.
40. As required by Sec. 104.301(a) of the Texas Utilities Code and Rule §7.7101(f)(6), Atmos allocated the incremental revenue requirement among customer classes in the same manner the cost of service was allocated among customer classes in Docket No. 9563, as shown in Table 4.0, following.

**Table 4.0 Revenue Requirement Allocation Factors for the Lubbock Rate Division**

Customer Class	Allocation Factors
Residential	72.9%
Commercial	20.6%
Industrial	3.1%
Public Authority	2.6%
State Authority	0.8%

41. Atmos’ application included an annual project report, as required by Texas Utilities Code Sec. 104.301(e) and Rule §7.7101(d). According to the report, which describes each investment project completed:
  - The change in utility plant investment due to 2010 Lubbock Rate Division investment projects is \$7,140,781 before retirements, transfers and adjustments and \$6,871,422 after retirements, transfers and adjustments.

- 2010 safety-related improvements/infrastructure projects totaled \$3,784,146 before retirements, or 55.07% of total additions. (Atmos' April 29, 2011 response to Request for Information No. 1-23)
  - The change in utility plant investment for 2010 integrity testing projects is \$0 because Atmos expenses, rather than capitalizes, costs associated with integrity testing.
42. The Interim Rate Adjustment proposed by Atmos West Texas is a flat rate for each customer class to be added to monthly Customer Charges, as permitted by Sec. 104.301(a) of the Texas Utilities Code and Rule §7.7101(f)(7).
43. The 2010 Interim Rate Adjustment proposed by Atmos West Texas is based, in part, upon Atmos West Texas' customer counts for the Lubbock Rate Division.
44. Atmos' customer counts for the Lubbock Rate Division are shown in Exhibit B, attached, as presented by Atmos in Docket No. 9563, the most recent rate case, and in Docket No. 10061, the instant case.
45. Atmos' 2010 customer counts were multiplied by 12 months to determine the annual number of bills. When the annual number of bills for each customer class is multiplied by the proposed Interim Rate Adjustment for each customer class, the result is the proposed revenue requirement of \$64,835 for Lubbock unincorporated areas.
46. Per Rule §7.7101(f)(7), Atmos is required to show an Interim Rate Adjustment on its customers' monthly billing statements as a surcharge.
47. As required by Texas Utilities Code Sec. 104.301(f), Atmos filed an annual earnings monitoring report with its application. The earnings monitoring report states that Atmos' actual rate of return in 2010 was 8.83% as compared with the 9.15% allowed rate of return established in Docket No. 9563. (Application, Tab 3)

#### Notice

48. Atmos West Texas completed its notice of the Interim Rate Adjustment to Residential, Commercial, Industrial, Public Authority, and State Institution customers on April 14, 2011, completing the application. (Atmos' April 29, 2011 response to Request for Information No. 1-1)
49. Per Rule §7.7101(b), mailed notice is deemed complete three days after the notice is mailed; thus, bill insert notice to affected customers was complete on April 17, 2010, three days after the final April 14, 2010 mailing date.

#### Comprehensive Rate Case Requirement

50. Atmos West Texas is not required to file a Statement of Intent rate case at the time it applies for approval to implement an Interim Rate Adjustment.

51. Under 16 TEX. ADMIN. CODE, §7.7101 (l) (2009) a gas utility that implements an IRA and does not file a rate case before the fifth anniversary of the date its initial IRA became effective is required to file a rate case not later than the 180th day after that anniversary. Atmos West Texas is required to file a statement of intent rate case not later than June 11, 2011, which is the 180th day after the fifth anniversary.

