

**BEFORE THE
RAILROAD COMMISSION OF TEXAS**

**APPLICATION FILED BY ATMOS §
PIPELINE - TEXAS 2012 RIDER REV § GAS UTILITIES DOCKET No. 10202
ADJUSTMENT §**

FINAL ORDER

Notice of Open Meeting to consider this Order was duly posted with the Secretary of State within the time period provided by law pursuant to TEX. GOV'T CODE ANN. CHAP 551, *et seq.* The Railroad Commission adopts the following findings of fact and conclusions of law and orders as follows:

FINDINGS OF FACT

1. Atmos Pipeline – Texas (“APT” or “Company”), a division of Atmos Energy Corporation is a gas utility as that term is defined in the Texas Utility Code.
2. APT is an intrastate natural gas transmission pipeline operating solely in Texas. The Company operates a large intrastate pipeline consisting of approximately 6,000 miles of transmission pipeline, approximately 700 city gate meters, five underground storage facilities, and forty-one (41) gas compressor stations. The geographical areas served by this pipeline division span from the area bounded by the Oklahoma border; the Katy hub near Houston; the Carthage hub in East Texas; the Waha hub in West Texas; and the Austin/Hill Country area.
3. On September 17, 2010, APT filed a *Statement of Intent* to change its Rate CGS and Rate PT and related riders and the case was docketed as GUD No. 10000.
4. On June 27, 2011, the Railroad Commission of Texas (“Commission”) issued its *Final Order Nunc Pro Tunc* in GUD No. 10000.
5. As set out in the *Final Order Nunc Pro Tunc*, in GUD No. 10000 the Company established that the cost of service without application of a revenue credit for revenues from non-regulated customers was \$226,772,532.
6. The rates necessary to recover \$226,772,532 would have been as follows:
 - a. Rate CGS – Mid-Tex: Capacity Charge per MDQ, \$6.2984 per MMBtu of MDQ, Mid – Tex WGIS Charge, \$0.8134 per MMBtu of MDQ, and a Usage Charge per MMBtu \$0.0276.
 - b. Rate CGS – Other: Capacity Charge per MDQ, \$6.2984, and a Usage Charge per MMBtu, \$0.0276.

- c. Rate PT: Capacity Charge per MDQ, \$4.0732, Usage Charge per MMBtu, \$0.0163.
7. In GUD No. 10000, APT established that revenues from the non-regulated customers, Other Revenues were \$83,723,392. Thus, the rates were adjusted to allow recovery of \$143,049,141.
8. The rates necessary to recover \$143,049,141 were established in GUD No. 10000 as follows:
 - a. Rate CGS – Mid-Tex: Capacity Charge per MDQ, \$3.6263 per MMBtu of MDQ, Mid – Tex WGIS Charge, \$0.8134 per MMBtu of MDQ, and a Usage Charge per MMBtu \$0.0276.
 - b. Rate CGS – Other: Capacity Charge per MDQ, \$3.6263, and a Usage Charge per MMBtu, \$0.0276.
 - c. Rate PT: Capacity Charge per MDQ, \$2.3061, and a Usage Charge per MMBtu, \$0.0163.
9. In GUD No. 10000, the Commission approved the application of a Rider Rev designed to allow an annual adjustment to the rates for Other Revenues.
10. In GUD No. 10000, the Commission found that it had the authority to approve an adjustment mechanism such as the Rider Rev because market forces control the revenues recovered from the non-regulated customers.
11. The Rider Rev, as approved, was found to be a reasonable mechanism to provide an annual adjustment to Rate CGS-Mid-Tex, and Rate CGS-Other and Rate PT for 75% of the difference between the amount of Other Revenue determined in GUD No. 10000 and the amount of Other Revenue determined on an annual basis.
12. The Commission approved the Rider Rev on a three-year trial basis. The Commission found that it was reasonable to review the results of the Rider Rev Tariff at the end of three-years to determine if the Rider Rev Tariff is achieving its stated goal and for the Commission to determine if the Rider Rev Tariff should be continued or eliminated.
13. As provided in the revenue adjustment rider, the Rider Rev will expire on the fourth November 1st following its effective date unless an extension of Rider Rev for an additional 3-year period is approved by the Commission. APT may request an extension by filing such request with the third Other Revenue Adjustment Report. The request shall include a statement on how Rate CGS and Rate PT customers have benefited from the use of Rider Rev, information on the number of negotiated rate customers gained or lost, the annual volumes and revenues for each of the three years on which adjustments have been based, the number of negotiated rate customers who have shifted from Rate PT to Other Revenue, and the number of negotiated rate customers who have shifted from Other Revenue to Rate PT.

