

Memorandum



CITY OF DALLAS

DATE February 10, 2021

TO Honorable Mayor and Members of the City Council

SUBJECT **Proposed Gas Rate Changes**

Two separate legal entities that provide gas service to residential customers in Dallas have filed requests with the City to change their rates. The first request from Atmos Pipeline-Texas (APT) does not require City Council approval and is included as an informational item only. Atmos Energy Corporation, Mid-Tex Division (Atmos) filed the second request under the Dallas Annual Rate Review (DARR) tariff mechanism. It will require City Council action later this year. Please find additional details on both proposals below.

Atmos Pipeline-Texas (APT)

On December 18, APT filed a request with the City to voluntarily reduce its rates with the Railroad Commission of Texas, which has original jurisdiction over pipeline rates in the state, by accelerating a portion of its excess deferred income taxes (EDIT). A copy of the filing is attached for reference.

As you may recall, the 2017 Tax Cuts and Jobs Act reduced the corporate income tax rate to 21 percent from 35 percent. The EDIT represents amounts collected from ratepayers when the tax rate was 35 percent. The tax deductions giving rise to the EDIT will theoretically reverse at some point, requiring APT to repay more in taxes than it will be collecting in rates. However, when APT pays back those taxes, it will pay them at the lower rate of 21 percent. The “excess” deferred taxes represent this difference.

The Internal Revenue Code requires the largest portion of those excess taxes be refunded over the life of the plant investment related to the deduction (“protected EDIT”). However, based on recent guidance from the IRS, APT determined approximately \$112 million is not protected and can be refunded over a shorter period. APT proposes to refund that amount over a three-year period at \$37.5 million per year. Of that amount, most will be refunded to Mid-Tex and flow through to Mid-Tex customers, including in Dallas (approximately \$6.5-7 million annually). The reduction will be in the cost of gas portion of the customer’s bill, and the amount each customer receives will depend on their gas usage.

APT is making this request pursuant to Utilities Code Sec. 104.111, which allows an administrative reduction without a full rate case if all parties to APT’s last rate case—Railroad Commission Gas Utilities Docket 10580—agree. Dallas was a party to that case, and APT provided a consent form to be executed by the City. Please note, per Paragraph C of the form, consent does not bind the City in future proceedings and the

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voluntary rate reduction is subject to review in APT's next rate case, which we expect it to file no later than June 2023.

APT is not required to reduce rates at this moment, but the next full rate case would have captured these savings. Implementing the rate reduction now passes savings on to customers at a time when many are struggling to pay their bills and simplifies APT's accounting by eliminating the need to track savings for the next three years until it files the next rate case.

The City's outside consultants and legal counsel have reviewed the filing and determined the requested reduction is reasonable and in customers' best interests. The City Attorney's Office will execute the settlement on behalf of the City.

Atmos Energy Corporation, Mid-Tex Division (Atmos)

On January 15, Atmos filed a request with the City under the DARR tariff mechanism to increase rates effective June 1, 2021. Atmos requested a \$17 million increase in annual revenue—a monthly increase of 8.16 percent, or \$5.09, for the average residential customer.

Staff is reviewing the filing with the City's gas rate consultant and outside legal counsel. We plan to brief the City Council on May 19 and make recommendations for action on May 26. The statutory deadline for the City Council to act is May 28.

If you have any questions about either of these proposals, please contact me or Nick Fehrenbach, Manager of Regulatory Affairs and Utility Franchising in Budget and Management Services.



M. Elizabeth Reich
Chief Financial Officer

[Attachment]

c: T.C. Broadnax, City Manager
Chris Caso, City Attorney
Mark Swann, City Auditor
Billierae Johnson, City Secretary
Preston Robinson, Administrative Judge
Kimberly Bizer Tolbert, Chief of Staff to the City Manager

Majed A. Al-Ghafry, Assistant City Manager
Jon Fortune, Assistant City Manager
Joey Zapata, Assistant City Manager
Dr. Eric A. Johnson, Chief of Economic Development and Neighborhood Services
M. Elizabeth (Liz) Cedillo-Pereira, Chief of Equity and Inclusion
Directors and Assistant Directors



