Atmos Energy Corporation, Mid-Texas Division 2016 Rate Review Mechanism (RRM) Related Attachments (in part) for the May 24, 2016, City of Bryan City Council CAF (Council Action Form)

Atmos Energy letter dated March 1, 2016, and supporting documentation

ATMOS energy

RECEIVED

MAR 17 2016

CITY MANAGER'S OFFICE
CITY OF BRYAN

Chris Felan
Vice President
Rates & Regulatory Affairs

March 1, 2016

To the Honorable Mayor and City Manager

Re: Atmos Energy Corporation's 2016 Rate Review Mechanism Filing

Dear Mayor and City Manager,

Through this correspondence, Atmos Energy Corporation, Mid-Tex Division's ("Atmos Energy" or "the Company") wishes to notify you that the Company has submitted its fourth filing under the Rider RRM - Rate Review Mechanism Tariff. Consistent with our agreement, this filing has been served on the attorney for your coalition. If you desire a CD or a printed copy of the filing, you can contact your local Manager of Public Affairs to obtain a copy. We have also attached an Executive Summary to the cover letter, which highlights the details of the 2016 RRM Filing.

This RRM filing represents a requested increase in annual revenue of approximately $28.9 million. This represents a monthly increase of $1.52 for the average residential customer.

The RRM filing documents and schedules have been provided to your representative. As part of the filing, we have included updated tariffs for Rates R, C, I and T and Rider WNA. In addition, per the RRM Agreement, we have included Minimum Filing Requirements (MFR) as part of this filing. The MFRs consists of information that is typically requested by the interveners during the discovery process. We stand ready to respond to your requests for information during the review process and hope that we will be able to continue the cooperative nature established in the previous RRM filings. The goal is to reach a mutual agreement that fairly balances the needs of the Company and the needs of the customer.

The Company proposes to make the new rates effective on June 1, 2016 and is committed to working with your representative to answer any questions regarding the filing during the interim. Should you have any specific questions, please forward them to your local Manager of Public Affairs or to my attention.

Atmos Energy Corporation
5420 LBJ Freeway, Suite 1862
Dallas, TX 75240
P 214-206-2568 F 214-206-2126 Christopher.Felan@atmosenergy.com

In closing, I want to say again how much Atmos Energy appreciates your City's willingness to work with the Company. We look forward to continuing this cooperative spirit as you review the Company's filing.

Sincerely,

Chris Felan

Chris Felan

Attachment:

Executive Summary

Atmos Energy Corporation
5420 LBJ Freeway, Suite 1862
Dallas, TX 75240
P 214-206-2568 F 214-206-2126 David.Park@atmosenergy.com

Atmos Energy Corporation - Mid-Tex Division
Executive Summary
2016 RRM Filing
March 2016

- Atmos Energy Corporation, Mid-Tex Division (the "Company") reached an agreement with 441 of the 442 cities by July 2013 to establish a new Rate Review Mechanism (RRM). The RRM is a systematic process collaboratively developed by the Company and the City Coalitions ("Cities"), specifying how rates will be set over a specified period of time.

- Benefits of the RRM
  - Suspends GRIP filings
  - Avoids cost of litigation that would be borne by customers
  - Provides transparent process for annual review of all Company expenses and investment
  - Provides $3 million discount to the annual system-wide cost of service
  - Provides additional $5.0 million discount due to cap on equity
  - Limits future growth of the residential customer charge

- The Company submitted its fourth filing under the new RRM to each of its Cities or their representative on March 1, 2016. The filing package supports an increase in rates of:
  - Average Residential customer using 46.8 Ccf a month will have an increase of $1.52/month, 2.92% overall
  - Average Commercial customer using 376.4 Ccf a month will have an increase of $4.58/month, 1.71% overall
  - Average Industrial/Transportation customer using 4,379 MMBtu a month will have an increase of $123.64, 2.39% overall for Industrial and 3.37% for Transportation customers overall.

The Company has calculated the change in rates based on the requirements set forth in its Rider RRM, which includes agreed-upon rate design, exclusions, and cost of service adjustments.

- What is next?
  - Collaborative effort between the Company and the Cities' consultants in reviewing the filing.
  - Company and City Representatives/Consultants will review and agree on final rates to be implemented on June 1, 2016.

