

**BEFORE THE
RAILROAD COMMISSION OF TEXAS**

APPLICATION OF ATMOS PIPELINE - TEXAS FOR 2010 TEST YEAR ANNUAL INTERIM RATE ADJUSTMENT FILING	§ § § §	GAS UTILITIES DOCKET NO. 10078
---	------------------	---

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 2010). The Railroad Commission of Texas 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 Pipeline - Texas (Atmos PT), a division of Atmos, owns and operates a gas pipeline transportation system.
3. On May 13, 2011, Atmos PT filed an application for an annual interim rate adjustment (IRA) applicable to customers located on Atmos PT's system.
4. Atmos PT requested that the IRA for all customer classes become effective on July 12, 2011.
5. On May 18, 2011, the Commission suspended implementation of Atmos PT's proposed IRA until August 26, 2011, which is 45 days following the 60th day after the application.

6. Neither TEXAS UTILITIES CODE, §104.301 (Vernon 2010) nor 16 TEX. ADMIN. CODE, §7.7101 (2010) provide the opportunity for parties to intervene in the Commission's review of an application for an annual IRA.
7. 16 TEX. ADMIN. CODE, §7.7101 (2010) allows written comments or a protest, concerning the proposed IRA, to be filed with the Gas Services Division.
8. On June 6, 2011, Commission Staff invited comments concerning this filing from the intervening parties in GUD No. 10000.
9. Invited comments were due by July 8, 2011. No comments were received.
10. No letters of protests have been received as of the date of this order.
11. This docket represents the first annual IRA for Atmos PT since GUD No. 10000.
12. Until promulgation of TEXAS UTILITIES CODE, §104.301 (Vernon 2010), a utility could not increase its rates subject to the Commission's jurisdiction without filing with the Commission a formal statement of intent rate case, including a comprehensive cost of service rate review.
13. The proposed IRA will allow Atmos PT an opportunity to recover, subject to refund, a return on investment, depreciation expense, and related taxes on the incremental cost of infrastructure investment since its last rate case, without the necessity of filing a statement of intent rate case and without review by the Commission of Atmos PT's comprehensive cost of service.

Applicability

14. This docket applies to only those rates over which the Commission has original jurisdiction, which includes the entire Atmos PT system.
15. Negotiated rate customers are not allocated any of the interim rate adjustment amount.

Most Recent Comprehensive Rate Case

16. Atmos PT's most recent rate case for the area in which the IRA will be implemented is GUD No. 10000, *Statement of Intent to Change the Rate CGS and Rate PT Rates of Atmos Pipeline - Texas*.
17. GUD No. 10000 was filed on September 17, 2010.

18. The data used in GUD No. 10000 was based on a test-year ending March 31, 2010.
19. The Commission signed the GUD No. 10000 Final Order on April 18, 2011 and the rates became effective the same day.
20. A Nunc Pro Tunc Order was signed on June 27, 2011. Motions for rehearing were denied on June 27, 2011.
21. The following chart shows the factors that were established in GUD No. 10000 to calculate the return on investment, depreciation expense, and incremental federal income taxes for Atmos PT:

Rate of Return	9.362%
Depreciation Rate	2.536%
Depreciation Rate - SSU	9.067%
Federal Income Tax Rate	35%

Interim Rate Adjustment

22. Atmos PT seeks approval from the Commission for an adjustment to its revenue, based on incremental net utility plant investment, with regard to the following components: return on investment; depreciation expense; ad valorem taxes; revenue related taxes; and federal income taxes, Exhibit B.
23. The revenue amounts to be recovered through the proposed annual IRA for Atmos PT are incremental to the revenue requirement established in the most recent rate case for Atmos PT for the area in which the IRA is to be implemented, GUD No. 10000, as adjusted.
24. Atmos PT calculated and presented all incremental values for investment, accumulated depreciation, return on investment, depreciation expense, ad valorem taxes, and incremental federal income taxes for the nine-months ended December 31, 2010. Revenue related taxes are not included in Atmos PT's calculation of the IRA. An existing rate schedule that was established by the final Order in GUD No. 10000 is applied to all revenues, including revenues that result from an IRA.
25. For the first IRA following a rate case, the amounts by which Atmos PT may adjust its rates are based on the difference between Atmos PT's invested capital at the end of the most recent rate case test-year (March 31, 2010) and the invested capital at the end of the calendar-year following the end of the most recent rate case test-year (December 31, 2010).
26. The value of Atmos PT's invested capital is equal to the original cost of the investment at the time the investment was first dedicated to public use minus the accumulated depreciation related to that investment.