December 15, 2020

Ms. Kari French,
Director, Market Oversight and Safety Division
Railroad Commission of Texas
Gas Services Division
P.O. Box 12967
Austin, Texas 78711-2967

Re: *Atmos Pipeline – Texas’ Notice of Intent to Reduce Base Rates Established in GUD No. 10580, as previously adjusted, pursuant to Section 104.111 of the Gas Utility Regulatory Act*

Dear Ms. French:

Effective January 1, 2018, the Tax Cuts and Jobs Act of 2017 (“the Act”) reduced the federal corporate tax rate from 35% to 21%. That tax rate reduction reduced the value of the deferred taxes used to reduce rate base in GUD No. 10580. Internal Revenue Service regulations require Atmos Pipeline - Texas (“APT”) to reduce its rates on a normalized basis in order to provide cost of service customers with the benefit of the reduction in the value of the deferred taxes. The reduction in the value of the deferred taxes is commonly referred to as “Excess Deferred Taxes”. APT is pleased to notify the Commission of its intent to reduce the cost of service rates charged to customers under tariff Rate CGS-Mid-Tex, Rate CGS-Other,¹ and Rate PT to reflect the excess deferred taxes resulting from the reduction in the federal corporate tax rate from 35% to 21%.

The rates, terms and conditions reflected in the tariffs attached to this correspondence as Exhibit A will be effective for bills rendered on or after January 1, 2021, unless the Commission’s approval of this reduction is delayed beyond that date. These tariffs apply to services on Atmos Pipeline’s system within the Commission’s original jurisdiction and are being filed pursuant to Section 104.111 of the Gas Utility Regulatory Act (“GURA”), which provides for administrative approval of a decrease in rates proposed by the Company without regard to the cost of service standard prescribed by Section 104.051. By utilizing this provision of GURA, the Company is able to pass on the savings associated with the federal corporate tax reduction to its customers without having to file a comprehensive statement of intent rate proceeding under Subchapter C of GURA.

¹ The term “Rate CGS – Other” refers to the Rate Schedule CGS and tariffs for CoServ Gas, WTG Marketing, Inc., the City of Rising Star, the City of Navasota, Corix Utilities (Texas), Inc., Texas Gas Service Co., the City of Winona, Terra Gas Supply and Other City Gate Service Customers, except Mid-Tex.

As shown in Exhibit B to this correspondence, the rates, terms and conditions reflected in the attached tariffs will, upon taking effect, decrease the amount of revenues APT annually recovers by \$37,513,517 as compared to the amount allowed under currently approved rates. As also shown on Exhibit B, the decrease is based on the average reduction in rates that would be experienced if the rates were adjusted annually for the amortization of the excess deferred taxes until the next rate case is anticipated to be completed.

As required under Section 104.111 of GURA, APT is seeking consents from the parties to GUD Docket No. 10580. Consents received after the date of this filing will be provided to the Commission as soon as possible for inclusion as Exhibit C.

Once APT obtains all the consents of the parties to GUD No. 10580, it will have met the requirements of Section 104.111 of GURA. Therefore, APT requests administrative approval of the attached Tariffs as soon as possible once all of the consents have been received. Please do not hesitate to contact me if you have any questions.

Sincerely,



Charles R. Yarbrough II

**ATMOS PIPELINE-TEXAS
ATMOS ENERGY CORPORATION**

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

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	\$ 8.40781 per MMBtu of MDQ ¹
Capacity Charge related to Mid-Tex Working Gas	\$ 0.38317 per MMBtu of MDQ
Annual Rider REV Adjustment	\$ (1.32157) per MMBtu of MDQ
Interim Rate Adjustment ("IRA")	\$ 4.61823 per MMBtu of MDQ ²
Total Capacity Charge	\$ 12.08764 per MMBtu of MDQ
Usage	\$ 0.02785 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.

¹ The Capacity Charge per MMBtu will be adjusted annually as calculated pursuant to Rider REV.
² 2016 IRA - \$0.81992(GUD 10652) revised to \$0.74102 (GUD 10704); 2017 IRA - \$1.17274; 2018 IRA - \$1.35723; 2019 IRA - \$1.34724.

