

ORDINANCE NO. 2018-10-01-006

ORDINANCE BY THE CITY OF CAMERON, TEXAS (“CITY”) DENYING A PROPOSED INCREASE SOUGHT BY ATMOS ENERGY-MIDTEX DIVISION IN CONNECTION WITH THE RATE INCREASE FILING IT MADE ON ABOUT JUNE 1, 2018; APPROVING AN ALTERNATIVE INCREASE IN RATES; DIRECTING ATMOS TO FILE CONFORMING TARIFFS AND TO REIMBURSE THE CITY’S RATE CASE EXPENSES; MAKING OTHER FINDINGS AND PROVISIONS RELATED TO THE SUBJECT; FINDING THAT THE MEETING COMPLIES WITH THE OPEN MEETINGS ACT; AND DECLARING AN EFFECTIVE DATE

WHEREAS, Atmos Energy (“Atmos Energy,” “Atmos,” or “Company”) filed a Statement of Intent with the City on or about June 1, 2018, to increase its annual revenue by approximately \$4.5 million in the cities known as Atmos Texas Municipalities (“ATM”), which equates to an increase in annual revenue of approximately 8.0 percent, and is the equivalent of an increase of about \$46.0 million on a system-wide basis; and

WHEREAS, the City is a regulatory authority under the Gas Utility Regulatory Act (“GURA”) and under Chapter 104, §103.001 et seq. of GURA has exclusive original jurisdiction over Atmos’s rates, operations, and services within the municipality; and

WHEREAS, in order to maximize the efficient use of resources and expertise in reviewing, analyzing and investigating Atmos’s rate request and its changes in tariffs it is prudent to coordinate the City’s efforts with a coalition of similarly situated municipalities; and

WHEREAS, the City, in matters regarding applications by Atmos to change rates, has in the past joined with other local regulatory authorities to form an alliance of cities known as Atmos Texas Municipalities (“ATM”), and hereby continues its participation in ATM; and

WHEREAS, Atmos's rate request consists of a voluminous amount of information including Atmos's rate-filing package, exhibits, schedules, and workpapers; and

WHEREAS, Atmos's rate application is the Company's first general rate case since about 2012, and follows annual increases approved under the now-expired tariff known as the "Rate Review Mechanism" ("RRM"); and

WHEREAS, Atmos proposed July 6, 2018, as the effective date for its requested increase in rates; and

WHEREAS, the City previously suspended Atmos' proposed effective from July 6, 2018, to October 4, 2018; and

WHEREAS, the City, exercising its duties as a local regulatory authority with regard to Atmos' rates, services, and operations, through ATM engaged the law firm of Herrera Law & Associates as Special Counsel and rate experts from the consulting firms of the Garrett Group, LLC, GDS and Associates, Inc., and J. Randall Woolridge, Ph.D, to review Atmos' rate filing package; and

WHEREAS, Atmos failed to establish the need for an increase of about \$46 million and the specific rates Atmos proposed; and

WHEREAS, merits at most an increase of about \$12.81 million, which is approximately an increase of \$1.25 million in the ATM cities, and the specific rates set forth in **Exhibit A** to this Ordinance, and made a part of this Ordinance as if fully set out in its body; and

WHEREAS, Atmos failed to establish the reasonableness of its proposed rate design; and

WHEREAS, a reasonable rate design is as set forth in **Exhibit A**;

WHEREAS, Atmos failed to establish the reasonableness of its proposed cost of capital, including Atmos' proposed capital structure; and

WHEREAS, a reasonable cost of capital and capital structure is as set forth in **Exhibit A** to this Ordinance; and

WHEREAS, pursuant to Gas Utility Regulatory Act § 103.022, cities have a statutory right to recover their reasonable rate case expenses.

NOW THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF CAMERON, TEXAS THAT:

Section 1. The findings set out in the preamble are in all things approved and incorporated herein as if fully set forth.

Section 2. Atmos failed to establish that its requested increase in revenue of about \$46 million, and its proposed changes in rates as set forth in its Statement of Intent submitted to the City on about June 1, 2018, result in just and reasonable rates, and are therefore, hereby **DENIED**.