27. Atmos PT is required to use the same factors to calculate the interim return on investment, depreciation expense, and incremental federal income tax as those established or used in the final order setting rates for Atmos PT in the most recent rate case for the area in which the IRA is to be implemented.
28. Atmos PT filed the Commission's Annual Earnings Monitoring Report (EMR) as required by 16 TEXAS ADMINISTRATIVE CODE §7.7101 (2010). The Company's actual rate of return is 8.611%, which is less than 0.75% in excess of the 9.362% allowed rate of return established in **GUD No. 10000**.
29. Atmos PT filed its Annual Project Report as required by 16 TEXAS ADMINISTRATIVE CODE §7.7101 (2010).
 1. Net pipeline capital additions included in this docket total \$ 72,979,897.
 2. Gross pipeline capital project additions totaled \$ 91,058,763.
 3. Safety-related improvements/infrastructure projects totaled \$ 73,490,349, or 80.70% of total additions.¹
 - Integrity testing projects totaled \$ 10,578,524, or 11.62% of total additions.²
30. Atmos PT is required to allocate the revenue to be collected through the IRA among its customer classes in the same manner as the cost of service was allocated among its customer classes in its most recent rate case for the area in which the IRA is to be implemented.
31. Atmos PT proposed the IRA as a flat rate to be applied to the monthly Capacity Charge per MDQ rather than to the usage rate.
32. Atmos PT is required to show its annual IRA on its customers' monthly billing statements as a surcharge.
33. The proposed IRA does not require an evidentiary proceeding; rather, TEXAS UTILITIES CODE, §104.301 (Vernon 2010) and 16 TEX. ADMIN. CODE, §7.7101 (2010) require the regulatory authority to review a utility's method of calculating the IRA.
34. Due process protections are deferred until Atmos PT files its next full statement of intent rate case.

Notice

1 Response to Staff's RFI #1-05.

2 Response to Staff's RFI #1-06.

35. The Company provided adequate notice to Atmos PT's City Gate Service (CGS) customers on June 1, 2011.
36. The Company provided adequate notice to Atmos PT's Pipeline Transportation (PT) customers on June 2, 2011.

Comprehensive Rate Case Required

37. The Company is not required to initiate a rate case supporting a statement of intent, at the time it applies for an IRA.
38. Under 16 TEX. ADMIN. CODE, §7.7101 (I) (2010) 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 PT is required to file a statement of intent rate case not later than January 23, 2017.

Review of Interim Rate Adjustment

39. Atmos PT presented its IRA calculation using the factors approved in GUD No. 10000 for rate of return, depreciation, and federal income tax, but using a property-related taxes (Ad Valorem) percentage of 1.624% based on the estimated 2010 taxes paid by the Company.¹
40. Atmos PT's proposed IRA is \$ 12,605,211 based on an incremental net utility plant investment increase of \$ 72,979,897 using the property-related taxes (Ad Valorem) percentage of 1.624% based on the estimated 2010 taxes paid by the Atmos PT.
41. Atmos PT's proposed allocation methodology complies with TEXAS UTILITIES CODE, §104.301 (Vernon 2010), and with 16 TEX. ADMIN. CODE, §7.7101 (2010).
42. The following overall cost of service allocation factors for use in the calculation of Atmos PT's IRA are reasonable:

Customer Class	Allocation Factor
Rate CGS (City Gate Service)	0.975869
Rate PT (Pipeline Transportation)	0.024131

1. 16 TEX. ADMIN. CODE §7.7101(f)(5) only refers to the return on investment, depreciation expense, and incremental federal income tax factors from the most recent rate case to calculate the IRA. The Ad Valorem taxes are not specifically designated as a factor that must remain constant.

43. Atmos PT's proposed 2010 Year-ended Maximum Daily Quantity (MDQ) complies with TEXAS UTILITIES CODE, §104.301 (Vernon 2010), and with 16 TEX. ADMIN. CODE, §7.7101 (2010).
44. For calculating the change in the Capacity Charge per year, it is reasonable for the Commission to approve use of Atmos PT's 2010 Year-ended Maximum Daily Quantity (MDQ) times 12. The following total Maximum Daily Quantity (MDQ) used in the calculation of the IRA are reasonable:

Customer Class	Total Maximum Daily Quantity (MDQ)
Rate CGS (City Gate Service)	30,477,564
Rate PT (Pipeline Transportation)	1,239,720

45. The resulting interim rate adjustment for Rate CGS (City Gate Service) and Rate PT (Pipeline Transportation) is shown in Exhibit A and as follows:

Rate Schedule	Capacity Charge Per MDQ GUD No. 10000	2011 IRA	2011 Capacity Charge Per MDQ
Rate CGS – Other	\$ 3.6263	\$ 0.4036	\$ 4.0299
Rate CGS – Mid-Tex	\$ 4.4397	\$ 0.4036	\$ 4.8433
Rate PT	\$ 2.3061	\$ 0.2454	\$ 2.5515

Reimbursements of Expense

46. As provided for in the statute and the rule, a gas utility that implements an IRA is required to reimburse the Commission for the utility's proportionate share of the Commission's annual costs related to the administration of the IRA mechanism.
47. After the Commission has finally acted on Atmos PT's application for an IRA the Director of the Gas Services Division will estimate Atmos PT's proportionate share of the Commission's annual costs related to the processing of such applications.
48. In making the estimate of Atmos PT's proportionate share of the Commission's annual costs related to the processing of such applications, the Director will take into account the number of utilities the Commission reasonably expects to file for IRAs during the fiscal year, and the costs expected to be incurred in processing such applications.