**ATMOS PIPELINE-TEXAS
ATMOS ENERGY CORPORATION**

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

MDQ Adjustment: If Shipper's daily usage on any day exceeds Shipper's MDQ as set forth herein by 10% or more, then Shipper's MDQ will be increased to equal such daily usage up to the firm capacity available through the then existing APT facilities. The effective date of such increase in the MDQ will be the first day of the calendar month following the day on which Shipper's daily usage exceeded Shipper's MDQ by 10% or more.

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 – Mid-Tex, 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, WTG Marketing, Inc., the City of Rising Star, the City of Navasota, the City of Winona, Corix Utilities (Texas), Inc., Terra Gas Supply, Texas Gas Service Co., and Other City Gate Service Customers, except Mid-Tex	
EFFECTIVE DATE:		

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	\$ 8.40781 per MMBtu of MDQ ¹
Annual Rider REV Adjustment	\$ (1.32157) per MMBtu of MDQ
Interim Rate Adjustment ("IRA")	\$ 4.61823 per MMBtu of MDQ ²
Total Capacity Charge	\$ 11.70447 per MMBtu of MDQ
Usage	\$ 0.02785 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.

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

² Interim Rate Adjustment of \$0.81992 (GUD 10652) revised to \$0.74102 (GUD 10704); 2017 IRA - \$1.17274; 2018 IRA - \$1.35723; 2019 IRA - \$1.34724.

**ATMOS PIPELINE-TEXAS
ATMOS ENERGY CORPORATION**

RATE SCHEDULE:	CGS – OTHER	
APPLICABLE TO:	CoServ, WTG Marketing, Inc., the City of Rising Star, the City of Navasota, the City of Winona, Corix Utilities (Texas), Inc., Terra Gas Supply, Texas Gas Service Co., and Other City Gate Service Customers, except Mid-Tex	
EFFECTIVE DATE:		

MDQ Adjustment: If Shipper's daily usage on any day exceeds Shipper's MDQ as set forth herein by 10% or more, then Shipper's MDQ will be increased to equal such daily usage up to the firm capacity available through the then existing APT facilities. The effective date of such increase in the MDQ will be the first day of the calendar month following the day on which Shipper's daily usage exceeded Shipper's MDQ by 10% or more.

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 - Other, 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:		

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	\$ 4.18756 per MMBtu of MDQ ¹
Annual Rider REV Adjustment	\$ (1.04228) per MMBtu of MDQ
Interim Rate Adjustment ("IRA")	\$ 2.70873 per MMBtu of MDQ ²
Total Capacity Charge	\$ 5.85401 per MMBtu of MDQ
Usage	\$ 0.01325 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 Interim Rate Adjustment of \$0.41672 (GUD 10652) revised to \$0.37663 (GUD 10704); 2017 IRA - \$0.67366; 2018 IRA - \$0.81950; 2019 IRA - \$0.83894.

**ATMOS PIPELINE-TEXAS
ATMOS ENERGY CORPORATION**

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

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.

Curtailed 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.

**ATMOS PIPELINE-TEXAS
ATMOS ENERGY CORPORATION**

RATE SCHEDULE:	CGS – MID-TEX	
APPLICABLE TO:	Mid-Tex	
EFFECTIVE DATE:	11/01/2020	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	\$ 9.433038 <u>12.08764</u> per MMBtu of MDQ ¹
Capacity Charge related to Mid-Tex Working Gas	\$ 0.38317 per MMBtu of MDQ
Annual Rider REV Adjustment	\$ (1.32157) per MMBtu of MDQ
Interim Rate Adjustment ("IRA")	\$ 4.61823 per MMBtu of MDQ ²
Total Capacity Charge	\$ 13.11286 <u>12.08764</u> per MMBtu of MDQ
Usage	\$ 0.02785 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.

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

² 2016 IRA - \$0.81992(GUD 10652) revised to \$0.74102 (GUD 10704); 2017 IRA - \$1.17274; 2018 IRA - \$1.35723; 2019 IRA - \$1.34724.