Tariff information as provided by Atmos Texas Municipalities consultants

(Attachment A to the proposed resolution)

RATE SCHEDULE:	R – RESIDENTIAL SALES	
APPLICABLE TO:	ALL CUSTOMERS IN THE MID-TEX DIVISION EXCEPT THE CITY OF DALLAS AND UNINCORPORATED AREAS	
EFFECTIVE DATE:	Bills Rendered on or after 06/01/2016	PAGE: 12

Application
Applicable to Residential Customers for all natural gas provided at one Point of Delivery and measured through one meter.

Type of Service
Where service of the type desired by Customer is not already available at the Point of Delivery, additional charges and special contract arrangements between Company and Customer may be required prior to service being furnished.

Monthly Rate
Customer's monthly bill will be calculated by adding the following Customer and Ccf charges to the amounts due under the riders listed below:

Charge	Amount
Customer Charge per Bill	$ 19.10 per month
Rider CEE Surcharge	$ 0.02 per month[1]
Total Customer Charge	$ 19.12 per month
Commodity Charge – All Ccf	$0.11378 per Ccf

Gas Cost Recovery: Plus an amount for gas costs and upstream transportation costs calculated in accordance with Part (a) and Part (b), respectively, of Rider GCR.

Weather Normalization Adjustment: Plus or Minus an amount for weather normalization calculated in accordance with Rider WNA.

Franchise Fee Adjustment: Plus an amount for franchise fees calculated in accordance with Rider FF. Rider FF is only applicable to customers inside the corporate limits of any incorporated municipality.

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

Surcharges: Plus an amount for surcharges calculated in accordance with the applicable rider(s).

Agreement
An Agreement for Gas Service may be required.

Notice
Service hereunder and the rates for services provided are subject to the orders of regulatory bodies having jurisdiction and to the Company's Tariff for Gas Service.

[1]Reference Rider CEE - Conservation and Energy Efficiency as approved in GUD 10170. Surcharge billing effective July 1, 2015.

RATE SCHEDULE:	C – COMMERCIAL SALES	
APPLICABLE TO:	ALL CUSTOMERS IN THE MID-TEX DIVISION EXCEPT THE CITY OF DALLAS AND UNINCORPORATED AREAS	
EFFECTIVE DATE:	Bills Rendered on or after 06/01/2016	PAGE: 13

Application
Applicable to Commercial Customers for all natural gas provided at one Point of Delivery and measured through one meter and to Industrial Customers with an average annual usage of less than 30,000 Ccf.

Type of Service
Where service of the type desired by Customer is not already available at the Point of Delivery, additional charges and special contract arrangements between Company and Customer may be required prior to service being furnished.

Monthly Rate
Customer's monthly bill will be calculated by adding the following Customer and Ccf charges to the amounts due under the riders listed below:

Charge	Amount
Customer Charge per Bill	$ 41.75 per month
Rider CEE Surcharge	$ 0.02 per month[1]
Total Customer Charge	$ 41.77 per month
Commodity Charge – All Ccf	$ 0.08494 per Ccf

Gas Cost Recovery: Plus an amount for gas costs and upstream transportation costs calculated in accordance with Part (a) and Part (b), respectively, of Rider GCR.

Weather Normalization Adjustment: Plus or Minus an amount for weather normalization calculated in accordance with Rider WNA.

Franchise Fee Adjustment: Plus an amount for franchise fees calculated in accordance with Rider FF. Rider FF is only applicable to customers inside the corporate limits of any incorporated municipality.

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

Surcharges: Plus an amount for surcharges calculated in accordance with the applicable rider(s).

Agreement
An Agreement for Gas Service may be required.

Notice
Service hereunder and the rates for services provided are subject to the orders of regulatory bodies having jurisdiction and to the Company's Tariff for Gas Service.

1 Reference Rider CEE - Conservation and Energy Efficiency as approved in GUD 10170. Surcharge billing effective July 1, 2015.

RATE SCHEDULE:	I – INDUSTRIAL SALES	
APPLICABLE TO:	ALL CUSTOMERS IN THE MID-TEX DIVISION EXCEPT THE CITY OF DALLAS AND UNINCORPORATED AREAS	
EFFECTIVE DATE:	Bills Rendered on or after 06/01/2016	PAGE: 14

Application
Applicable to Industrial Customers with a maximum daily usage (MDU) of less than 3,500 MMBtu per day for all natural gas provided at one Point of Delivery and measured through one meter. Service for Industrial Customers with an MDU equal to or greater than 3,500 MMBtu per day will be provided at Company's sole option and will require special contract arrangements between Company and Customer.