49. Atmos PT 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 (Atmos) is a "gas utility" as defined in TEX. UTIL. CODE ANN. §101.003(7) (Vernon 2010) and §121.001 (Vernon 2010), and is therefore subject to the jurisdiction of the Railroad Commission of Texas (Commission).
2. The Commission has jurisdiction over Atmos, Atmos PT's applications for IRAs for incremental changes in investment, and the subject matter of this case under TEX. UTIL. CODE ANN. §102.001, §104.001, §104.002, and §104.301 (Vernon 2010).
3. Under TEX. UTIL. CODE ANN. §102.001 (Vernon 2010), the Commission has exclusive original jurisdiction over the rates and services of a gas utility that distributes natural gas in areas outside of a municipality and over the rates and services of a gas utility that transmits, transports, delivers, or sells natural gas to a gas utility that distributes the gas to the public.
4. Under the provisions of the TEXAS UTILITIES CODE ANN. §104.301 (Vernon 2010) and 16 TEX. ADMIN. CODE § 7.7101 (2010), Atmos PT is required to seek Commission approval before implementing an IRA tariff to Atmos PT's customers.
5. Atmos PT filed its application for an IRA for changes in investment in accordance with the provisions of TEX. UTIL. CODE ANN. §104.301 (Vernon 2010) and 16 TEX. ADMIN. CODE §7.7101 (2010).
6. Atmos PT's application for an IRA was processed in accordance with the requirements of TEX. UTIL. CODE ANN. §104.301 (Vernon 2010) and 16 TEX. ADMIN. CODE §7.7101 (2010).
7. In accordance with 16 TEX. ADMIN. CODE §7.315 (2010), within thirty days of the effective date of any change to rates or services, Atmos PT is required to file with the Gas Services Division of the Commission its revised tariffs.
8. Atmos PT may not charge any rate that has not been successfully filed and accepted as a tariff filing electronically pursuant to TEX. UTIL. CODE ANN. §102.151 and 104.002 (Vernon 2010) and 16 TEX. ADMIN. CODE §7.315 (2010).
9. In accordance with TEX. UTIL. CODE ANN. §104.301(a) (Vernon 2010) and 16 TEX. ADMIN. CODE §7.7101(a) (2010), the filing date of Atmos PT's most recent rate case, in which there is a final order setting rates for the area in which the IRA will apply, was no more than two years prior to the date Atmos PT filed its initial IRA.

10. Atmos PT is required, under TEX. UTIL. CODE ANN. §104.301(e) (Vernon 2010) and 16 TEX. ADMIN. CODE §7.7101(d) (2010), to file with the Commission an annual project report, including the cost, need, and customers benefited by the change in investment, and describing the investment projects completed and placed in service during the preceding calendar year and the investments retired or abandoned during the preceding calendar year.
11. Atmos PT shall include in all future annual IRA filings, relocation project reports that provide additional information about relocation project costs included in investment projects, in the same format as required in this docket.
12. Atmos PT is required, under TEX. UTIL. CODE ANN. §104.301(f) (Vernon 2010) and 16 TEX. ADMIN. CODE §7.7101(e) (2010), to file with the Commission an annual earnings-monitoring report demonstrating Atmos PT's earnings during the preceding calendar year.
13. Atmos PT is required, under 16 TEX. ADMIN. CODE §7.7101(h) (2010), to recalculate its approved IRA annually and is required to file an application for an annual adjustment no later than 60 days prior to the one-year anniversary of the proposed implementation date of the previous IRA application.
14. In accordance with 16 TEX. ADMIN. CODE §7.7101(i) (2010), all amounts collected from customers under Atmos PT's IRA tariffs or rate schedules are subject to refund. The issues of refund amounts, if any, and whether interest should be included on refunded amounts and, if so, the rate of interest, shall be addressed in the rate case a gas utility files or the Commission initiates after the implementation of an IRA and shall be the subjects of specific findings of fact in the Commission's final order setting rates.
15. In accordance with 16 TEX. ADMIN. CODE §7.7101(j) (2010), in the rate case that Atmos PT files or the Commission initiates after the implementation of an IRA, any change in investment and related expenses and revenues that have been included in any IRA shall be fully subject to review for reasonableness and prudence. Upon issuance of a final order setting rates in the rate case that Atmos PT files or the Commission initiates after the implementation of an IRA, any change in investment and related expenses and revenues that have been included in any IRA shall no longer be subject to review for reasonableness or prudence.
16. The Commission has authority to suspend the implementation of the IRA, under TEX. UTIL. CODE ANN. §104.301(a) (Vernon 2010) and 16 TEX. ADMIN. CODE §7.7101(e) (2010).
17. Atmos PT provided adequate notice, in accordance with TEX. UTIL. CODE ANN. §104.301(a) (Vernon 2010) and 16 TEX. ADMIN. CODE §7.7101(b) (2010).
18. Atmos PT's application for an IRA, as proposed, complies with all provisions of TEX. UTIL. CODE ANN. §104.301 (Vernon 2010) and 16 TEX. ADMIN. CODE §7.7101 (2010).