Review of Interim Rate Adjustment

52. Atmos filed its application with the Commission 60 days before the proposed implementation date of the Interim Rate Adjustment, in accordance with TEX. UTIL. CODE ANN. §104.301(a) (Vernon 2007) and 16 TEX. ADMIN. CODE §7.7101(a)(2) (2009).
53. Atmos' application included each of the components required by 16 TEX. ADMIN. CODE §7.7101(c) (2009).
54. Atmos' application included an annual report describing investment projects completed during 2010 and an annual earnings monitoring report, in accordance with TEX. UTIL. CODE ANN. §104.301(e) and (f). (Vernon 2007)
55. Notice was mailed, pursuant to TEX. UTIL. CODE ANN. §104.301(a) (Vernon 2007), to affected customers within 45 days from the date the application was filed.
56. The methodology used by Atmos to develop its Interim Rate Adjustment proposal is consistent with the methodology prescribed in TEX. UTIL. CODE ANN. §104.301 (Vernon 2007) and 16 TEX. ADMIN. CODE §7.7101(f) (2009).
57. Atmos allocated the 2010 revenue requirement among customer classes in the same manner the cost of service was allocated in the Company's most recent rate case for the Lubbock unincorporated areas, pursuant to TEX. UTIL. CODE ANN. §104.301 (Vernon 2007) and 16 TEX. ADMIN. CODE §7.7101 (2009).
58. Atmos' application to implement an Interim Rate Adjustment was reviewed in accordance with the requirements of TEX. UTIL. CODE ANN. §104.301 (Vernon 2007) and 16 TEX. ADMIN. CODE §7.7101 (2009).
59. Atmos' proposed Interim Rate Adjustment applicable to customers in unincorporated Lubbock Rate Division areas is consistent with TEX. UTIL. CODE ANN. §104.301 (Vernon 2007) and 16 TEX. ADMIN. CODE §7.7101 (2009).
60. The reasonableness and prudence of investments, and related expenses and revenues, included in the 2010 Interim Rate Adjustment will be determined in the next rate case for the unincorporated Lubbock Rate Division areas, as required by 16 TEX. ADMIN. CODE §7.7101 (2009).

61. After issuance of a final order in the next rate case, Atmos' investments recovered through the 2010 Interim Rate Adjustment will no longer be subject to a subsequent review for reasonableness and prudence, in accordance with TEX. UTIL. CODE ANN. §104.301(Vernon 2007).
62. It is reasonable for the Commission to approve Atmos West Texas' Interim Rate Adjustment, subject to refund until the conclusion of Atmos West Texas' next rate case for the Lubbock Rate Division unincorporated areas.

Reimbursement of Expenses Incurred by the Commission

63. Atmos is required to reimburse the Commission for expenses incurred by the Commission during the review of this Interim Rate Adjustment application.
64. The Director of the Gas Services Division will estimate Atmos' proportionate share of the Commission's annual costs related to the administration of Interim Rate Adjustment applications and will notify Atmos of the amount to be reimbursed to the Commission, as outlined in Rule §7.7101.
65. The Company is required to reimburse the Commission for the amount determined by the Director of the Gas Services Division, within thirty days after receipt of notice of the amount of the reimbursement.

**CONCLUSIONS OF LAW**

1. Atmos Energy Corporation, West Texas Division is a "gas utility" as that term is defined in TEX. UTIL. CODE ANN. §101.003(7) (Vernon 2010) and §121.001 (Vernon 2007) and is therefore subject to the jurisdiction of the Railroad Commission of Texas.
2. The Commission has jurisdiction over Atmos' application to establish an Interim Rate Adjustment under TEX. UTIL. CODE ANN. §102.001, §104.001, §104.002, and §104.301 (Vernon 2007).
3. Under TEX. UTIL. CODE ANN. §102.001 (Vernon 2007), the Commission has exclusive original jurisdiction over the rates and services of a gas utility that distributes natural gas in areas outside of a municipality.
4. Under TEX. UTIL. CODE ANN. §104.301 (Vernon 2007) and 16 TEX. ADMIN. CODE §7.7101 (2009), Atmos is required to seek Commission approval before implementing an Interim Rate Adjustment applicable to customers in unincorporated areas.
5. The Commission has authority to suspend the implementation of an Interim Rate Adjustment, under TEX. UTIL. CODE ANN. §104.301 (Vernon 2007) and 16 TEX. ADMIN. CODE §7.7101 (2009).