14. On August 12, 2011, APT filed its first Rider Rev filing and that case was docketed as GUD No. 10099.
15. The Final Order in GUD 10099 was issued in that case on October 11th, 2011
16. This APT Rider Rev, GUD 10099, resulted in a credit, or reduction, to the rates currently charged by the Company. The Other Revenue credit in GUD 10000 was \$83,723,392. In GUD No. 10099 for the twelve months ended June 30, 2011, Other Revenue increased to \$88,799,640. The Difference was (\$5,079,248.) At 75% of the difference the credit to CGS and PT customers is (\$3,807,186.)
17. The total reduction of (\$3,807,186) was allocated (\$3,696,891) to CGS customers and (\$110,296) to PT customers.
18. Applying the credit of (\$3,807,186) included in the Rider Rev adjustment resulted in the following rates:
 - a. Rate CGS – Mid-Tex: Capacity Charge per MDQ, \$3.6263 per MMBtu of MDQ, Mid – Tex WGIS Charge, \$0.8134 per MMBtu of MDQ, Annual Rider Rev Adjustment of \$(0.1213) per MMBtu of MDQ, Interim Rate Adjustment of \$0.4036 per MMBtu of MDQ, and a Usage Charge per MMBtu of \$0.0276.
 - b. Rate CGS – Other: Capacity Charge per MDQ, \$3.6263 per MMBtu of MDQ, Annual Rider Rev Adjustment of \$(0.1213) per MMBtu of MDQ, Interim Rate Adjustment of \$0.4036 per MMBtu of MDQ, and a Usage Charge per MMBtu of \$0.0276.
 - c. Rate PT – Capacity Charge per MDQ, \$2.3061 per MMBtu of MDQ, Annual Rider Rev Adjustment of (\$0.0811) per MMBtu of MDQ, Interim Rate Adjustment of \$0.2454 per MMBtu, and a Usage Charge per MMBtu of \$0.0163.
19. On August 15, 2012 the Company filed its second Rider Rev adjustment pursuant to the Final Order in Gas Utility Docket No. 10000 – GUD No. 10202.
20. This APT Rider Rev, GUD No. 10202, results in a debit, or increase, to the rates currently charged by the Company. The Other Revenue credit in GUD 10000 was \$83,723,392. In GUD No. 10202, for the twelve months ended June 30, 2012, Other Revenue declined to \$80,022,308. The difference is \$3,701,084. At 75% of the difference the debit, or rate increase, to CGS and PT customers is \$2,775,813
21. Applying the debit of \$2,775,813 included in the Rider Rev adjustment results in the following rates shown below and attached as Exhibit A:
 - a. Rate CGS – Mid-Tex: Capacity Charge per MDQ, \$3.6263 per MMBtu of MDQ, Mid – Tex WGIS Charge, \$0.8134 per MMBtu of MDQ, Annual Rider Rev Adjustment of \$0.0881 per MMBtu of MDQ, Interim Rate