Type of Service
Where service of the type desired by Customer is not already available at the Point of Delivery, additional charges and special contract arrangements between Company and Customer may be required prior to service being furnished.

Monthly Rate
Customer's monthly bill will be calculated by adding the following Customer and MMBtu charges to the amounts due under the riders listed below:

Charge	Amount
Customer Charge per Meter	$ 738.00 per month
First 0 MMBtu to 1,500 MMBtu	$ 0.3096 per MMBtu
Next 3,500 MMBtu	$ 0.2267 per MMBtu
All MMBtu over 5,000 MMBtu	$ 0.0486 per MMBtu

Gas Cost Recovery: Plus an amount for gas costs and upstream transportation costs calculated in accordance with Part (a) and Part (b), respectively, of Rider GCR.

Franchise Fee Adjustment: Plus an amount for franchise fees calculated in accordance with Rider FF. Rider FF is only applicable to customers inside the corporate limits of any incorporated municipality.

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

Surcharges: Plus an amount for surcharges calculated in accordance with the applicable rider(s).

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.

RATE SCHEDULE:	I – INDUSTRIAL SALES	
APPLICABLE TO:	ALL CUSTOMERS IN THE MID-TEX DIVISION EXCEPT THE CITY OF DALLAS AND UNINCORPORATED AREAS	
EFFECTIVE DATE:	Bills Rendered on or after 06/01/2016	PAGE: 15

Agreement
An Agreement for Gas Service may be required.

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

RATE SCHEDULE:	T – TRANSPORTATION	
APPLICABLE TO:	ALL CUSTOMERS IN THE MID-TEX DIVISION EXCEPT THE CITY OF DALLAS AND UNINCORPORATED AREAS	
EFFECTIVE DATE:	Bills Rendered on or after 06/01/2016	PAGE: 16

Application
Applicable, in the event that Company has entered into a Transportation Agreement, to a customer directly connected to the Atmos Energy Corp., Mid-Tex Division Distribution System (Customer) for the transportation of all natural gas supplied by Customer or Customer's agent at one Point of Delivery for use in Customer's facility.

Type of Service
Where service of the type desired by Customer is not already available at the Point of Delivery, additional charges and special contract arrangements between Company and Customer may be required prior to service being furnished.

Monthly Rate
Customer's bill will be calculated by adding the following Customer and MMBtu charges to the amounts and quantities due under the riders listed below:

Charge	Amount
Customer Charge per Meter	$ 738.00 per month
First 0 MMBtu to 1,500 MMBtu	$ 0.3096 per MMBtu
Next 3,500 MMBtu	$ 0.2267 per MMBtu
All MMBtu over 5,000 MMBtu	$ 0.0486 per MMBtu

Upstream Transportation Cost Recovery: Plus an amount for upstream transportation costs in accordance with Part (b) of Rider GCR.

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

Franchise Fee Adjustment: Plus an amount for franchise fees calculated in accordance with Rider FF. Rider FF is only applicable to customers inside the corporate limits of any incorporated municipality.

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

Surcharges: Plus an amount for surcharges calculated in accordance with the applicable rider(s).

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.

RATE SCHEDULE:	T – TRANSPORTATION	
APPLICABLE TO:	ALL CUSTOMERS IN THE MID-TEX DIVISION EXCEPT THE CITY OF DALLAS AND UNINCORPORATED AREAS	
EFFECTIVE DATE:	Bills Rendered on or after 06/01/2016	PAGE: 17

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 services 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 T, 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.

RIDER:	WNA – WEATHER NORMALIZATION ADJUSTMENT	
APPLICABLE TO:	ALL CUSTOMERS IN THE MID-TEX DIVISION EXCEPT THE CITY OF DALLAS AND UNINCORPORATED AREAS	
EFFECTIVE DATE:	Bills Rendered on or after 11/01/2016	PAGE: 41

Provisions for Adjustment

The Commodity Charge per Ccf (100 cubic feet) for gas service set forth in any Rate Schedules utilized by the cities of the Mid-Tex Division service area for determining normalized winter period revenues shall be adjusted by an amount hereinafter described, which amount is referred to as the "Weather Normalization Adjustment." The Weather Normalization Adjustment shall apply to all temperature sensitive residential and commercial bills based on meters read during the revenue months of November through April. The five regional weather stations are Abilene, Austin, Dallas, Waco, and Wichita Falls.

