

ORDINANCE NO. 2016-14

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF BRIDGEPORT, TEXAS, APPROVING A NEGOTIATED SETTLEMENT BETWEEN THE ATMOS CITIES STEERING COMMITTEE ("ACSC") AND ATMOS ENERGY CORP., MID-TEX DIVISION REGARDING THE COMPANY'S 2016 RATE REVIEW MECHANISM FILINGS; DECLARING EXISTING RATES TO BE UNREASONABLE; ADOPTING TARIFFS THAT REFLECT RATE ADJUSTMENTS CONSISTENT WITH THE NEGOTIATED SETTLEMENT; FINDING THE RATES TO BE SET BY THE SETTLEMENT TARIFFS TO BE JUST AND REASONABLE AND IN THE PUBLIC INTEREST; REQUIRING THE COMPANY TO REIMBURSE ACSC'S REASONABLE RATEMAKING EXPENSES; DETERMINING THAT THIS ORDINANCE WAS PASSED IN ACCORDANCE WITH THE REQUIREMENTS OF THE TEXAS OPEN MEETINGS ACT; ADOPTING A SAVINGS CLAUSE; DECLARING AN EFFECTIVE DATE; AND REQUIRING DELIVERY OF THIS ORDINANCE TO THE COMPANY AND THE ACSC'S LEGAL COUNSEL.

WHEREAS, the City of Bridgeport, Texas ("City") is a gas utility customer of Atmos Energy Corp., Mid-Tex Division ("Atmos Mid-Tex" or "Company"), and a regulatory authority with an interest in the rates and charges of Atmos Mid-Tex; and

WHEREAS, the City is a member of the Atmos Cities Steering Committee ("ACSC"), a coalition of similarly-situated cities served by Atmos Mid-Tex ("ACSC Cities") that have joined together to facilitate the review of, and response to, natural gas issues affecting rates charged in the Atmos Mid-Tex service area; and

WHEREAS, ACSC and the Company worked collaboratively to develop a new Rate Review Mechanism ("RRM") tariff that allows for an expedited rate review process by ACSC Cities as a substitute to the Gas Reliability Infrastructure Program ("GRIP") process instituted by the Legislature, and that will establish rates for the ACSC Cities based on the system-wide cost of serving the Atmos Mid-Tex Division; and

WHEREAS, on March 1, 2016, Atmos Mid-Tex filed its 2016 RRM rate request with ACSC Cities; and

WHEREAS, ACSC coordinated its review of the Atmos Mid-Tex 2016 RRM filing through its Executive Committee, assisted by ACSC's attorneys and consultants, to resolve issues identified in the Company's RRM filing; and

WHEREAS, the Executive Committee, as well as ACSC's counsel and consultants, recommend that ACSC Cities approve an increase in base rates for Atmos Mid-Tex of \$29.9 million on a system-wide basis; and

WHEREAS, the attached tariffs implementing new rates are consistent with the recommendation of the ACSC Executive Committee, are agreed to by the Company, and are just, reasonable, and in the public interest; and

WHEREAS, the RRM Tariff contemplates reimbursement of ACSC's reasonable expenses associated with RRM applications;

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

SECTION 1

That the findings set forth in this Ordinance are hereby in all things approved.

SECTION 2

That the City Council finds that the settled amount of an increase in revenues of \$29.9 million on a system-wide basis represents a comprehensive settlement of gas utility rate issues affecting the rates, operations, and services offered by Atmos Mid-Tex within the municipal limits arising from Atmos Mid-Tex's 2016 RRM filing is in the public interest, and is consistent with the City's authority under Section 103.001 of the Texas Utilities Code.

SECTION 3

That the existing rates for natural gas service provided by Atmos Mid-Tex are unreasonable. The new tariffs attached hereto and incorporated herein as Attachment A, are just and reasonable, and are designed to allow Atmos Mid-Tex to recover annually an additional \$29.9 million in revenue over the amount allowed under currently approved rates, as shown in the Proof of Revenues attached hereto and incorporated herein as Attachment B; such tariffs are hereby adopted.

SECTION 4

That the ratemaking treatment for pensions and other post-employment benefits in Atmos Mid-Tex's next RRM filing shall be as set forth on Attachment C, attached hereto and incorporated herein.

SECTION 5

That Atmos Mid-Tex shall reimburse the reasonable ratemaking expenses of the ACSC in processing the Company's 2016 RRM filing.