6. Neither TEX. UTIL. CODE ANN. §104.301 (Vernon 2007) nor 16 TEX. ADMIN. CODE §7.7101 (2009) allow a party to intervene in the Commission's review of an Interim Rate Adjustment application.
7. In accordance with 16 TEX. ADMIN. CODE §7.315 (2011), within thirty days of the effective date of any change to rates or services, Atmos is required to file its tariff with the Gas Services Division.
8. Atmos may not charge any rate that has not been electronically filed and successfully accepted by the Gas Services Division pursuant to TEX. UTIL. CODE ANN. §§102.151 and 104.002 (Vernon 2007) and 16 TEX. ADMIN. CODE §7.315 (2011).
9. Atmos is required, under TEX. UTIL. CODE ANN. §104.301 (Vernon 2007) and 16 TEX. ADMIN. CODE §7.7101 (2011), to file with the Commission an annual project report.
10. Atmos is required, under TEX. UTIL. CODE ANN. §104.301 (Vernon 2007) and 16 TEX. ADMIN. CODE §7.7101 (2011), to file with the Commission an annual earnings monitoring report.
11. In accordance with TEX. UTIL. CODE ANN. §104.301(a) (Vernon 2007) and 16 TEX. ADMIN. CODE §7.7101(i) (2004), all amounts collected from customers under Atmos West Texas' Interim Rate Adjustment tariffs are subject to refund until the conclusion of the next rate case for the Lubbock Rate Division unincorporated areas.
12. Atmos West Texas' Interim Rate Adjustment, as set forth in the findings of fact and conclusions of law in this *Interim Rate Adjustment Order*, complies with the provisions of TEX. UTIL. CODE ANN. §104.301 (Vernon 2007) and 16 TEX. ADMIN. CODE §7.7101 (2011).
13. The Commission has authority, under TEX. UTIL. CODE ANN. §104.301(j) (Vernon 2007) and 16 TEX. ADMIN. CODE §7.7101(m) (2011), to recover from Atmos a proportionate share of the Commission's annual costs related to administration of the Interim Rate Adjustment mechanism.
14. Atmos is required under TEX. UTIL. CODE ANN. §104.301(h) and 16 TEX. ADMIN. CODE §7.7101(l) (2011) to file its next Statement of Intent rate case applicable to the Lubbock Rate Division unincorporated areas no later than June 11, 2011.

**IT IS THEREFORE ORDERED BY THE RAILROAD COMMISSION OF TEXAS THAT** Atmos Energy Corporation, West Texas Division's Interim Rate Adjustment tariffs applicable to customers in unincorporated territories within the Lubbock Rate Division, as shown in Exhibit A attached to this *Interim Rate Adjustment Order*, are **HEREBY APPROVED**, subject to refund, with an effective date of May 24, 2011.

**IT IS FURTHER ORDERED THAT** within 30 days from the date of this *Interim Rate Adjustment Order*, Atmos shall electronically file its Interim Rate Adjustment tariffs in proper form that reflects the effective date of May 24, 2011 and the rates shown in Exhibit A, attached.

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

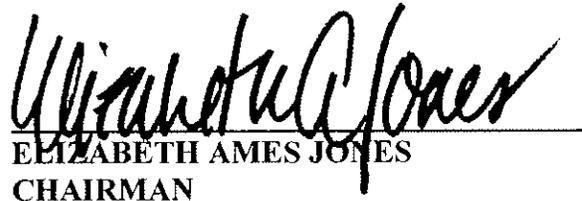
**IT IS FURTHER ORDERED THAT** Atmos West Texas shall file with the Commission no later than June 11, 2011, a Statement of Intent rate case for unincorporated territories within the Lubbock Rate Division.

**IT IS FURTHER ORDERED THAT** Atmos West Texas shall reimburse the Commission for the Commission's expenses incurred during the review of this application and the Director of the Gas Services Division shall determine the amount of the reimbursement. This Order will not be final and effective until 20 days after a party is notified of the Commission's order. A party is presumed to have been notified of the Commission's order three days after the date on which the notice is actually mailed. If a timely motion for rehearing is filed by any party at interest, this order shall not become final and effective until such motion is overruled, or if such motion is granted, this order shall be subject to further action by the Commission. Pursuant to TEX. GOV'T CODE §2001.146(e), the time allotted for Commission action on a motion for rehearing in this case prior to its being overruled by operation of law, is hereby extended until 90 days from the date the order is served on the parties.

Any portion of Atmos West Texas' application not expressly granted herein is overruled. All requested findings of fact and conclusions of law, which are not expressly adopted herein, are denied. All pending motions and requests for relief not previously granted or granted herein are denied.