- Adjustment of \$0.8727 per MMBtu of MDQ, and a Usage Charge per MMBtu of \$0.0276.
- b. Rate CGS – Other: Capacity Charge per MDQ, \$3.6263 per MMBtu of MDQ, Annual Rider Rev Adjustment of \$0.0881 per MMBtu of MDQ, Interim Rate Adjustment of \$0.8727 per MMBtu of MDQ, and a Usage Charge per MMBtu of \$0.0276.
 - c. Rate PT – Capacity Charge per MDQ, \$2.3061 per MMBtu of MDQ, Annual Rider Rev Adjustment of \$0.0495 per MMBtu of MDQ, Interim Rate Adjustment of \$0.4967 per MMBtu, and a Usage Charge per MMBtu of \$0.0163.
22. The Company provided adequate notice to its City Gate Service customers, Rate CGS, on August 24, 2012.
 23. The Company provided adequate notice to its Pipeline Transportation customers, Rate PT, on August 24, 2012.
 24. The Railroad Commission's Gas Services Division Utility Audit Section conducted an audit on September 5, 2012 through September 12, 2012, Audit Number 13-001 (*See Exhibit B*). The audit tested the accuracy of the information and calculations reflected in the 2011 initial filing of the APT revenue adjustment under the Rider Rev Adjustment tariff authorized in Gas Utilities Docket No. 10000. Based on the findings of the audit no violations were noted and the calculation of the 2012 Rider Rev calculation as determined by the Company was determined to be correct.
 25. As provided in the tariff, the Company is required to reimburse the Commission for the Commission's estimated annual costs related to the administration of the Rider Rev adjustment.

CONCLUSIONS OF LAW

1. APT is a "Gas Utility" as defined in TEX. UTIL. CODE ANN. §101.003(7) and §121.001 and is therefore subject to the jurisdiction of the Commission.
2. The Commission has jurisdiction over the Company and its *Statement of Intent* under TEX. UTIL. CODE ANN. §§ 102.001, 103.022, 103.054, & 103.055, 104.001, and 104.201.
3. Under TEX. UTIL. CODE ANN. §102.001 the Commission has exclusive original jurisdiction over the rates and services of a gas utility that distributes natural gas in areas outside of a municipality and over the rates and services of a gas utility that transmits, transports, delivers, or sells natural gas to a gas utility that distributes the gas to the public.
4. This adjustment to the rates was processed in accordance with the requirements of the Gas Utility Regulatory Act (GURA) and the tariff that was approved in GUD No. 10000.

5. In accordance with the provision of the approved Rider Rev Tariff adequate notice was properly provided.
6. APT is required by 16 Tex. Admin. Code §7.315 (2010) to file electronic tariffs incorporating rates consistent with this Order within thirty days of the date of this Order.
7. The approved tariff provides for recovery from the Company the Commission's estimated costs related to the administration of Rider Rev.

IT IS THEREFORE ORDERED that Atmos Pipeline – Texas proposed adjustment to its current rates is hereby **APPROVED**.

IT IS FURTHER ORDERED that, in accordance with 16 TEX. ADMIN. CODE §7.315, within 30 days of the date this Order is signed, Atmos Pipeline – Texas shall file tariffs with the Gas Services Division. The tariffs shall incorporate rates, consistent with this Order, as stated in the findings of fact and conclusions of law as shown on Exhibit A attached.

IT IS THEREFORE ORDERED that Atmos Pipeline – Texas **SHALL** reimburse the estimated 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.

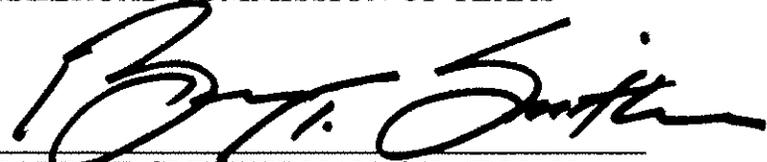
IT IS FURTHER ORDERED that all proposed findings of fact and conclusions of law not specifically adopted in this Order are hereby **DENIED**. **IT IS ALSO ORDERED** that all pending motions and requests for relief not previously granted or granted herein are hereby **DENIED**.

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.

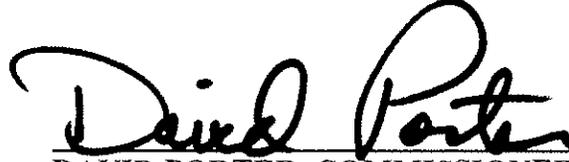
All requested findings of fact and conclusions of law which are not expressly adopted herein are denied. All pending motions and requests for relief not previously granted or granted herein are denied.