19. Atmos PT's IRA set forth in the findings of fact and conclusions of law in this Order comply with the provisions of TEX. UTIL. CODE ANN. §104.301 (Vernon 2010) and 16 TEX. ADMIN. CODE §7.7101 (2010).
20. In accordance with TEX. UTIL. CODE ANN. §104.301(h) (Vernon 2010) and 16 TEX. ADMIN. CODE §7.7101(l) (2010), Atmos PT shall file a comprehensive rate case for the areas in which the IRA is implemented, no later than the 180th day after the fifth anniversary of the date its initial IRA became effective.
21. The Commission has authority, under TEX. UTIL. CODE ANN. §104.301(j) (Vernon 2010) and 16 TEX. ADMIN. CODE §7.7101(m) (2010), to recover from Atmos PT the proportionate share of the Commission's annual costs related to the administration of the IRA mechanism.

IT IS THEREFORE ORDERED BY THE RAILROAD COMMISSION OF TEXAS THAT Atmos PT's IRA, as requested, and to the extent recommended to be approved in the findings of fact and conclusions of law, are **HEREBY APPROVED**, subject to refund, to be effective for bills rendered on or after the date of this order.

IT IS FURTHER ORDERED THAT Atmos PT **SHALL** file with the Commission no later than January 23, 2017, a statement of intent to change rates as required under TEX. UTIL. CODE ANN. §104.301(h) (Vernon 2010) and 16 TEX. ADMIN. CODE §7.7101(l) (2010).

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

IT IS FURTHER ORDERED THAT Atmos PT **SHALL** not charge any rate that has not been electronically filed and accepted by the Commission as a tariff.

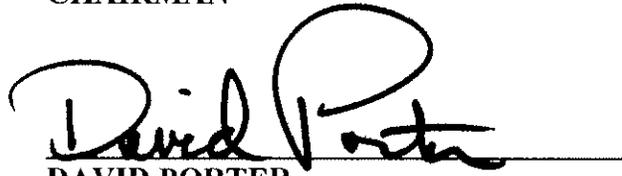
IT IS FURTHER ORDERED THAT Atmos PT **SHALL** reimburse the expenses incurred by the Commission in reviewing this application. The amount of this reimbursement shall be determined by the Director of the Gas Services Division. This Order will not be final and effective until 20 days after a party is notified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

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

SIGNED this 26th day of July, 2011.

RAILROAD COMMISSION OF TEXAS


ELIZABETH AMES JONES
CHAIRMAN


DAVID PORTER
COMMISSIONER


BARRY T. SMITHERMAN
COMMISSIONER

ATTEST

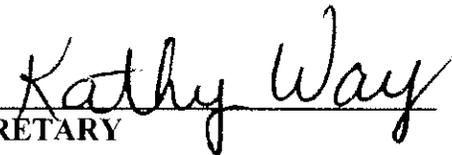

SECRETARY

EXHIBIT A
TARIFFS

RATE SCHEDULE:	CGS – MID-TEX	
APPLICABLE TO:	Mid-Tex	
EFFECTIVE DATE:		PAGE:

Application

Applicable, in the event that Company has entered into a Transportation Agreement for City Gate Service to a Local Distribution Company (Customer) connected to the Atmos Pipeline -Texas System for the transportation of all natural gas supplied by Customer to a Point or Points of Delivery.

Type of Service

This service provides firm transportation and storage service to Local Distribution Companies. Where service of the quantity and type required by Customer is not already available at a Point of Delivery, additional charges and special contract arrangements between Company and Customer may be required prior to service being furnished at such Point of Delivery.

Monthly Rate

Customer's monthly bill will be calculated by adding the Monthly Customer and Usage charges to the amounts and quantities due under the Riders listed below. The Monthly Customer Charge each month will be equal to the Capacity Charge, as adjusted, multiplied by the Customer's Maximum Daily Quantity (MDQ) as set forth in the Transportation Agreement between Customer and Company. Total Usage Charges each month will be equal to the Usage Charge multiplied by the volume of gas delivered to Customer by Company during such month:

Charge	Amount
Capacity	\$ 3.6263 per MMBtu of MDQ ¹
Capacity Charge related to Mid-Tex Working Gas	\$ 0.8134 per MMBtu of MDQ
Annual Rider REV Adjustment	\$ 0.0000 per MMBtu of MDQ
Interim Rate Adjustment ("IRA")	\$ 0.4036 per MMBtu of MDQ ²
Total Capacity Charge	\$ 4.8433 per MMBtu of MDQ
Usage	\$ 0.0276 per MMBtu

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

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

Rider SUR: Plus an amount for surcharges calculated in accordance with Rider SUR.

