

**FILED**<sup>4</sup>

DEC 19 2005

**BEFORE THE  
RAILROAD COMMISSION OF TEXAS**

Missouri Public  
Service Commission

STATEMENT OF INTENT FILED BY §  
ATMOS ENERGY CORPORATION TO §  
CHANGE GAS RATES IN THE §  
ENVIRONS OF AMARILLO, TEXAS §

GAS UTILITIES DOCKET  
NO. 9539

**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. Chapter 551, et seq. (Vernon 1994 & Supp. 2004). The Railroad Commission of Texas adopts the following findings of fact and conclusions of law and orders as follows:

**FINDINGS OF FACT**

1. Atmos Energy Corporation ("Atmos") is a gas utility that owns and operates a natural gas distribution system serving the city of Amarillo and its environs.
2. On August 16, 2003, the city of Amarillo approved rates.
3. Atmos originally sought approval of rates that would have resulted in approximately a \$5,118,000 increase for Amarillo and its environs.
4. The originally proposed rates would have resulted in a rate increase for environs customers of \$233,513.
5. Atmos and the city of Amarillo ultimately agreed to rates that resulted in a rate increase of approximately \$2,825,000.
6. On October 15, 2005, Atmos filed with the Railroad Commission of Texas (Commission) a *Statement of Intent* to increase rates for the environs of Amarillo, Texas.
7. On October 20, 2005, Atmos filed with the Railroad Commission of Texas (Commission) an *Amended Statement of Intent* to increase rates for the environs of Amarillo, Texas.
8. Atmos requested an effective date of November 24, 2004.
9. The last rate case for the environs of Amarillo was conducted in G.U.D. No. 8989, and an order was issued on January 11, 2000.
10. Atmos notified the environs customers by mailing notice to all known and affected environs customers by First Class, United States Mail pursuant to TEX. UTIL. CODE ANN. § 104.102.

See Finding  
of Fact

Exhibit No. 5  
 Case No(s) 64-2006-081 No. 29  
 Date 12-08-05 Rptr RF

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11. A hearing was held at the Commission on limited issues on February 11, 2005.
12. No protests were filed with the Commission regarding the proposed rate increase for Atmos' Amarillo environs customer, and no environs customers requested a hearing or filed a petition to intervene.
13. Atmos proposed changing the tariffs for residential, commercial, small industrial, and public authority customers from block rates to flat rates.
14. Flat rates have been approved by the Railroad Commission in the past and is a reasonable rate design.
15. The rates for environs customers classified as residential customers will consist of a customer charge of \$9.50 and a commodity charge of \$0.07425 per Ccf.
16. The rates for environs customers classified as commercial customers will consist of a customer charge of \$15.00 and a commodity charge of \$0.091 per Ccf.
17. The rates for environs customers classified as small industrial gas service customers will consist of a customer charge of \$50.00 and a commodity charge of \$0.094 per Ccf.
18. The rates for environs customers classified as public authority gas service customers will consist of a customer charge of \$35.00 and a commodity charge of \$0.092 per Ccf.
19. Atmos proposed a Weather Normalization Clause.
20. The Weather Normalization Clause normalizes volumes and revenues for variable weather and is reasonable.
21. Atmos proposes to delete Tariff No. 5377 (Air Conditioning Sales - Outside City Limits).
22. It is reasonable for Atmos to delete Tariff No. 5377 and have customers previously served under that tariff receive service under Atmos' tariff for Residential Service, Tariff No. 5369.
23. A Purchased Gas Adjustment Clause was approved in G.U.D. No. 8989, that allows the direct pass-through of gas cost.
24. Atmos, through its accounting procedures, is able to identify the gas cost portion of uncollectible expense.
25. The Gas Cost Recovery Rule, 16, TEX. ADMIN. CODE ANN. § 7.5519, allows the recovery of part or all of the gas costs of a utility

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26. Adjusting the purchase gas adjustment clause to allow for the recovery of the gas cost portion of uncollectible expense is reasonable.
27. Pursuant to 16 TEX. ADMIN. CODE § 7.315(c)(7) if the rate the utility charges is based on a formula or requires a calculation to determine the unit rate to be charged, the utility shall identify in the tariff all components used in the calculation of the unit rate, including each component of the cost of gas.
28. The Purchase Gas Adjustment tariff, the Gas Cost Rider, proposed by Atmos, does not properly identify all components used in the calculation of the unit rate and should be modified to include the following