SIGNED this 2nd day of October, 2012.

RAILROAD COMMISSION OF TEXAS



BARRY T. SMITHERMAN, CHAIRMAN

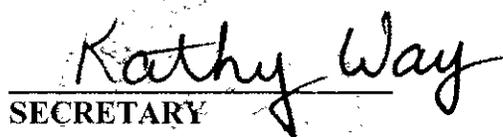


DAVID PORTER, COMMISSIONER



BUDDY GARCIA, COMMISSIONER

ATTEST:



Kathy Way

SECRETARY

EXHIBIT A

**ATMOS PIPELINE-TEXAS
ATMOS ENERGY CORPORATION**

RATE SCHEDULE:	CGS – MID-TEX	
APPLICABLE TO:	Mid-Tex	
EFFECTIVE DATE:	11/01/2012	PAGE: 8

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	\$ 0.0881 per MMBtu of MDQ
Interim Rate Adjustment ("IRA")	\$ 0.8727 per MMBtu of MDQ ²
Total Capacity Charge	\$ 5.4005 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, 2011 IRA - \$0.4691.

ATMOS PIPELINE-TEXAS
ATMOS ENERGY CORPORATION

RATE SCHEDULE:	CGS – MID-TEX	
APPLICABLE TO:	Mid-Tex	
EFFECTIVE DATE:	11/01/2012	PAGE: 9

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.

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.

**ATMOS PIPELINE-TEXAS
ATMOS ENERGY CORPORATION**

RATE SCHEDULE:	CGS – OTHER	
APPLICABLE TO:	CoServ, West Texas Gas, the City of Rising Star, the City of Navasota and Other City Gate Service Customers, except Mid-Tex	
EFFECTIVE DATE:	11/01/2012	PAGE: 10

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	\$ 0.0881 per MMBtu of MDQ
Interim Rate Adjustment ("IRA")	\$ 0.8727 per MMBtu of MDQ ²
Total Capacity Charge	\$ 4.5871 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, 2011 IRA - \$0.4691.

ATMOS PIPELINE-TEXAS
ATMOS ENERGY CORPORATION

RATE SCHEDULE:	CGS – OTHER	
APPLICABLE TO:	CoServ, West Texas Gas, the City of Rising Star, the City of Navasota and Other City Gate Service Customers, except Mid-Tex	
EFFECTIVE DATE:	11/01/2012	PAGE: 11

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.

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.

**ATMOS PIPELINE-TEXAS
ATMOS ENERGY CORPORATION**

RATE SCHEDULE:	PT - PIPELINE TRANSPORTATION	
APPLICABLE TO:	Entire System	
EFFECTIVE DATE:	11/01/2012	PAGE: 12

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	\$ 0.0495 per MMBtu of MDQ
Interim Rate Adjustment ("IRA")	\$ 0.4967 per MMBtu of MDQ ²
Total Capacity Charge	\$ 2.8523 per MMBtu of MDQ
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, 2011 IRA - \$0.2513.

ATMOS PIPELINE-TEXAS
ATMOS ENERGY CORPORATION

RATE SCHEDULE:	PT - PIPELINE TRANSPORTATION	
APPLICABLE TO:	Entire System	
EFFECTIVE DATE:	11/01/2012	PAGE: 13

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

BARRY T. SMITHERMAN, CHAIRMAN
DAVID PORTER, COMMISSIONER
BUDDY GARCIA, COMMISSIONER



WILLIAM O. GEISE
DIVISION DIRECTOR
EDWARD D. ABRAHAMSON
DIRECTOR, UTILITY AUDIT

RAILROAD COMMISSION OF TEXAS
GAS SERVICES DIVISION
September 17, 2012

Mr. Charles R. Yarbrough, II
Vice President, Rates & Regulatory Affairs
Atmos Pipeline - Texas
5420 LBJ Freeway, Suite 1600
Dallas, Texas 75240

RE: **Audit Number 13-001**
Special Audit – Rider Rev
Refer to Audit Number 13-001 in all
correspondence concerning this audit.