Section 3. An increase of about \$12.81 million as shown in **Exhibit A**, and as detailed in **Exhibit B** to this Ordinance, each of which is hereby incorporated by reference, and the rates shown below, are hereby **APPROVED**, to wit:

Approved Increase in Annual Revenue (System Wide – MidTex Division)
\$12,807,858

Customer Class/Rate	APPROVED RATE
Rate R - Residential	
Customer Charge per month	\$17.89
Consumption Charge (per CCF)	\$0.16052
Rate C - Commercial	

Customer Charge per month	\$37.85
Consumption Charge (per CCF)	\$0.10081
Rate I & T – Indus. & Transp.	
Customer Charge per month	\$619.85
Consumption Chrg - First 1,500 MMBTU	\$0.3655
Consumption Chrg - Next 3,500 MMBTU	\$0.2908
Consumption Chrg - Over 5,000 MMBTU	\$0.0761

Section 4. A rate-case-expense surcharge (“RCE Surcharge”) as shown below to allow Atmos to recover the City’s rate case expenses is hereby **APPROVED**, said surcharge per class to be in effect for a period of five (5) years:

Rate Class	RCE Surcharge
Residential	\$0.00030 per ccf
Commercial	\$0.00011 per ccf
Industrial & Transportation	\$0.0001 per MMbtu

Section 5. Atmos is hereby ordered to submit to the City a report detailing the rate-case expenses recovered through the RCE Surcharges, said report to be filed by October 1 of each year until full recovery of the rate case expenses and in no event is Atmos permitted to recover in excess of the rate case expenses approved by this Ordinance.

Section 6. Atmos’ requested return on equity of 10.50% and its proposed capital structure of 60.18% equity and 39.82% long-term debt, are hereby **DENIED**.

Section 7. A return on equity of 9.80%; a cost of long-term debt of 5.45%; and a cost of short-term debt of 1.68%, are hereby **APPROVED**.

Section 8. A capital structure of 53.81% equity; 38.98% long-term debt; and 7.21% short-term debt, yielding a weighted cost of capital of 7.5189%, are hereby **APPROVED**.

Section 9. Atmos is hereby ordered to reimburse the City's rate case expenses incurred as a member of the Atmos Texas Municipalities ("ATM") through August 31, 2018, as set forth in **Exhibit B**, by no later than thirty (30) days from the effective date of this Ordinance.

Section 10. Atmos is hereby ordered to reimburse the City's rate case expenses incurred after August 31, 2018, for the City's reasonable costs associated with the City's continued activities related to this rate review or related to proceedings involving Atmos in proceedings before the City or any ATM city, the Railroad Commission of Texas, or any court of law, and that Atmos shall do so on a monthly basis and within 30 days after submission of the City's invoices to Atmos.

Section 11. Atmos is directed to submit to the City a set of tariffs modified to correspond to the rates approved by this Ordinance and that it do so by no later than fifteen (15) calendar days after the effective date of this Ordinance, said submittal to be accompanied by an affidavit from an officer of Atmos Energy attesting that the rates presented in the modified tariffs are in accordance with the rates approved by this Ordinance.

Section 12. The City shall continue its participation in a coalition of cities known as the Atmos Texas Municipalities ("ATM"), and authorizes intervention in proceedings related to Atmos' Statement of Intent before the Railroad Commission of Texas and related proceedings in courts of law that may have an impact on rates within the City; and

Section 13. Subject to the right to terminate employment at any time, the City continues its engagement of and authorizes the law firm of Herrera Law & Associates, PLLC to act as Special Counsel with regard to rate proceedings involving Atmos before the City, the Railroad Commission of Texas, or any court of law, and to retain such experts as may be reasonably necessary for review of Atmos's rate application in such proceedings and subject to approval by the steering committee of the ATM.

Section 14. Any relief not expressly granted or approved by this Ordinance is expressly denied.