SECTION 6

This ordinance shall be cumulative of all provisions of ordinances and of the Code of Ordinances of the City of Bridgeport, Texas, as amended, except where the provisions of this ordinance are in direct conflict with the provisions of such ordinances and such Code, in which event the conflicting provisions of such ordinances and such Code are hereby repealed.

SECTION 7

That 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 8

That if any one or more sections or clauses of this Ordinance is adjudged to be unconstitutional or invalid, such judgment shall not affect, impair, or invalidate the remaining provisions of this Ordinance, and the remaining provisions of the Ordinance shall be interpreted as if the offending section or clause never existed.

SECTION 9

That consistent with the City Ordinance that established the RRM process, this Ordinance shall become effective from and after its passage with rates authorized by attached tariffs to be effective for bills rendered on or after June 1, 2016.

SECTION 10

It is hereby declared to be the intention of the City Council that the phrases, clauses, sentences, paragraphs, and sections of this ordinance are severable, and if a phrase, clause, sentence, paragraph, or section of this ordinance shall be declared unconstitutional by the valid judgment or decree of a court of competent jurisdiction, such unconstitutionality shall not effect the remaining phrases, clauses, sentences, paragraphs, and sections of this ordinance, since the same would have been enacted by the City Council without the incorporation in this ordinance of the unconstitutional phrase, clause, sentence, paragraph, or section.

SECTION 11

That a copy of this Ordinance shall be sent to Atmos Mid-Tex, care of Chris Felan, Vice President of Rates and Regulatory Affairs Mid-Tex Division, Atmos Energy Corporation, 5420 LJB Freeway, Suite 1862, Dallas, Texas 75240, and to Geoffrey Gay, General Counsel to ACSC, at Lloyd Gosselink Rochelle & Townsend, P.C., 816 Congress Avenue, Suite 1900, Austin, Texas 78701.

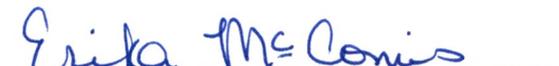
DULY PASSED AND APPROVED BY THE CITY COUNCIL OF THE CITY OF BRIDGEPORT, TEXAS, BY A VOTE OF 4 TO 0, ON THIS THE 10 DAY OF May, 2016.

APPROVED:



Corey Lane, Mayor

ATTEST:


Erika McComis, City Secretary



| | | |
|------------------------|---|-----------------|
| 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 <u>Ccf</u> | \$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.

¹Reference 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: | 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.

**MID-TEX DIVISION
ATMOS ENERGY CORPORATION**

| | | |
|------------------------|---|-----------------|
| 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 i^{th} rate schedule or classification expressed in cents per Ccf
- R_i = Commodity Charge rate of temperature sensitive sales for the i^{th} schedule or classification.
- HSF_i = heat sensitive factor for the i^{th} 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 i^{th} schedule or classification divided by the average bill count in that class

The Weather Normalization Adjustment for the j th customer in i th rate schedule is computed as:

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

Where q_{ij} is the relevant sales quantity for the j th customer in i th rate schedule.

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 | | | | | | | | | | | |
| 7 Residential | | Revenue Requirements | Allocations | | | | | | | | |
| 8 Commercial | | \$ 338,431,486 | 77.95% | Per GUD 10170 Final Order | | | | | | | |
| 9 Industrial and Transportation | | 84,223,622 | 19.40% | Per GUD 10170 Final Order | | | | | | | |
| 10 Net Revenue Requirements GUD No. 10170 | | <u>11,490,316</u> | 2.65% | Per GUD 10170 Final Order | | | | | | | |
| | | <u>\$ 434,145,424</u> | | | | | | | | | |

16 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 |
| | | | | <u>\$ 27,447,850</u> |

16 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 |
| | | <u>\$ 27,446,933</u> | | <u>\$ 556,933,616</u> |

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

| Line No. | Description (a) | Shared Services | | Mid-Tex Direct | | | Adjustment Total (g) |
|----------|---|-------------------------------------|---|-------------------------------------|---|---|-------------------------|
| | | Pension Account Plan ("PAP") (b) | Post-Retirement Medical Plan ("FAS 106") (c) | Pension Account Plan ("PAP") (d) | Supplemental Executive Benefit Plan ("SERP") (e) | Post-Retirement Medical Plan ("FAS 106") (f) | |
| 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 FY16 Towers Watson Benefit Costs (excluding Removed Cost Centers) Allocated to MTX (Ln 1 x Ln 2) | 40.56% | 40.56% | 71.52% | 100.00% | 71.52% | |
| 3 | O&M and Capital Allocation Factor | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | |
| 4 | 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 |
| 5 | | | | | | | |
| 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 |