Rider REV: Plus an amount per MMBtu in accordance with Rider REV as an adjustment to the Capacity Charge per MMBtu of MDQ.

Rider WGIS: Plus an amount per MMBtu in accordance with Rider WGIS as an adjustment to the Capacity Charge per MMBtu of MDQ.

¹ The Capacity Charge per MMBtu will be adjusted annually as calculated pursuant to Rider REV.
² 2010 IRA - \$0.4036.

RATE SCHEDULE:	CGS – MID-TEX	
APPLICABLE TO:	Mid-Tex	
EFFECTIVE DATE:		PAGE:

Imbalance Fees

All fees charged to Customer under this Rate Schedule will be charged based on the quantities determined under the applicable Transportation Agreement and quantities 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.

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.

Agreement

A transportation agreement is required.

Notice

Service hereunder and the rates for service 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 CGS, Customer must have the type of meter required by Company. Customer must pay Company all costs associated with the acquisition and installation of the meter.

RATE SCHEDULE:	CGS – OTHER	
APPLICABLE TO:	CoServ, West Texas Gas, the City of Rising Star and Other City Gate Service Customers, except Mid-Tex	
EFFECTIVE DATE:		PAGE:

Application

Applicable, in the event that Company has entered into a Transportation Agreement for City Gate Service to a Local Distribution Company (Customer), other than Mid-Tex, connected to the Atmos Pipeline -Texas System for the transportation of all natural gas supplied by Customer to a Point or Points of Delivery.

Type of Service

This service provides firm transportation and storage service to Local Distribution Companies. Where service of the quantity and type required by Customer is not already available at a Point of Delivery, additional charges and special contract arrangements between Company and Customer may be required prior to service being furnished at such Point of Delivery.

Monthly Rate

Customer's monthly bill will be calculated by adding the Monthly Customer and Usage charges to the amounts and quantities due under the Riders listed below. The Monthly Customer Charge each month will be equal to the Capacity Charge, as adjusted, multiplied by the Customer's Maximum Daily Quantity (MDQ) as set forth in the Transportation Agreement between Customer and Company. Total Usage Charges each month will be equal to the Usage Charge multiplied by the volume of gas delivered to Customer by Company during such month:

Charge	Amount
Capacity	\$ 3.6263 per MMBtu of MDQ ¹
Annual Rider REV Adjustment	\$ 0.0000 per MMBtu of MDQ
Interim Rate Adjustment ("IRA")	\$ 0.4036 per MMBtu of MDQ ²
Total Capacity Charge	\$ 4.0299 per MMBtu of MDQ
Usage	\$ 0.0276 per MMBtu

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

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

Rider SUR: Plus an amount for surcharges calculated in accordance with Rider SUR.

Rider REV: Plus an amount per MMBtu in accordance with Rider REV as an adjustment to the Capacity Charge per MMBtu of MDQ.

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.

¹ The Capacity Charge per MMBtu will be adjusted annually as calculated pursuant to Rider REV.
² 2010 IRA - \$0.4036.

RATE SCHEDULE:	CGS – OTHER	
APPLICABLE TO:	CoServ, West Texas Gas, the City of Rising Star and Other City Gate Service Customers, except Mid-Tex	
EFFECTIVE DATE:		PAGE:

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.

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.

Agreement

A transportation agreement is required.

Notice

Service hereunder and the rates for service 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 CGS, Customer must have the type of meter required by Company. Customer must pay Company all costs associated with the acquisition and installation of the meter.

RATE SCHEDULE:	PT - PIPELINE TRANSPORTATION	
APPLICABLE TO:	Entire System	
EFFECTIVE DATE:		PAGE:

Applicability

This rate schedule is applicable to service by the Company under a Transportation Agreement - Pipeline, to a customer directly connected to the Atmos Pipeline-Texas System for the transportation of all natural gas supplied by Customer or Customer's agent for delivery to Customer at one Point of Delivery.

Not applicable for service to City Gate Service customers.

Type of Service

This service provides interruptible transportation service to end use customers. Where service of the quantity and type desired by Customer is not already available at a Point of Delivery, additional charges and special contract arrangements between Company and Customer may be required prior to service being furnished at such Point of Delivery.