Dear Mr. Yarbrough:

Our auditors, Stephen Cooper and Josh Settle, contacted your representative, Ms. Sharon Whiting, Project Manager, on September 5, 2012, through September 11, 2012, and conducted an audit of your **transmission** system in accordance with requirements of rules promulgated under the authority of *Tex. Util. Code, §§ 101.001, et. seq.* The audit tested the accuracy of the information and calculations reflected in the 2012 filing of the Atmos Pipeline – Texas, revenue adjustment under the Rider Rev revenue adjustment tariff authorized in Gas Utilities Docket No. 10000, Based on the findings of this audit there were no violations noted. This audit was recapped with you on September 12, 2012, at the Commission's headquarters in Austin, Texas.

If you have any questions concerning this audit, please contact Stephen Cooper at (512) 463-7119, the Commission's Austin headquarters.

Sincerely,

A handwritten signature in black ink that reads "Edward Abrahamson".

Edward Abrahamson
Director, Utility Audit

EA/sc

cc: Stephen Cooper
Advising Auditor

Josh Settle
Senior Auditor/Fort Worth

Market Oversight Section

RAILROAD COMMISSION OF TEXAS

Barry T. Smitherman, Chairman
David Porter, Commissioner
Buddy Garcia, Commissioner

INTERNAL
Gas Services Division
William O. Geise, Division Director
Edward D. Abrahamson, Director, Utility Audit

September 17, 2012

Audit Number 13-001

Mr. Edward Abrahamson
Director, Utility Audit
Railroad Commission of Texas
Gas Services Division
P. O. Box 12967
Austin, Texas 78711-2967

RE: Rider Rev Audit
Atmos Pipeline-Texas
5420 LBJ Freeway, Suite 1600
Dallas, Texas 75240

Dear Mr. Abrahamson:

A special audit of Atmos Pipeline-Texas was performed by Stephen Cooper and Josh Settle on September 5, 2012, through September 12, 2012, at the utility's offices located in Dallas, Texas. The focus of this audit was the verification of the 2012 Rider Rev calculation as filed by Atmos Pipeline-Texas (APT) on August 15, 2012. The calculations involved in this filing reflect the allocation of revenues between non-regulated revenues and those revenues associated with regulated customers as outlined in the Commission's final order under Docket No. 10000 signed on April 128, 2011.

APT is a division of Atmos Energy Corporation whose headquarters are located in Dallas, Texas. The utility is a major transporter of natural gas in Texas, delivering gas to four non-affiliated city-gate customers, two of whom would be listed in the top seven distribution utilities in Texas. However, APT's major source of revenue is from the delivery of natural gas to the city-gates of Atmos Energy Corp. Mid-Tex Division, which is the largest distribution utility in Texas. Atmos Mid-Tex serves approximately 440 cities and towns and their respective environs, plus approximately 48 additions environ locations. Overall APT operates approximately 5,700 of pipeline in Texas as of the end of 2011. The systems are operated under two T-4 permits, 0578 and 7662. Permit 0578 represents the majority of pipe operated by APT stretching from the Waha Hub in far West Texas, to the Carthage Hub in Far East Texas, and to the Katy Hub near Houston, Texas.

The audit relied upon various records made available to the auditors to complete the

audit. This included the Trial Balance, General Ledger, 2012 Rider Rev calculation report, customer invoices, and contracts.

The regulated city-gate deliveries are broken down between two categories. The first, and largest, is Rate CGS Mid-Tex Customers. The second type is referred to as Rate CGS-Other Customers. There is a third type of regulated customer, referenced as Rate PT Customers. Rate CGS Mid-Tex. The rates authorized under Docket 10000 for Rate CGS Mid-Tex Customers, Rate CGS-Others, and Rate PT are noted below to include the 2012 Rider Rev adjustment:

<u>Rate CGS Mid-Tex</u>	
Capacity Charge:	\$3.6263 per MMBtu of MDQ
Capacity Charge related to	
Mid-Tex Working Gas	\$0.8134 per MMBtu of MDQ
Annual Rider Rev Adjustment	\$0.0881 per MMBtu of MDQ
Interim Rate Adjustment ("IRA")	<u>\$0.8727 per MMBtu of MDQ</u>
Total Capacity Charge	\$5.4005 per MMBtu of MDQ
Usage Charge	\$.0276 per MMBtu

Notes: MDQ = Maximum Daily Quantity

Final Order 10000 referenced some rates on a per Mcf basis. However, an Order Nunc Pro Tunc dated June 27, 2011 corrected this to reflect all charges on an MMBtu basis.