Section 15. A copy of this Ordinance shall be sent to Mr. Alfred R. Herrera, Herrera Law & Associates, PLLC, 816 Congress Ave., Suite 950, Austin, Texas 78701, and a courtesy copy to Atmos's local representative.

Section 16. Atmos shall implement the rates approved by this Ordinance beginning October 4, 2018, for service rendered on and after that date.

Section 17. To the extent of an inconsistency between this Ordinance and a prior ordinance or resolution related to Atmos' rates, this Ordinance governs and supersedes all prior ordinances or resolutions related to Atmos' rates.

Section 18. The meeting at which this Ordinance was approved was in all things conducted in strict compliance with the Texas Open Meetings Act, Texas Government Code, Chapter 551.

Section 19. This Ordinance shall become effective from and after its passage.

PASSED AND APPROVED this 1st day of October, 2018.

Mayor

ATTEST:

City Secretary

EXHIBIT A

EXHIBIT A

Atmos Proposed Increase in Annual Revenue (System Wide – MidTex Division)	ATM City Approved Increase in Annual Revenue (System Wide – MidTex Division)
\$45,993,529	\$12,807,858

Customer Class/Rate	CURRENT	ATMOS: PROPOSED RATE	ATM CITY APPROVED RATE
Rate R - Residential			
Customer Charge per month	\$18.35	\$20.21	\$17.89
Consumption Charge (per CCF)	\$ 0.13734	\$0.15701	\$0.16052
Rate C - Commercial			
Customer Charge per month	\$41.95	\$41.85	\$37.85
Consumption Charge (per CCF)	\$0.08746	\$0.07729	\$0.10081
Rate I & T – Indus. & Transp.			
Customer Charge per month	\$752.00	\$752.00	\$619.85
Consumption Chrg - First 1,500 MMBTU	\$0.3172	\$0.2390	\$0.3655
Consumption Chrg - Next 3,500 MMBTU	\$0.2322	\$0.1901	\$0.2908
Consumption Chrg - Over 5,000 MMBTU	\$0.0498	\$0.0498	\$0.0761

Cost of Capital and Capital Structure			
	Atmos Requested	ATM City Approved	
Return on Equity	10.50%	9.80%	
Cost of Long-Term Debt	5.45%	5.45%	
Cost of Short-Term Debt	1.68%	1.68%	

Capital Structure Ratios		
	Atmos Requested	ATM City Approved
Equity	60.18%	53.81%
Long-Term Debt	39.82%	7.21%
Short-Term Debt	0.0%	38.98%

Weighted Average Cost of Capital (aka, Rate of Return)		
	Atmos Requested	ATM City Approved
Weighted Cost	8.3876%	7.5189%
Pre-Tax Weighted Cost	10.0674%	8.9207%