Monthly Rate

Customer's monthly bill will be calculated by adding the Monthly Customer and Usage charges to the amounts and quantities due under the Riders listed below. The Monthly Customer Charge each month will be equal to the Capacity Charge, as adjusted, multiplied by the Customer's Maximum Daily Quantity (MDQ) as set forth in the Transportation Agreement between Customer and Company. Total Usage Charges each month will be equal to the Usage Charge multiplied by the volume of gas delivered to Customer by Company during such month:

Charge	Amount
Capacity	\$ 2.3061 per MMBtu of MDQ ¹
Annual Rider REV Adjustment	\$ 0.0000 per MMBtu of MDQ
Interim Rate Adjustment ("IRA")	\$ 0.2454 per MMBtu of MDQ ²
Total Capacity Charge	\$ 2.5515 per meter
Usage	\$ 0.0163 per MMBtu

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

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

Rider MF: Plus an amount for municipal fees calculated in accordance with Rider MF.

Rider SUR: Plus an amount for surcharges calculated in accordance with Rider SUR.

¹ The Capacity Charge per MMBtu will be adjusted annually as calculated pursuant to Rider REV.

² 2010 IRA - \$0.2454.

RATE SCHEDULE:	PT - PIPELINE TRANSPORTATION	
APPLICABLE TO:	Entire System	
EFFECTIVE DATE:		PAGE:

Rider REV: Plus an amount per MMBtu in accordance with Rider REV as an adjustment to the Capacity Charge per MMBtu of MDQ.

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.

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.

MDQ Adjustment

If a Customer's daily usage on any day exceeds the Customer's MDQ as set forth in the applicable Transportation Agreement by 10% or more, the Customer's MDQ shall be increased to equal such daily usage. The effective date of such increase in the MDQ shall be the first day of the calendar month that begins following the day on which the Customer's daily usage exceeded the Customer's MDQ.

Agreement

A transportation agreement is required.

Notice

Service hereunder and the rates for service 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 PT, 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.

EXHIBIT B
SCHEDULES

Summary

ATMOS PIPELINE - TEXAS
 INTERIM COST RECOVERY AND RATE ADJUSTMENT REPORT
 AS OF DECEMBER 31, 2010

Change to Capacity Charge Per MDQ for 2010 Interim Rate Adjustment (1)

Line No.	Rate Class (a)	Capacity Charge Per MDQ per GUD 10000 (2) (b)	Interim Cost Recovery Adjustment to Capacity Charge (3) (c)	Proposed Capacity Charge (d)
1	Rate Schedule CGS - Other	\$ 3.6263	\$ 0.4036	\$ 4.0299
2				
3	Rate Schedule CGS - Mid-Tex (4)	\$ 4.4397	\$ 0.4036	\$ 4.8433
4				
5	Rate Schedule PT	\$ 2.3061	\$ 0.2454	\$ 2.5515
6				
7				

Notes:

1. The capacity charge times each customer's MDQ equals the monthly customer capacity charge.
2. Column (b) is from GUD 10000, Sch K, Col (c), Rate CGS (Lns. 3, 10, 15); Rate PT (Ln 20).
3. Column (c) is 2010 Interim Rate Adjustment per the proposed Tariffs for Rate CGS and PT customers.
4. The Capacity Charge for Rate CGS — Mid-Tex includes a \$0.8134 working gas charge only applicable to Mid-Tex.

ATMOS PIPELINE - TEXAS
INTERIM COST RECOVERY AND RATE ADJUSTMENT REPORT
AS OF DECEMBER 31, 2010

Line No.	Description (a)	Total Approved Per GUD 10000 At 3/31/10 (1)	Per Book As of 12/31/10 (c)	Adjustments (2) (d)	Per Book Adjusted As of 12/31/10 (e)	Ref (f)	Change In Investment (Col. e - Col. b) (g)
1	Utility Plant Investment	\$ 1,082,219,676	\$ 1,164,747,740	\$ (46,552)	\$ 1,164,701,187	2	\$ 82,481,511
2	Accumulated Depreciation	396,592,868	405,584,104	-	405,584,104		8,991,236
3	Allocated SSU Utility Plant Investment	26,172,170	28,849,350	(1,053,449)	27,795,901	2, 3	1,623,731
4	Allocated SSU Accumulated Depreciation	10,316,731	12,275,449	-	12,275,449	3	1,958,718
5	Removal of Expense Account Costs, and Other Adjustments	(2,119,835)	-	(2,295,226)	(2,295,226)	2	(175,391)
6	Net Utility Plant Investment (Ln 1 - 2 + 3 - 4 + 5)	\$ 699,362,412	\$ 775,737,537	\$ (3,395,226)	\$ 772,342,309		\$ 72,979,897
7							
8							
9	Calculation of the Interim Rate Adjustment Amount:						
10	Return						
11	Depreciation Expense						
12	Property-related Taxes (Ad Valorem)						
13	Revenue-related Taxes						
14	Federal Income Tax						
15	Interim Rate Adjustment Amount						
16							
17	Total Interim Rate Adjustment Amount times the Allocation Factors:						
18	Rate Schedule CGS						
19	Rate Schedule PT						
20	Total						
21							
22	Total Change in Capacity Charge						
23	Rate Schedule CGS						
24	Rate Schedule PT						
25							
26	Notes:						
27	1. Amounts are the approved amounts per GUD 10000 Final Order.						
28	2. See Workpaper/Schedule A for adjustment details related to Column (d).						
29	3. The amounts in Column (c) represent the SSU per book amounts multiplied by the 2011 allocation factors.						
30	4. Revenue-related taxes are recovered through Rider TAX.						