Interim Rate Adjustment = \$.4036 per MMBtu (Docket No. 10078) plus \$.4691 per MMBtu (Docket No. 10144) = \$.8727 per MMBtu

<u>Rate CGS - Other</u>	
Capacity Charge:	\$3.6263 per MMBtu of MDQ
Annual Rider Rev Adjustment	\$0.0881 per MMBtu of MDQ
Interim Rate Adjustment ("IRA")	<u>\$0.8727 per MMBtu of MDQ</u>
Total Capacity Charge	\$4.5871 per MMBtu of MDQ
Usage Charge	\$.0276 per MMBtu

Notes: MDQ = Maximum Daily Quantity

Final Order 10000 referenced some rates on a per Mcf basis. However, an Order Nunc Pro Tunc dated June 27, 2011 corrected this to reflect all charges on an MMBtu basis.

Interim Rate Adjustment = \$.4036 per MMBtu (Docket No. 10078) plus \$.4691 per MMBtu (Docket No. 10144) = \$.8727 per MMBtu

Rate PT-Pipeline Transportation

Capacity Charge:	\$2.3061 per MMBtu of MDQ
Annual Rider Rev Adjustment	\$0.0495 per MMBtu of MDQ
Interim Rate Adjustment ("IRA")	<u>\$0.4967 per MMBtu of MDQ</u>
Total Capacity Charge	\$2.8523 per MMBtu of MDQ
Usage Charge	\$.0163 per MMBtu

Notes: MDQ = Maximum Daily Quantity

Final Order 10000 referenced some rates on a per Mcf basis. However, an Order Nunc Pro Tunc dated June 27, 2011 corrected this to reflect all charges on an MMBtu basis.

Interim Rate Adjustment = \$.2454 per MMBtu (Docket No. 10078)
plus \$.2513 per MMBtu (Docket No. 10144) = \$.4967 per MMBtu

As found in the Proposal for Decision in Docket 10000, APT allocates the cost of service to its Rate CGS and Rate PT customer classes. This is due to the fact that the cost of transmission and storage is primarily caused by the need to supply the city gates with firm delivery. As such it was determined that the negotiated customers should not overly bear this cost. The Other Revenue customer class (Negotiated Customers) does not receive a cost allocation. APT proposed crediting its revenue requirement with revenues from "Other Revenues". The amount determined in this docket to be credited was \$83,723,392. This resulted in the implementation of the Rider Rev to adjust the Rate CGS and Rate PT classes with changes to "Other Revenue". The 2012 Rider Rev report filed with the Commission, and the basis for this audit, found that the utility had actually collected \$80,022,308 in Other Gas Revenues, which results in APT applying a charge to the regulated rates earned from Rate CGS and Rate PT transportation customers. The difference between the \$83,723,392 base amount and the current 2012 Other Revenue of \$80,022,308 is \$3,701,084. A sharing percentage of 75% as approved in Docket 10000 was applied against this difference, resulting in an adjustment amount of \$2,775,813.

The adjusted amount of \$2,775,813 is allocated between the Rate CGS and Rate PT classes based on percentages as authorized in Docket 10000. Rate CGS (both Mid-Tex and Other) have an allocation of 97.1030%, while Rate PT has an allocation of 2.8970%. This resulted in Rate CGS being allocated \$2,695,398 and Rate PT being allocated the remaining \$80,415. These allocated amounts are then divided by the Maximum Daily Quantity (MDQ) for that class of customer, which for Rate CGS are 2,548,844 MMBtu and 135,256 MMBtu for Rate

PT. The resulting 'Annual Rider Rev Adjustment' for each class is then divided by 12 to determine the monthly Rider Rev adjustment charge for Rate CGS and Rate PT customers. The current charge effective November 2012 would be \$.0881 per MMBtu for Rate CGS customers and \$.0495 per MMBtu for Rate PT customers.