EXHIBIT B

REVENUE REQUIREMENT SCHEDULES

ATMOS ENERGY CORP., MID-TEX DIVISION
ATM COALITION REVENUE REQUIREMENT SUMMARY
TEST YEAR ENDING DECEMBER 31, 2017

Line No.	Description (a)	Ref. (b)	Atmos Proposed (Note a)		ATM Adjustments	ATM Proposed	Δ	COS
			Rate Base / ROR (c)	Operating Income (d)	(See Schedule B) (e)	Operating Income (f)		
1	Test Year Revenue Requirement:							
2	Revenue at Present Rates	Schedule A		\$ 1,494,918,603	\$ -	\$ 1,494,918,603	-	1,494,918,603
3								
4	GCR			\$ 816,965,570		\$ 816,965,570	-	816,965,570
5								
6	Operation and Maintenance Expenses	Schedule F-1		\$ 188,642,689	\$ (1,299,845)	\$ 187,342,844	-	187,342,844
7								
8	Taxes Other than Income Tax - Non-Revenue Related	Schedule F-5		43,711,991		\$ 43,711,991	-	43,711,991
9								
10	Revenue Related Taxes			96,255,692	(2,054,831)	\$ 94,200,861	-	94,200,861
11								
12	Depreciation and Amortization Expense	Schedule F-3		144,321,772		\$ 144,321,772	-	144,321,772
13								
14	Interest on Customer Deposits	Schedule F-7		117,764		\$ 117,764	-	117,764
14a								
15	Rate Base	Schedule B	\$ 2,573,504,828		(830,856)	2,572,673,972	-	2,572,673,972
16	Atmos Rate of Return	Schedule G	8.388%			7.5189%	0.00%	7.52%
17	ATM Rate of Return							
18	Return Requirement			\$ 215,855,775	\$ (22,418,528)	\$ 193,437,246	-	193,437,246
19								
20	Income and Other Taxes	Schedule F-6		47,913,915	(7,396,426)	40,517,489	-	40,517,489
21								
22	Revenue Requirements	L. 3... L. 20		<u>\$ 1,553,785,168</u>	<u>\$ (33,169,630)</u>	<u>\$ 1,520,615,538</u>	-	1,520,615,537
25								
26	Base Revenue Deficiency (excluding revenue taxes)	L. 22 - L. 2		<u>\$ 58,866,565</u>	<u>\$ (33,169,630)</u>	<u>\$ 25,696,934</u>	\$ -	<u>\$ 25,696,934</u>
27								
28	Amortization of Excess ADIT - with Revenue Taxes			12,873,035	16,041	12,889,076	-	12,889,076
29								
30	Proposed Cost of Service - Systemwide Adjusted for Excess ADIT			<u>\$ 45,993,529</u>	<u>(33,185,671)</u>	<u>\$ 12,807,858</u>	\$ -	<u>\$ 12,807,858</u>

Exhibit MG-2 Summary

ATMOS ENERGY CORP., MID-TEX DIVISION
 ATM RECOMMENDATION SUMMARY
 TEST YEAR ENDING DECEMBER 31, 2017

Line No.	Description	Equity/ ROE	Reference	Rate Base	Pre-Tax ROR	Rate Change
	Requested Amounts			\$ 2,573,504,828	10.0674%	\$ 45,993,529
	Pension and OPEB Regulatory Asset		MG-2.4	\$ (20,861)	10.0674%	(2,100)
	Cash Working Capital		MG-2.1	\$ (66,472)	10.0674%	(6,692)
	Adjustment to ADIT - SEBP Adjustment		MG-2.4	(464,794)	10.0674%	(46,792)
	SEBP EDIT Liability Net Adjustment		MG-2.4	(278,730)	10.0674%	(28,061)
	Excess ADIT Liability, Net of ADIT				10.0674%	-
	NOL ADIT Regulatory Adjustment				10.0674%	-
	NOL EDIT Liability Net Adjustment				10.0674%	-
	Total Rate Base Adjustments			\$ (830,856)		\$ (83,645)
	Capital Structure and ROE	53.81% 9.80%	MG-2.10	\$ 2,572,673,972	-1.1467%	(29,499,831)
	Total Cost of Capital Adjustments					(29,499,831)
	Incentives - Restricted Stock Units		MG-2.2			(306,458)
	Incentives - Annual Incentive Plan		MG-2.3			(488,558)
	Non-Qualified Retirement Plans		MG-2.4			(37,089)
	Injuries and Damages		MG-2.5			(216,667)
	Bad Debt Expense		MG-2.1			(251,073)
	Taxes Other Than Income Tax		MG-2.1			(2,054,831)
	Gross Margin Tax		MG-2.1			(231,477)
	EDIT Amortization SEBP		MG-2.4			(15,047)
	EDIT Amortization @ 12-31-17					-
	EDIT Amortization NOL					-
	EDIT Amortization Flow Through		MG-2.1			(994)
	Total Revenue and Expense Adjustments					\$ (3,602,194)
	Total Revenue Requirement Adjustments					\$ (33,185,671)
	Rate Increase (Decrease)					\$ 12,807,858

Exhibit MG-2.10

ATMOS ENERGY CORP., MID-TEX DIVISION
 COST OF CAPITAL
 TEST YEAR ENDING DECEMBER 31, 2017

Atmos Cost of Capital (Schedule G)