**ATMOS PIPELINE-TEXAS
ATMOS ENERGY CORPORATION**

RATE SCHEDULE:	CGS – MID-TEX	
APPLICABLE TO:	Mid-Tex	
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MDQ Adjustment: If Shipper's daily usage on any day exceeds Shipper's MDQ as set forth herein by 10% or more, then Shipper's MDQ will be increased to equal such daily usage up to the firm capacity available through the then existing APT facilities. The effective date of such increase in the MDQ will be the first day of the calendar month following the day on which Shipper's daily usage exceeded Shipper's MDQ by 10% or more.

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 – Mid-Tex, 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, WTG Marketing, Inc., the City of Rising Star, the City of Navasota, the City of Winona, Corix Utilities (Texas), Inc., Terra Gas Supply, Texas Gas Service Co., and Other City Gate Service Customers, except Mid-Tex	
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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	\$ 9.433038 <u>8.40781</u> per MMBtu of MDQ ¹
Annual Rider REV Adjustment	\$ (1.32157) per MMBtu of MDQ
Interim Rate Adjustment ("IRA")	\$ 4.61823 per MMBtu of MDQ ²
Total Capacity Charge	\$ 12.72969 <u>11.70447</u> per MMBtu of MDQ
Usage	\$ 0.02785 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.

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

² Interim Rate Adjustment of \$0.81992 (GUD 10652) revised to \$0.74102 (GUD 10704); 2017 IRA - \$1.17274; 2018 IRA - \$1.35723; 2019 IRA - \$1.34724.

**ATMOS PIPELINE-TEXAS
ATMOS ENERGY CORPORATION**

RATE SCHEDULE:	CGS – OTHER	
APPLICABLE TO:	CoServ, WTG Marketing, Inc., the City of Rising Star, the City of Navasota, the City of Winona, Corix Utilities (Texas), Inc., Terra Gas Supply, Texas Gas Service Co., and Other City Gate Service Customers, except Mid-Tex	
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MDQ Adjustment: If Shipper's daily usage on any day exceeds Shipper's MDQ as set forth herein by 10% or more, then Shipper's MDQ will be increased to equal such daily usage up to the firm capacity available through the then existing APT facilities. The effective date of such increase in the MDQ will be the first day of the calendar month following the day on which Shipper's daily usage exceeded Shipper's MDQ by 10% or more.

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

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Agreement

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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 - Other, 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:	11/01/2020	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	\$ 4.836814 .18756 per MMBtu of MDQ ¹
Annual Rider REV Adjustment	\$ (1.04228) per MMBtu of MDQ
Interim Rate Adjustment ("IRA")	\$ 2.70873 per MMBtu of MDQ ²
Total Capacity Charge	\$ 6.503265 .85401 per MMBtu of MDQ
Usage	\$ 0.01325 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 Interim Rate Adjustment of \$0.41672 (GUD 10652) revised to \$0.37663 (GUD 10704); 2017 IRA - \$0.67366; 2018 IRA - \$0.81950; 2019 IRA - \$0.83894.

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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.

Curtailed 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.

Atmos Energy Corporation
Atmos Pipeline - Texas ("APT")
Excess Deferred Income Tax Amortization ("EDIT")