More specifically, CF shall be calculated as follows:

$$CF = (a/b) + (c/b)$$

a = over (under) collection dollar amount for the 12 month period ending September.

b = expected estimated sales volumes for the future 12 month period ending November.

c = net uncollectible gas cost, that is:

(uncollectible gas cost for the previous 12 months ended September) - (subsequently collected gas cost for the previous 12 months ended September)

29. Allowing the gas cost portion of uncollectible expenses to be recovered through the purchased gas adjustment clause will allow for a more timely recovery of uncollectible expenses in the short run, and may, in the long run, reduce the need for Atmos to seek frequent rate reviews.
30. Pursuant 16 TEX. ADMIN. CODE ANN. § 7.5519(c) the Commission shall determine in each case the necessary reporting, filing, and other procedures to be followed by a gas utility implementing a purchased gas adjustment clause.
31. The city of Amarillo is the only municipal jurisdiction in Texas allowing the purchase gas adjustment clause to be modified to allow the recovery of the gas cost portion of uncollectible expenses.

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32. The Railroad Commission of Texas has not previously approved the purchase gas adjustment clause to be modified to allow the recovery of the gas cost portion of uncollectible expenses.
33. Accordingly, it is reasonable to require Atmos to file an initial report thirty (30) days after the issuance of an order in this case summarizing the company's policy and procedures for recovering uncollectible expenses.
34. All key terms in the report must be clearly defined, such as "status, age, and collectibility" of an account and the delinquent bill process must be clearly defined.
35. Further, it is reasonable to require Atmos to notify the Commission any time its policy and procedures for recovering uncollectible expenses changes, within thirty (30) days of those changes.
36. Additionally, it is reasonable to require Atmos to file a report highlighting any changes in the policy and procedures regarding its collection of uncollectible expense.
37. Finally, Atmos shall file annually a summary report indicating uncollected expenses, uncollected margin, uncollected gas cost, uncollected taxes, subsequent collected gas costs, and subsequent collected margin. The report shall be filed electronically and in Excel format.
38. The annual report shall be filed with the Audit Section of the Railroad Commission to be included with that annual Gas Cost Adjustment (GCA) reconciliation filing.
39. The depreciation rates as proposed by Atmos, approved by the city of Amarillo, and attached as Exhibit A, Depreciation Schedules WP 6-1, WP 6-2, WP 6-3, and WP 6-4, are reasonable in this case and should be adopted.
40. A cost of long term debt for Atmos of 7.77% is reasonable.
41. A cost of common equity for Atmos of 12.00% is reasonable.
42. An overall rate of return of 9.88%, attached as Exhibit A, Schedule 9, is reasonable.
43. Total Rate Base as calculated in Exhibit A, Schedule 7 is reasonable.
44. The calculation of Taxes Other than Income Taxes, as calculated in Exhibit A, Schedule 5 are reasonable.
45. The cost of service summary, as calculated in Exhibit A, Schedule 1, is reasonable.