Line No.		Capital Structure	Cost of Capital	Weighted Cost	Tax Gross Up	Pre-Tax Weighted Cost
1	Debt	39.82%	5.20%	2.0686%	1	2.0686%
2	Equity	<u>60.18%</u>	10.50%	<u>6.3190%</u>	1.2658228	<u>7.9988%</u>
3		100.00%		8.3876%		10.0674%

ATM Recommended Capital Structure

		Capital Structure	Cost of Capital	Weighted Cost	Tax Gross Up	Pre-Tax Weighted Cost
4	LT Debt	38.98%	5.45%	2.1244%	1	2.1244%
5	ST Debt	7.21%	1.68%	0.1211%	1	0.1211%
6	Equity	<u>53.81%</u>	9.80%	<u>5.2734%</u>	1.2658228	<u>6.6752%</u>
7		100.00%		7.5189%		<u>8.9207%</u>
8	Difference					<u><u>-1.1467%</u></u>

ATM Recommended ROE and Capital Structure

		Capital Structure	Cost of Capital	Weighted Cost	Tax Gross Up	Pre-Tax Weighted Cost
4	LT Debt	38.98%	5.45%	2.1244%	1	2.1244%
5	ST Debt	7.21%	1.68%	0.1211%	1	0.1211%
6	Equity	<u>53.81%</u>	9.80%	<u>5.2734%</u>	1.2658228	<u>6.6752%</u>
7		100.00%		7.5189%		<u>8.9207%</u>
8	Difference					<u><u>0.0000%</u></u>

COST ALLOCATION

AND

RATE DESIGN SCHEDULES

**ATMOS ENERGY CORP - MID-TEX DIVISION
COMPARISON OF BASE RATE CHARGES**

Line No.	Rate Description (a)	Current Rate (b)	Atmos Proposed (See Note 1)			ATM Proposed (See Note 1)		
			Rate (c)	Incr./Decr. from Current - \$ (d)	Incr./Decr. from Current - % (e)	Rate (f)	Incr./Decr. from Current - \$ (g)	Incr./Decr. from Current - % (h)
1	Rate R - Residential							
2	Customer Charge (per Bill)	\$ 18.35	\$ 20.21	\$ 1.86	10.14%	\$ 17.89	\$ (0.46)	-2.52%
3	Consumption Charge (per Ccf)	0.13734	0.15701	0.01967	14.32%	0.16052	0.02318	16.88%
4	Rate C - Commercial							
5	Customer Charge (per Bill)	\$ 41.95	\$ 41.85	\$ (0.10)	-0.24%	\$ 37.85	\$ (4.10)	-9.78%
6	Consumption Charge (per Ccf)	0.08746	0.07729	(0.01017)	-11.63%	0.10081	0.01335	15.26%
7	Rates I and T - Industrial & Transportation							
8	Meter Charge	\$ 752.00	\$ 750.07	\$ (1.93)	-0.26%	\$ 619.85	\$ (132.15)	-17.57%
9	Consumption Charge - 0 to 1,500 MMBtu	0.3172	0.2390	(0.0782)	-24.65%	0.3655	0.0483	15.21%
10	Consumption Charge - Next 3,500 MMBtu	0.2322	0.1901	(0.0421)	-18.13%	0.2908	0.0586	25.23%
11	Consumption Charge - All Additional MMBtu	0.0498	0.0498	-	0.00%	0.0761	0.0263	52.90%

Note 1: All proposed charges exclude gas costs, riders and Atmos' proposed Rate Case Expense Surcharge

**ATMOS ENERGY CORP., MID-TEX DIVISION
ATM RECOMMENDED RATE CASE EXPENSE SURCHARGE**

	<u>Costs Incurred to Date</u>
<u>ATM Consulting</u>	
Garrett Group	\$ 43,050
GDS Associates, Inc.	33,753
J. Randell Woodridge	2,600
Total ATM Consulting	<u>79,403</u>
<u>ATM Legal</u>	
Herrera Law & Associates, PLLC	36,654
Total ATM Legal	<u>36,654</u>
Total Rate Case Expenses to be Recovered	<u>\$ 116,057</u>
Recovery Period (Years)	<u>5</u>
Annual Recovery	<u>\$ 23,211</u>