(Sch A, Col (g), Ln 6) times (Sch B, Col (b), Ln 1) \$ 6,832,129

((Sch A, Col (g), Ln 1) times (Sch B, Col (b), Ln 7)) plus [(Sch A, Col (g), Ln 3) times (Sch B, Col (b), Ln 11)]

2,239,001

[(Sch A, Col (g), Ln 1 minus Ln 2), times (Sch B, Col (b), Ln 16)] plus [(Sch A, Col (g), Ln 3 minus Ln 4) times (Sch B, Col (b), Ln 23)]

1,192,265

(Sch C, Col (b), Ln 9)

\$ 2,341,816

\$ 12,605,211

(Sch A, Col (g), Ln 15) times (Sch B, Col (b), Ln 28) \$ 12,301,036

(Sch A, Col (g), Ln 15) times (Sch B, Col (b), Ln 29)

\$ 304,175

\$ 12,605,211

(Sch A, Col (g), Ln 18) divided by (Sch B, Col (b), Ln 33) \$ 0.4036

(Sch A, Col (g), Ln 19) divided by (Sch B, Col (b), Ln 34) \$ 0.2454

ATMOS PIPELINE - TEXAS
INTERIM COST RECOVERY AND RATE ADJUSTMENT REPORT
AS OF DECEMBER 31, 2010

Line No.	Description (a)	Total (b)	Reference (c)
1	Return Factor	9.362%	GUD 10000, Sch G, Col. (b), Ln. 21
2			
3	Depreciation Expense Factor Calculations:		
4			
5	Total Pipeline Depreciation Expense	\$ 27,257,355	GUD 10000, Sch F-3, Col (g), Ln 66
6	Invested Capital - Gross Plant	1,074,791,982	GUD 10000, Sch F-3, Col (e), Ln 66
7	Pipeline Depreciation Expense Factor	<u>2.536%</u>	Ln 5 divided by Ln 6
8			
9	Total SSU Depreciation Expense	\$ 2,310,362	GUD 10000, Sch F-3, (Col (g), Ln 111 + Col (g), Ln 119)
10	Invested Capital - Gross Plant	25,481,366	GUD 10000, Sch F-3, (Col (e), Ln 111 + Col (e), Ln 119)
11	SSU Depreciation Expense Factor	<u>9.067%</u>	Ln 9 divided by Ln 10
12			
13	Pipeline Property Tax Factor Calculation:		
14	Property-Related Taxes (Ad Valorem)	\$ 11,539,337	Amount of Ad Valorem taxes paid for 2010 for Pipeline and Gas Storage Property
15	North Loop Tax Reimbursement	<u>404,712</u>	Amount of Energy Transfer Reimbursement for 50% of North Loop Taxes
16	Total Property-Related Taxes (Ad Valorem)	\$ 11,134,625	Ln 14 minus Ln 15
17	Total Net Plant	685,626,809	GUD 10000, Sch C, Col (e), Ln 66 minus Sch D, Col (f), Ln 65
18	Pipeline Property Tax Factor	<u>1.624%</u>	Ln 16 divided by Ln 17
19			
20	SSU Property Tax Factor Calculation:		
21	Property-Related Taxes (Ad Valorem)	\$ 57,851	Amount of Ad Valorem taxes paid for 2010
22	Total Net Plant	16,855,439	GUD 10000, Sch C, (Col (e), Ln 111 + Col (e), Ln 119) minus Sch D, (Col (f), Ln 113 + Col (f), Ln 121)
23	SSU Property Tax Factor	<u>0.365%</u>	Ln 21 divided by Ln 22
24			
25	Federal Income Tax Factor Calculation (1 / .55) * (.35)	<u>53.84615%</u>	GUD 10000, Sch F-6, Col (b), Ln 10
26	Allocation Factors		
27			
28	Rate Schedule CGS	0.975869	GUD 10000, Sch A, (Col (d), Ln 2 + Col (d), Ln 3) divided by Col (d), Ln 6
29	Rate Schedule PT	0.024131	GUD 10000, Sch A, Col (d), Ln 4 divided by Col (d), Ln 6
30	Total	<u>1.000000</u>	Sum of Ln 28 through Ln 29
31			
32	2010 Year-end Maximum Daily Quantity (MDQ) times 12:		
33	Rate Schedule CGS	30,477,564	Current year-end maximum daily quantity per contract
34	Rate Schedule PT	1,239,720	Current year-end maximum daily quantity per contract