**SIGNED** this 24<sup>th</sup> day of May, 2011.

RAILROAD COMMISSION OF TEXAS

  
ELIZABETH AMES JONES  
CHAIRMAN

  
DAVID PORTER  
COMMISSIONER

ATTEST

Kathy Way  
SECRETARY

**EXHIBIT A****Lubbock Rate Division Customer Counts by Customer Class**

A	B	C	D	E
		Docket No. 9563  rate case	Docket No. 10061 7 <sup>th</sup> Interim Rate Adjustment	Percent change
1				
2	Residential customers, Lubbock unincorporated areas	4,349	4,482	3%
3	Residential customers, City of Lubbock	59,085	61,977	5%
4	Residential customers, Lubbock Rate Division total	63,434	66,459	5%
5	Commercial customers, Lubbock unincorporated areas	406	311	-23%
6	Commercial customers, City of Lubbock	5,805	5,687	-2%
7	Commercial customers, Lubbock Rate Division total	6,211	5,998	-3%
8	Small industrial customers, Lubbock unincorporated areas	8	4	-50%
9	Industrial customers, City of Lubbock	75	53	-29%
10	Small industrial customers, Lubbock Rate Division total	83	57	-31%
11	Public authority customers, Lubbock unincorporated areas	21	15	-29%
12	Public authority customers, City of Lubbock	139	133	-4%
13	Public authority customers, Lubbock Rate Division total	160	147	-8%
14	State institution customers, Lubbock unincorporated areas	14	15	7%
15	State institution customers, City of Lubbock	42	37	-12%
16	State institution customers, Lubbock Rate Division total	56	52	-7%
17	Total customers, Lubbock unincorporated areas	4,798	4,827	1%
18	Total customers, City of Lubbock	65,146	67,887	4%
19	Lubbock Rate Division Total Customers	69,944	72,713	4%

Source of customer counts: Atmos' April 22, 2010 response to Request for Information No. 1-8

**EXHIBIT B  
Lubbock Rate Division  
(incorporated and unincorporated areas)**

Net Increase in Rate Base					Net Increase in Revenue Requirement	
Increase in Utility Plant Investment	\$6,871,422	X	Depreciation rate, 3.35% composite	=	Increase in Depreciation Expense	\$230,193
Less: Exclusions	- \$180					
Less: Net Reduction in Accumulated Depreciation	- \$1,833,002				Plus: Increase in Taxes	+ \$277,561
	-----					
Equals: Net increase in Rate Base	<b>\$5,038,240</b>	X	Rate of 9.15% return	=	Plus: Increase In return	+ \$460,999
						-----
					Equals: Net increase in Revenue Requirement	<b>\$968,752</b>

Reference: Finding of Fact Nos. 29-38

**EXHIBIT C**

Interim Rate Adjustment tariffs  
applicable to Atmos Energy Corporation, West Texas Division  
customers in unincorporated territories within the Lubbock Rate Division  
effective May 24, 2011

Residential Gas Service

Availability

This schedule is applicable to general use by Residential customers for heating, cooking, refrigeration, water heating and other similar type uses. This schedule is not available for service to premises with an alternative supply of natural gas.

Monthly Rate

Customer Charge:	\$ 8.74
2004 GRIP Charge:	1.21
2005 GRIP Charge:	0.00
2006 GRIP Charge:	0.70
2007 GRIP Charge:	0.52
2008 GRIP Charge:	0.70
2009 GRIP Charge:	0.57
2010 GRIP Charge:	<u>0.89</u>
Total Customer Charge:	\$13.33

Commodity Charge:

All Consumption \$ 0.09668 per Ccf

The West Texas System Gas Cost Adjustment Rider applies to this schedule.

The Lubbock System Weather Normalization Adjustment Rider applies to this schedule.

The Lubbock Rate Division 2004, 2005, 2006, 2007, 2008, 2009, and 2010 GRIP Adjustments apply to this schedule.

EFFECTIVE: Bills rendered on and after May 24, 2011 Outside City Limits

ISSUED BY: Jeffrey Foley, Vice President – Rates & Regulatory Affairs

Commercial Gas Service

Availability

This schedule is applicable to Commercial type customers including hospitals and churches, for heating, cooking, refrigeration, water heating and other similar type uses. This schedule is not available for service to premises with an alternative supply of natural gas.