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10. The rates, operations, and services established in this docket are just and reasonable to customers and to the utilities, as expressed under TEX. UTIL. CODE ANN. §101.002 (Vernon 1998 and Supp. 2004-2005).
11. Section 7.5525 of the Railroad Commission rules, referring to Lost and Unaccounted for Gas, does not allow for known volumes to be included in Lost and Unaccounted for Gas. TEX. ADMIN. CODE § 7.5519 (West, 2004).
12. The revenue, rates, rate design and service charges in the findings of fact are just and reasonable; are not unreasonably preferential, prejudicial, or discriminatory; and are sufficient, equitable, and consistent in application to each class of consumer, as required by TEX. UTIL. CODE ANN. §104.003 (Vernon 1998).
13. The revenue, rates, and rate design established in the findings of fact and attached schedules are reasonable; fix an overall level of revenues for Atmos that will permit Atmos a reasonable opportunity to earn a reasonable return on invested capital used and useful in rendering service to the public over and above reasonable and necessary operating expenses, within the meaning and intent of TEX. UTIL. CODE ANN. §104.051 and §104.052 (Vernon 1998); and otherwise comply with Chapter 104 of the Texas Utilities Code).
14. TEX. UTIL. CODE ANN. §104.107 (Vernon 1998 and Supp. 2004-2005) provides the Commission's authority to suspend the operation of the schedule of proposed rates for 150 days from the date the schedule would otherwise go into effect.
15. In accordance with TEX. UTIL. CODE ANN. §104.103 (Vernon 1998), 16 TEX. ADMIN. CODE § 7.230 (2002), and 16 TEX. ADMIN. CODE § 7.235 (2002), adequate notice was properly provided.
16. The Commission's decision, under 16 TEX. ADMIN. CODE § 7.5519 (2002), whether to allow a utility to recover gas cost through a purchased gas adjustment is discretionary.
17. It is reasonable for the Commission to allow Entex to include a purchased gas adjustment clause in its rates to provide for the flow through of part or all of its gas costs, under 16 TEX. ADMIN. CODE § 7.5519 (2002).

**IT IS FURTHER ORDERED** that the rates and rate design reflected in the findings of fact, in the Tariffs attached and conclusions of law are **APPROVED**.

**IT IS FURTHER ORDERED** that Atmos shall file tariffs incorporating rates consistent with this Order within thirty days of the date of this Order.

**IT IS THEREFORE ORDERED BY THE RAILROAD COMMISSION OF TEXAS THAT** Atmos' rates as requested and to the extent recommended to be approved in the finding of

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fact and conclusions of law are **HEREBY APPROVED** to be effective for gas and services provided on and after the date of this order.

**IT IS FURTHER ORDERED** that **ATMOS SHALL** include in its purchase gas adjustment only its reasonable and necessary gas purchase expenditures and an adjustment to recover the gas cost portion of its uncollectible expenses and that the reasonableness and prudence of Atmos' gas purchases pursuant to its Gas Cost Adjustment Rider "B" may be subject to an adjustment and potential refund in a subsequent proceeding.

**IT IS FURTHER ORDERED** that **ATMOS SHALL** file an initial report thirty (30) days after the issuance of this Final Order summarizing the company's policy and procedures for recovering uncollectible expenses and all key terms in the report shall be clearly defined, in addition Atmos shall provide a detailed description of the current delinquent bill process.

**IT IS FURTHER ORDERED** that Atmos shall notify the Commission any time the policy and procedures for recovering uncollectible expenses change and Atmos shall annually file a summary report indicating uncollected expenses, uncollected margin, uncollected gas cost, uncollected taxes, subsequent collected gas costs, and subsequent collected margin. The report shall be filed electronically with the Audit Section of the Railroad Commission and Atmos shall maintain detailed information that will allow the Commission to audit the operation of the proposed uncollectible gas cost recovery clause.

**IT IS FURTHER ORDERED** that the proposed findings of fact and conclusions of law not specifically adopted herein are **DENIED**. **IT IS ALSO ORDERED** that each exception to the Examiners' Proposal for Decision not expressly granted herein is overruled and all pending motions and requests for relief not previously granted herein are hereby **DENIED**.

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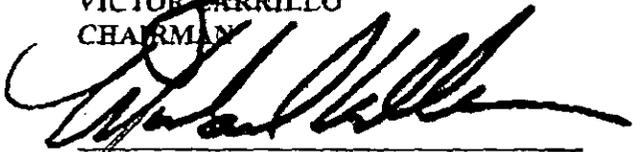
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This Order will not be final and effective until 20 days after a party is notified of the Commission's order. A party is presumed to have been notified of the Commission's order three days after the date on which the notice is actually mailed. If a 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

SIGNED this 8<sup>th</sup> day of March, 2005.

RAILROAD COMMISSION OF TEXAS

  
VICTOR CARRILLO  
CHAIRMAN

  
MICHAEL L. WILLIAMS  
COMMISSIONER

  
ELIZABETH A. JONES  
COMMISSIONER

ATTEST

  
KIM WILLIAMSON  
SECRETARY