<u>Rate Class</u>	<u>ATM Base Rate Revenue</u>		<u>ATM RCE Allocation</u>		<u>Volumetric Billing</u>		<u>RCE Surcharge</u>		<u>Average Monthly</u>		<u>Average Monthly</u>
	<u>Req.</u>				<u>Determinants (1)</u>				<u>Usage</u>		<u>Bill Impact</u>
Residential	\$ 497,923,762	\$	18,825		63,441,015	\$	0.00030		34.60	\$	0.01
Commercial	103,088,213		3,897		35,426,746		0.00011		273.30	\$	0.03
Industrial and Transportation	12,932,750		489		3,554,341		0.0001		4,114.00	\$	0.57
Total	<u>\$ 613,944,726</u>	\$	<u>23,211</u>								

(1) Residential and Commercial volumetric billing determinants are Ccf, I&T determinants are MMBtu.

ATMOS ENERGY CORP - MID-TEX DIVISION
COMPARISON OF REVENUE DISTRIBUTION TO CUSTOMERS

Line No.	Rate Description (a)	Current Revenue (b)	Atmos Proposed			ATM Proposed		
			Revenue (c)	Incr./Decr. from Current - \$ (d)	Incr./Decr. from Current - % (e)	Revenue (f)	Incr./Decr. from Current - \$ (g)	Incr./Decr. from Current - % (h)
1	Rate R - Residential	\$ 447,851,269	\$ 497,926,227	\$ 50,074,958	11.18%	\$ 458,255,829	\$ 10,404,560	2.32%
2	Rate C - Commercial	108,705,970	103,089,082	(5,616,888)	-5.17%	109,855,273	1,149,303	1.06%
3	Rates I and T - Industrial & Transportation	14,243,218	12,932,618	(1,310,600)	-9.20%	14,703,776	460,559	3.23%
4	Total	\$ 570,800,457	\$ 613,947,927	\$ 43,147,470	7.56%	\$ 582,814,879	\$ 12,014,422	2.10%

**ATMOS ENERGY CORP - MID-TEX DIVISION
COMPARISON OF MONTHLY BASE RATE BILL IMPACTS**

Line No.	Rate Description & Usage Level (a)	Current Base Rate Bill Total (b)	Atmos Proposed (See Note 1)			ATM Proposed (See Note 1)		
			Base Rate Bill Total (c)	Incr./Decr. from Current - \$ (d)	Incr./Decr. from Current - % (e)	Base Rate Bill Total (f)	Incr./Decr. from Current - \$ (g)	Incr./Decr. from Current - % (h)
1	Rate R - Residential							
2	0 Ccf	\$ 18.35	\$ 20.21	\$ 1.86	10.14%	\$ 17.89	\$ (0.46)	-2.52%
3	20 Ccf	21.10	23.35	2.25	10.68%	21.10	0.00	0.01%
4	50 Ccf	25.22	28.06	2.84	11.28%	25.91	0.70	2.76%
5	70 Ccf	27.96	31.20	3.24	11.58%	29.12	1.16	4.15%
6	100 Ccf	32.08	35.91	3.83	11.93%	33.94	1.86	5.78%
7	120 Ccf	34.83	39.05	4.22	12.12%	37.15	2.32	6.66%
8	160 Ccf	40.32	45.33	5.01	12.42%	43.57	3.25	8.05%
9	180 Ccf	43.07	48.47	5.40	12.54%	46.78	3.71	8.61%
10	200 Ccf	45.82	51.61	5.79	12.65%	49.99	4.17	9.11%
11	Rate C - Commercial							
12	0 Ccf	\$ 41.95	\$ 41.85	\$ (0.10)	-0.24%	\$ 37.85	\$ (4.10)	-9.78%
13	50 Ccf	46.32	45.71	(0.61)	-1.31%	42.89	(3.43)	-7.41%
14	100 Ccf	50.70	49.58	(1.12)	-2.20%	47.93	(2.77)	-5.46%
15	200 Ccf	59.44	57.31	(2.13)	-3.59%	58.01	(1.43)	-2.41%
16	300 Ccf	68.19	65.04	(3.15)	-4.62%	68.09	(0.10)	-0.14%
17	400 Ccf	76.93	72.77	(4.17)	-5.42%	78.17	1.24	1.61%
18	500 Ccf	85.68	80.50	(5.19)	-6.05%	88.25	2.57	3.00%
19	1,000 Ccf	129.41	119.14	(10.27)	-7.94%	138.65	9.24	7.14%
20	1,500 Ccf	173.14	157.79	(15.36)	-8.87%	189.06	15.92	9.19%
21	2,000 Ccf	216.87	196.43	(20.44)	-9.43%	239.46	22.59	10.42%
22	2,500 Ccf	260.60	235.08	(25.53)	-9.79%	289.86	29.26	11.23%