Monthly Rate

Customer Charge:	\$ 12.26
2004 GRIP Charge:	3.49
2005 GRIP Charge:	0.00
2006 GRIP Charge:	2.01
2007 GRIP Charge:	1.59
2008 GRIP Charge:	2.13
2009 GRIP Charge:	1.78
2010 GRIP Charge:	<u>2.77</u>
Total Customer Charge:	\$ 26.03

Commodity Charge:

All Consumption \$ 0.09500 per Ccf

Rate Adjustment Provision

The West Texas System Gas Cost Adjustment Rider applies to this schedule.

The Lubbock System Weather Normalization Adjustment Rider applies to this schedule.

The Lubbock Rate Division 2004, 2005, 2006, 2007, 2008, 2009, and 2010 GRIP Adjustments apply to this schedule.

EFFECTIVE: Bills rendered on and after May 24, 2011 Outside City Limits

ISSUED BY: Jeffrey Foley, Vice President – Rates & Regulatory Affairs

Small Industrial Gas Service

Availability

This schedule is applicable to the sales of any industrial or commercial customer whose predominant use of natural gas is other than space heating, cooking, water heating or other similar type uses. Service under this schedule is available to eligible customers following execution of a contract specifying the maximum hourly load. This schedule is not available for service to premises with an alternative supply of natural gas.

Monthly Rate

Customer Charge:	\$ 30.14
2004 GRIP Charge:	38.82
2005 GRIP Charge:	0.00
2006 GRIP Charge:	22.33
2007 GRIP Charge:	23.54
2008 GRIP Charge:	31.35
2009 GRIP Charge:	26.36
2010 GRIP Charge:	<u>44.23</u>
Total Customer Charge:	\$ 216.77

Commodity Charge:

1st 1,000	\$ 0.09650
All over 1,000 Ccf	\$ 0.07500

The West Texas System Gas Cost Adjustment Rider applies to this schedule.

The Lubbock Rate Division 2004, 2005, 2006, 2007, 2008, 2009, and 2010 GRIP Adjustments apply to this schedule.

EFFECTIVE: Bills rendered on and after May 24, 2011 Outside City Limits

ISSUED BY: Jeffrey Foley, Vice President – Rates & Regulatory Affairs

Public Authority Gas Service

Availability

This schedule is applicable to general use by Public Authority type customers, including public schools, for heating, cooking, refrigeration, water heating and other similar type uses. This schedule is not available for service to premises with an alternative supply of natural gas.

Monthly Rate

Customer Charge:	\$ 29.93
2004 GRIP Charge:	17.29
2005 GRIP Charge:	0.00
2006 GRIP Charge:	9.95
2007 GRIP Charge:	7.70
2008 GRIP Charge:	10.45
2009 GRIP Charge:	8.94
2010 GRIP Charge:	<u>14.25</u>
Total Customer Charge:	\$ 98.51

Commodity Charge:

All Consumption \$ 0.09100 per Ccf

Rate Adjustment Provision

The West Texas System Gas Cost Adjustment Rider applies to this schedule.

The Lubbock System Weather Normalization Adjustment Rider applies to this schedule.

The Lubbock Rate Division 2004, 2005, 2006, 2007, 2008, 2009, and 2010 GRIP Adjustments apply to this schedule.

EFFECTIVE: Bills rendered on and after May 24, 2011 Outside City Limits

ISSUED BY: Jeffrey Foley, Vice President – Rates & Regulatory Affairs

State Institution Gas Service

Availability

This schedule is applicable to gas service to state agencies (as provided in Texas Utilities Code, Section 104.202) including, but not limited to, state college and universities, MHMR schools, agriculture, highway and public safety departments, prisons, and other facilities owned or operated by the State of Texas for the purpose of heating, cooking, refrigeration, water heating and other similar type uses.

Monthly Rate

Customer Charge:	\$ 29.23
2004 GRIP Charge:	15.18
2005 GRIP Charge:	0.00
2006 GRIP Charge:	8.73
2007 GRIP Charge:	8.01
2008 GRIP Charge:	10.67
2009 GRIP Charge:	8.38
2010 GRIP Charge:	<u>12.50</u>
Total Customer Charge:	\$ 92.70

Commodity Charge:

All Consumption \$ 0.08645 per Ccf

Rate Adjustment Provision

The West Texas System Gas Cost Adjustment Rider applies to this schedule.

The Lubbock System Weather Normalization Adjustment Rider applies to this schedule.

The Lubbock Rate Division 2004, 2005, 2006, 2007, 2008, 2009, and 2010 GRIP Adjustments apply to this schedule.

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