Computation of Weather Normalization Adjustment

The Weather Normalization Adjustment Factor shall be computed to the nearest one-hundredth cent per Ccf by the following formula:

$$WNAF_i = R_i \frac{(HSF_i \times (NDD-ADD))}{(BL_i + (HSF_i \times ADD))}$$

Where

i = any particular Rate Schedule or billing classification within any such particular Rate Schedule that contains more than one billing classification

$WNAF_i$ = Weather Normalization Adjustment Factor for the ith rate schedule or classification expressed in cents per Ccf

R_i = Commodity Charge rate of temperature sensitive sales for the ith schedule or classification.

HSF_i = heat sensitive factor for the ith schedule or classification divided by the average bill count in that class

NDD = billing cycle normal heating degree days calculated as the simple ten-year average of actual heating degree days.

ADD = billing cycle actual heating degree days.

Bl_i = base load sales for the ith schedule or classification divided by the average bill count in that class

The Weather Normalization Adjustment for the jth customer in ith rate schedule is computed as:

$$WNA_i = WNAF_i \times q_{ij}$$

Where q_{ij} is the relevant sales quantity for the jth customer in ith rate schedule.

Base Use/Heat Use Factors

	Residential		Commercial	
Weather Station	Base use Ccf	Heat use Ccf/HDD	Base use Ccf	Heat use Ccf/HDD
Abilene	10.09	0.1392	98.01	0.6440
Austin	11.21	0.1551	203.36	0.8564
Dallas	13.72	0.2048	189.83	0.9984
Waco	9.89	0.1411	129.75	0.6695
Wichita Falls	11.49	0.1506	122.35	0.5967

Weather Normalization Adjustment (WNA) Report

On or before June 1 of each year, the company posts on its website at atmosenergy.com/mtx-wna, in Excel format, a *Weather Normalization Adjustment (WNA) Report* to show how the company calculated its WNAs factor during the preceding winter season. Additionally, on or before June 1 of each year, the company files one hard copy and an Excel version of the *WNA Report* with the Railroad Commission of Texas' Gas Services Division, addressed to the Director of that Division.

Proof of revenues as provided by Atmos Texas Municipalities consultants

(Attachment B to the proposed resolution)

File Date: March 1, 2016

ATMOS ENERGY CORP., MID-TEX DIVISION
PROPOSED TARIFF STRUCTURE (BEFORE RATE CASE EXPENSE RECOVERY)
TEST YEAR ENDING DECEMBER 31, 2015

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
1	Proposed Change In Rates:		$ 29,603,205		Schedule A						
2	Proposed Change In Rates without Revenue Related Taxes:		$ 27,447,850		Ln 1 divided by factor on WP_F-5.1						
3											
4											
5											
6		Revenue Requirements	Allocations								
7	Residential	$ 338,431,486	77.95%		Per GUD 10170 Final Order						
8	Commercial	84,223,622	19.40%		Per GUD 10170 Final Order						
9	Industrial and Transportation	11,490,316	2.65%		Per GUD 10170 Final Order						
10	Net Revenue Requirements GUD No. 10170	$ 434,145,424									
11											
12											
13											
14											
15											

With Proportional Increase all classes but Residential and a 40% residential base charge increase:

		Current	Prospective	Revenues
20	Residential Base Charge	$ 18.56	$ 0.48	$ 8,558,622
21	Residential Consumption Charge	$ 0.09931	$ 0.01540	12,837,933
22	Commercial Base Charge	$ 39.87	$ 1.81	2,662,423
23	Commercial Consumption Charge	$ 0.08020	$ 0.00480	2,662,423
24	I&T Base Charge	$ 697.35	$ 38.03	363,224
25	I&T Consumption Charge Tier 1 MMBTU	$ 0.2937	$ 0.0166	172,167
26	I&T Consumption Charge Tier 2 MMBTU	$ 0.2151	$ 0.0121	139,070
27	I&T Consumption Charge Tier 3 MMBTU	$ 0.0461	$ 0.0026	51,988
28				$ 27,447,850