ATMOS PIPELINE - TEXAS
 INTERIM COST RECOVERY AND RATE ADJUSTMENT REPORT
 AS OF DECEMBER 31, 2010

Line No.	Description (a)	Factors (b)	Reference (c)
1	Cost of Common Equity	\$ 48,135,216	GUD 10000, Sch G, Col (b), Ln 5
2	Cost of Preferred Stock	\$ 48,135,216	Ln 1 plus Ln 2
3	Return excluding debt, per GUD 10000	\$ 807,733,326	GUD 10000, Sch G, Col (b), Ln 14
4	Total invested Capital	5.959%	Ln 3 divided by Ln 4
5	Return rate excluding debt, per GUD 10000	53.84615%	Sch B, Col (b), Ln 25
6	Federal Income Tax Factor	3.209%	Ln 5 times Ln 6
7	Federal Income Tax Adjustment Factor	\$ 72,979,897	Sch A, Col (g), Ln 6
8	Change in Invested Capital - Net Utility Plant	\$ 2,341,816	Ln 7 times Ln 8
9	Change in Federal Income Tax		

ATMOS PIPELINE - TEXAS
 INTERIM COST RECOVERY AND RATE ADJUSTMENT REPORT
 AS OF DECEMBER 31, 2010

Worksheet/Schedule A

Line No.	Description (a)	Ref (b)	Adjustments (c)	Total Adjustment (d)
1	APT Utility Plant Investment Adjustments:			
2	To remove artwork from Pipeline Utility Plant per GUD 10000, Finding of Fact No. 38, Sch C, Col (d), Ln 47, Project 180.10927.			
3	Ending Balance, APT Utility Plant Investment Adjustments	1	\$ (46,552)	\$ (46,552)
4				
5	<u>APT Accumulated Depreciation Adjustments:</u>			
6				
7	Ending Balance, APT Accumulated Depreciation Adjustments		\$ -	\$ -
8				
9	<u>SSU Utility Plant Investment Adjustments:</u>			
10	Adjustment to account for change in allocations rates from GUD 10000 to current rate			
11	Ending Balance, SSU Utility Plant Investment Adjustments	2	\$ (1,053,449)	\$ (1,053,449)
12				
13	<u>SSU Accumulated Depreciation Adjustments:</u>			
14				
15	Ending Balance, SSU Utility Plant Investment Adjustments		\$ -	\$ -
16				

ATMOS PIPELINE - TEXAS
 INTERIM COST RECOVERY AND RATE ADJUSTMENT REPORT
 AS OF DECEMBER 31, 2010

Worksheet/Schedule A

Line No.	Description (a)	Ref (b)	Adjustments (c)	Total Adjustment (d)
17	Adjustments Rolled Forward from GUD 10000:			
18	To remove the amortized disallowances from GUD 10000, Sch B-1 and Sch C, Col (e), Ln 122b related to employee expenses.	3	\$ (938,768)	
19	To remove Shared Services - General Office projects allocated to Pipeline and removed from rate base per GUD 10000, Sch B-1.1 and Sch C, Col (e), Ln 122a.	3	(1,208,622)	
20	Ending Balance, 2010 Adjustments			\$ (2,147,389)
21	2010 Rate Base Adjustments:			
22	Reduction to exclude Expense Account Charges from Shared Services 2010 Additions	4	\$ (97)	
23	Reduction to exclude Direct Expense Account Charges from Pipeline 2010 Additions	4	(1,611)	
24	To remove project 010.11566 allocated to Pipeline in Calendar Year 2010 that does not currently provide services to Pipeline.	5	(30,676)	
25	Reclassification of projects in April 2010 through December 2010 for Shared Services; Projects reclassified from General Office to Customer Support: 010.11629, 010.11630, 010.11633, 010.11648, 010.11651, 010.11666, 010.11679, 010.11681, 010.11682, 010.11685, 010.11686, 010.11687 and 010.11692.			
26	Ending Balance, Rate Base Adjustments	6	(115,452)	
27				\$ (147,837)
28				
29				
30				
31	Notes:			
32	1. This adjustment was made to remove artwork from Pipeline Utility Plant per GUD 10000, Finding of Fact No. 38; Sch C, Col (d), Ln 47 for Project 180.10927.			
33	2. Adjustment to account for changes in allocation factors from GUD 10000 at 14.30% to the current rate at 14.91%.			
34	3. These balances roll forward the adjustments disallowed in GUD 10000 Final Order.			
35	4. These adjustments remove certain expense account charges booked to Capital from April 2010 - December 2010.			
36	5. Project 010.11566 has been removed since Pipeline does not utilize the services from this project.			
37	6. This adjustment relates to the Reclassification of Shared Services additions from General Office to Customer Support in the April 2010 through December 2010 Report.			

**ATMOS PIPELINE - TEXAS
INTERIM COST RECOVERY AND RATE ADJUSTMENT REPORT
AS OF DECEMBER 31, 2010**

Note: Totals may vary due to rounding.