Note 1: All proposed charges exclude gas costs, riders and Atmos' proposed Rate Case Expense Surcharge

ATMOS ENERGY CORP - MID-TEX DIVISION
REVENUE REQUIREMENT ALLOCATION TO CUSTOMER CLASSES - AT CLASS COST OF SERVICE

Line No.	Revenue Requirement Component (a)	Total (b)	Residential (c)	Commercial (d)	I&T (e)
1	Operating and Maintenance Expenses	\$ 187,342,844	\$ 148,585,126	\$ 33,873,802	\$ 4,883,916
2	Depreciation Expense	144,321,772	113,626,539	27,120,191	3,575,042
3	Taxes Other than Income	43,711,991	34,337,668	8,259,964	1,114,360
4	Interest on Customer Deposits	117,764	83,481	34,283	-
5	Return on Investment	193,437,246	151,754,188	36,747,735	4,935,323
6	Income Taxes	40,517,490	31,786,530	7,697,204	1,033,756
7	Total Cost of Service	\$ 609,449,107	\$ 480,173,532	\$ 113,733,178	\$ 15,542,396
8	Revenue Credits	14,543,619	11,458,645	2,714,077	370,897
9	Amortization of ADFIT	(12,090,609)	(9,481,039)	(2,302,608)	(306,962)
10	Total Revenue Requirement	<u>\$ 582,814,879</u>	<u>\$ 459,233,848</u>	<u>\$ 108,716,493</u>	<u>\$ 14,864,538</u>

ATMOS ENERGY CORP - MID-TEX DIVISION
RATE BASE ALLOCATION TO CUSTOMER CLASSES

Line No.	Revenue Requirement Component (a)	Total (b)	Residential (c)	Commercial (d)	I&T (e)
1	Gross Plant	\$ 4,532,029,129	\$ 3,559,151,661	\$ 858,973,880	\$ 113,903,588
2	Accumulated Depreciation	1,323,023,298	1,042,759,772	247,831,547	32,431,979
3	Net Plant	3,209,005,831	2,516,391,889	611,142,333	81,471,609
4	Cash Working Capital	(26,580,445)	(21,081,449)	(4,806,059)	(692,936)
5	Materials and Supplies	1,053,524	835,570	190,490	27,465
6	Prepayments	17,841,836	14,150,695	3,226,015	465,126
7	Pension Expense Regulatory Asset	941,167	746,457	170,174	24,536
8	Customer Deposits	(12,941,103)	(9,173,792)	(3,767,311)	-
9	Injuries and Damages Reserve	(2,002,505)	(1,588,225)	(362,077)	(52,204)
10	ADFIT & Regulatory Liabilities	(603,948,499)	(473,595,620)	(115,019,577)	(15,333,302)
11	Rate Base Adjustments	(10,695,834)	(8,387,305)	(2,036,979)	(271,550)
12	Total Rate Base	<u>\$ 2,572,673,971</u>	<u>\$ 2,018,298,220</u>	<u>\$ 488,737,009</u>	<u>\$ 65,638,742</u>