With Customer Charges Rounded Off and residential base charge increase for 2015 limited to $0.50 per RRM tariff:

	Proposed Change	Proposed Change In Revenues	Proposed Rates	Proposed Revenues
Residential Base Charge	$ 0.52	$ 9,335,278	$ 19.08	$ 339,813,673
Residential Consumption Charge	$ 0.01447	12,061,297	$ 0.11378	94,839,970
Commercial Base Charge	$ 1.83	2,697,162	$ 41.70	61,390,268
Commercial Consumption Charge	$ 0.00474	2,626,475	$ 0.08494	47,065,984
I&T Base Charge	$ 39.65	378,728	$ 737.00	7,039,815
I&T Consumption Charge Tier 1 MMBTU	$ 0.0159	165,150	$ 0.3096	3,215,747
I&T Consumption Charge Tier 2 MMBTU	$ 0.0116	132,888	$ 0.2267	2,597,042
I&T Consumption Charge Tier 3 MMBTU	$ 0.0025	49,955	$ 0.0486	971,117
		$ 27,446,933		$ 556,933,616

Data Sources:
GUD10170_FINAL.xlsm

Other postemployment benefits (OPEB) information as provided by Atmos Texas Municipalities consultants

(Attachment C to the proposed resolution)

ATMOS ENERGY CORP., MID-TEX DIVISION
PENSIONS AND RETIREE MEDICAL BENEFITS FOR CITIES APPROVAL
TEST YEAR ENDING DECEMBER 31, 2015

Line No.	Description	Shared Services		Mid-Tex Direct			Adjustment Total
		Pension Account Plan ("PAP")	Post-Retirement Medical Plan ("FAS 106")	Pension Account Plan ("PAP")	Supplemental Executive Benefit Plan ("SERP")	Post-Retirement Medical Plan ("FAS 106")	
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
1	Fiscal Year 2016 Towers Watson Report (excluding Removed Cost Centers)	$ 5,101,680	$ 2,896,450	$ 7,840,683	$ 150,433	$ 4,466,430	
2	Allocation to Mid-Tex	40.56%	40.56%	71.52%	100.00%	71.52%	
3	FY16 Towers Watson Benefit Costs (excluding Removed Cost Centers) Allocated to MTX (Ln 1 x Ln 2)	$ 2,069,299	$ 1,174,833	$ 5,607,955	$ 150,433	$ 3,194,561	
4	O&M and Capital Allocation Factor	100.00%	100.00%	100.00%	100.00%	100.00%	
5	FY16 Towers Watson Benefit Costs To Approve (excluding Removed Cost Centers) (Ln 3 x Ln 4)	$ 2,069,299	$ 1,174,833	$ 5,607,955	$ 150,433	$ 3,194,561	$ 12,197,081
6							
7							
8	**Summary of Costs to Approve:**						
9							
10	Total Pension Account Plan ("PAP")	$ 2,069,299		$ 5,607,955			$ 7,677,254
11	Total Post-Retirement Medical Plan ("FAS 106")		$ 1,174,833			$ 3,194,561	4,369,394
12	Total Supplemental Executive Retirement Plan ("SERP")				$ 150,433		150,433
13	Total (Ln 10 + Ln 11 + Ln 12)	$ 2,069,299	$ 1,174,833	$ 5,607,955	$ 150,433	$ 3,194,561	$ 12,197,081
14							
15							
16	O&M Expense Factor	96.41%	96.41%	37.42%	20.77%	37.42%	
17							
18	Expense Portion (Ln 13 x Ln 16)	$ 1,995,016	$ 1,132,659	$ 2,098,222	$ 31,249	$ 1,195,248	$ 6,452,393
19							
20	Capital Factor	3.59%	3.59%	62.58%	79.23%	62.58%	
21							
22	Capital Portion (Ln 13 x Ln 20)	$ 74,283	$ 42,174	$ 3,509,733	$ 119,184	$ 1,999,313	$ 5,744,687
23							
24	Total (Ln 18 + Ln 22)	$ 2,069,299	$ 1,174,833	$ 5,607,955	$ 150,433	$ 3,194,561	$ 12,197,081

9-Attachment C-OPEB Baseline

City of Bryan staff note: This page is in reference to the other postemployment benefits or OPEB