Line No.	Description	Protected	Unprotected	Total Protected and Unprotected	Total
	(a)	(b)	(c)	(d)	(e)
1	Regulatory Liability	\$ (89,223,396)	\$ (106,616,652)	\$ (195,840,048)	
2	Amortization Period (years) (1)	27	3		
3	Annual Regulatory Liability Amortization (Ln 1/Ln 2)	<u>\$ (3,304,570)</u>	<u>\$ (35,538,884)</u>	<u>\$ (38,843,454)</u>	
4					
5					
6	Regulatory Liability	\$ (89,223,396)	\$ (106,616,652)	\$ (195,840,048)	
7	Deferred Tax Asset ("DTA") Gross-Up Factor	22.817%	22.817%	22.817%	
8	Total DTA (Ln 6 * Ln 7)	<u>\$ (20,358,102)</u>	<u>\$ (24,326,721)</u>	<u>\$ (44,684,824)</u>	
9	Amortization Period (Years) (1)	27	3	NA	
10	Annual Amortization of DTA Gross-Up (Ln 8/Ln 9)	<u>\$ (754,004)</u>	<u>\$ (8,108,907)</u>	<u>\$ (8,862,911)</u>	
11					
12	<u>Rate Base Impact</u>			36 Month Amortization Calculation	
13	Mid-point Increase to Rate Base			\$ 58,265,181	
14	Decrease in DTA Gross-Up (Ln 13 * Ln 7)			13,294,366	
15	Net Annual Increase to Rate Base (Ln 13 - Ln 14)			<u>\$ 44,970,815</u>	
16	Rate of Return per GUD No. 10580 Final Order			8.872%	
17	Return on Rate Base Increase (Ln 15 * Ln 16)			<u>\$ 3,989,811</u>	
18	Annual Regulatory Liability Amortization (Ln 3, Col (d)) 2021			(38,843,454)	
19	Annual Regulatory Liability Amortization (Ln 3, Col (d)) 2022			(38,843,454)	
20	Annual Regulatory Liability Amortization (Ln 3, Col (d)) 2023			(38,843,454)	
21	Total Amortization to Include in Rate Base (Sum Lns 17 through 20)			<u>\$ (112,540,552)</u>	
22	Average Annual Amortization (Ln 21/3)			<u>\$ (37,513,517)</u>	

Atmos Energy Corporation
Atmos Pipeline - Texas ("APT")
Excess Deferred Income Tax Amortization ("EDIT")

Line No.	Description	Protected	Unprotected	Total Protected and Unprotected	Total
	(a)	(b)	(c)	(d)	(e)
23					
		Class Allocation (GUD No. 10580)(2)	Average Annual Amortization by Class	Annual MDQs (3)	Adjustment to Rates
24	Tariff Rate Change Calculation				
25	Rate CGS	97.38%	\$ (36,532,088)	35,633,388	\$ (1.02522)
26	Rate PT	2.62%	(981,429)	1,511,628	\$ (0.64925)
27	Total (Ln 25 + Ln 26)	<u>100.000%</u>	<u>\$ (37,513,517)</u>	<u>37,145,016</u>	
28					
		Current Rates (3)	Rate Adjustment	Proposed Rates	
29	Customer Class				
30	Rate CGS - Mid-Tex	\$ 13.11286	\$ (1.02522)	\$ 12.08764	
31	Rate CGS - Other	\$ 12.72969	\$ (1.02522)	\$ 11.70447	
32	Rate PT	\$ 6.50326	\$ (0.64925)	\$ 5.85401	
33					
34	Notes:				
35	1. The amortization period is per the Reverse South Georgia Method. The amortization period is 27 years for protected property and 3 years for the unprotected property.				
36	2. The Class Allocation is per GUD No. 10580, Finding of Fact 11.				
37	3. Current Rates and monthly MDQs (times 12) are per the approved Rider Rev filing GUD No. 10999.				

Consent Form

- A. Consenting Party has been made aware of an annual voluntary rate reduction in the amount of \$37,513,517.00 by Atmos Pipeline - Texas (“APT”) related to the reduction in the value of deferred taxes resulting from the Tax Cuts and Jobs Act of 2017. These savings will be allocated back to APT’s customers on a monthly basis consistent with the Cost Allocation methodology established in GUD 10580 in the first billing month following administrative approval by the regulatory authority of the decrease in rates and ending with December 2024 bills.
- B. Consenting Party hereby consents to the rate reduction being made by APT pursuant to Section 104.111 of the Texas Utilities Code.
- C. Further, Consenting Party and APT agree that: (a) by consenting to this form, Consenting Party is under no obligation to take the same positions with regard to the methodology resulting in a reduction in rates as the methodology underlying the reduction noted above, in future proceedings or in other jurisdictions; (b) the Consenting Party’s consent shall not be used against Consenting Party in any future proceeding with respect to different positions unrelated to the reduction in rates that is the subject of this Consent Form that Consenting Party may take; and (c) the voluntary rate reduction is subject to review for reasonableness and accuracy in APT’s next statement of intent proceeding.

Consenting Party

By: _____
Representative

Date