Pages 3 through 13 of the audit work papers reflect the monthly revenues from the various revenue accounts that make up "Other Revenues". This consists of FERC Account 489.2 'Transportation of Gas for Others', 489.4 'Storage Revenues', 492 'Incidental Gasoline and Oil Sales', and Account 495 'Other Gas Revenues'. Total revenues in these FERC Accounts for the July 2011 through June 2012 time frame totaled \$80,022,308 excluding FERC Account 489.2 accounts associated with Rate CGS and Rate PT. In comparison, the revenues generated during the July 2010 through June 2011 time frame totaled \$88,799,639. Both totals exclude taxes and fees associated with these revenues.

FERC Account 489.2 represented the largest source of "Other Revenues" totaling \$65,999,367. FERC Account 489.4 represented \$6,483,569 in revenues, and FERC Account 495 represented \$7,553,101. FERC Account 492 represented only a small portion of revenues, totaling \$311,000. All revenues just noted included taxes and fees. The major drop from fiscal year 2010-2011 to fiscal year 2011-2012 was primarily FERC Account 489.2 activity. The drop in these revenues between the first and second fiscal year was \$5,037,250. Of that amount the primary reduction was due to Section 311 transportation totaling \$4.8 million. FERC Account 489.4 saw a drop in revenues totaling \$1.5 million, while FERC Account 495 saw a reduction in revenues totaling \$2.2 million. This drop in revenues was attributable to a reduction in retention fuel sales which is derived from volumes retained from transportation customers. The increase/decrease in revenues between individual accounts can be seen on Page 13 of the audit work papers.

The Rider Rev is filed no later than August 15th of each year. APT is currently in the second year of a 3 year test period. At the end of the test period the Commission will review and determine if the Rider Rev is achieving its stated goals, and also determine if the rider may continue beyond the 3 year trial basis. They are required to provide a notice for a rate increase or decrease based on the Rider Rev calculation, and a level of detail sufficient to enable a review to determine the accuracy of the filing. If the change in rates results in an increase in revenues of more than 2 ½%, then a hearing will be held.

To comply with these requirements, APT has filed the Rider Rev for Fiscal Year ending June 2011 to include a notice to customers notifying them of the increase in charges under the Rider Rev effective November 2012. Additionally, the report includes detailed backup of the individual accounts that make up the Rider Rev 'Other Revenue', schedules that reflect the monthly volume and revenue from its individual 'Other Revenue' customers, and a calculation schedule that reflects the methodology used to determine the charge/credit that is to be billed to the rate CGS and PT customers based on the fiscal year "Other" revenues effective November 2012.

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The company's trial balance and invoices for individual 'Other' revenue customers determined that the activity as reflected in the report was accurate and reported. The scheduling of the individual company accounts and customer activity can be found on Pages 3 through 12 and 14 through 36, respectively. Also, a recalculation of the Rider Rev annual calculation and percentage change in revenues can be found on page 2 of the work papers. In regards to the percentage change, the calculation is based on a denominator which is the total revenues from all sources (i.e. Rate CGS, Rate PT, and the numerator which is the "Other Revenue" Adjustment amount. This calculation was verified to be a 1.14% (rounded) increase in revenues, well under the 2 ½% revenue increase threshold which would require a hearing.

To summarize, there were no violations noted in the 2012 Rider Rev filing made by Atmos Pipeline-Texas. Mr. Charles Yarbrough, Rates and Regulatory Affairs, and Ms. Sharon Whiting, Project Manager, provided all audit information. On September 12, 2012, Mr. Yarbrough was apprised of all audit findings, who agreed with the audit results. Please note that all initial correspondence concerning this audit should be addressed to Mr. Yarbrough at the address noted at the beginning of this report.

Respectfully submitted,

Assisted by:
Josh Settle
Senior Auditor, Fort Worth


Stephen Cooper
Advising Auditor

SC/

Enclosures