

RESOLUTION NO. 2008-012

A RESOLUTION OF THE OF CITY OF DENTON, TEXAS, APPROVING A SETTLEMENT AGREEMENT BETWEEN ATMOS ENERGY CORPORATION, MID-TEX DIVISION AND ATMOS TEXAS MUNICIPALITIES; DECLARING EXISTING RATES TO BE UNREASONABLE; ADOPTING RATE ADJUSTMENTS CONSISTENT WITH THE SETTLEMENT AGREEMENT; FINDING THE RATES TO BE SET BY THE ATTACHED TARIFFS TO BE JUST AND REASONABLE; FINDING THAT THE MEETING COMPLIED WITH THE OPEN MEETINGS ACT; REQUIRING DELIVERY OF THIS RESOLUTION TO THE COMPANY AND LEGAL COUNSEL; AND DECLARING AN EFFECTIVE DATE.

WHEREAS, the City of Denton ("City") is a regulatory authority under the Gas Utility Regulatory Act ("GURA") and under § 103.001 of GURA has exclusive original jurisdiction over Atmos Energy Corporation – Mid-Tex Division ("Atmos") rates, operations, and services of a gas utility within the municipality; and

WHEREAS, the City has participated in prior cases regarding Atmos as a part of a coalition of cities known as the Atmos Texas Municipalities ("ATM"), including Railroad Commission Gas Utilities ("GUD") Docket No. 9400, numerous filings by Atmos pursuant to Section 104.301 of GURA, and GUD Docket No. 9670; and

WHEREAS, ("Atmos") filed a Statement of Intent with the City on or about September 20, 2007 to increase its system-wide, annual revenue requirement, by approximately \$51.9 million; and

WHEREAS, the City has, by previous ordinance or resolution, denied the requested rate increase, authorized participation in ATM and authorized the hiring of lawyers and rate experts; and

WHEREAS, Atmos has appealed the previous ordinance or resolution to the Railroad Commission of Texas, which has docketed the appeal along with other appeals as GUD No. 9762; and

WHEREAS, ATM has conducted extensive discovery upon Atmos and has engaged in extensive negotiations regarding the appropriate rates and rate structure for Atmos; and

WHEREAS, Atmos and ATM have entered into a Settlement Agreement resolving all disputes regarding the appropriate rates, terms and conditions for Atmos; and

WHEREAS, Atmos and ATM have determined that the best method to implement such settlement agreement is to have it approved by each ATM city; and

WHEREAS, in order for City to examine the Settlement Agreement, it has reestablished its original jurisdiction over the rates of Atmos by issuing a Show Cause against Atmos; and

WHEREAS, the City has given reasonable notice to Atmos regarding the consideration of the Settlement Agreement and

WHEREAS, the Settlement Agreement will resolve several previously-litigated cases and will resolve all issues currently pending before the Railroad Commission in GUD No. 9762, as well as issues relating to franchise agreements with Atmos; and

WHEREAS, the Settlement Agreement will result in Atmos receiving a \$10 million system-wide rate increase, which is significantly smaller than the \$51.9 million sought by Atmos, and

WHEREAS, the Settlement Agreement creates an experimental and expedited rate review process, called the Rate Review Mechanism ("RRM") in lieu of the Section 104.301 filings, which will allow for a consideration of both increases and decreases in expenses and investments and will allow for increased participation by City regulators in future rate cases; and

WHEREAS, the RRM will also allow Atmos a greater opportunity to earn its authorized rate of return, but no more, by use of a "true-up" calculation contained within the RRM tariff; and

WHEREAS, the Settlement Agreement calls for a reduction in customer charges for residential and commercial customers and

WHEREAS, the Settlement Agreement excludes specified expenses from recovery by Atmos; and

WHEREAS, the Settlement Agreement contains a "most-favored-nations" clause that provides City with the benefit of any other RRM settlement or any other settlement of the issues related to the September 20, 2007 Statement of Intent or GUD No. 9672, under certain conditions; and

WHEREAS, the Settlement Agreement authorizes other changes in rates and tariffs that should enable Atmos to provide efficient service at reasonable rates and provides for the reimbursement of ATM expenses; and

WHEREAS, the Settlement Agreement provides for quarterly meetings between Atmos and City representatives in order to improve communication and cooperation; and

WHEREAS, the Settlement Agreement provides a mechanism for the City to amend or renew its franchise agreement with Atmos at 5% of Gross Revenues; and

WHEREAS, the Settlement Agreement resolves numerous cases currently pending on appeal and provides for payment to ATM associated with such cases; and

WHEREAS, the City desires to avoid the cost and uncertainty of litigating the cases at the Railroad Commission and the courts; and

WHEREAS, the ATM lawyers as well as numerous representatives from the ATM Cities have negotiated with Atmos on several occasions; and

WHEREAS, the ATM lawyers have recommended the approval of the Settlement Agreement; and

WHEREAS, the City has examined the Settlement Agreement and its attached tariffs, rates, terms and conditions; and

WHEREAS, the Settlement Agreement as a whole is consistent with the public interest; and

WHEREAS, the tariffs, rates, terms and conditions attached to the Settlement Agreement should be found to be just, reasonable and in the public interest; NOW, THEREFORE,

THE CITY COUNCIL OF THE CITY OF DENTON HEREBY RESOLVES:

SECTION 1. The statements set out in the preamble to this Resolution are hereby in all things approved and adopted.

SECTION 2. Pursuant to Utilities Code Section 104.151, the City finds that the existing rates, terms and conditions of Atmos are unreasonable and determines that such rates, terms and conditions should be changed.

SECTION 3. The City Council finds that the Settlement Agreement, which is attached hereto and incorporated herein as Attachment A, is in the public interest and is hereby endorsed in all respects.

SECTION 4. The City Council finds that the new tariffs, which are attached hereto and incorporated herein as Attachment B, are just and reasonable and are hereby adopted.

SECTION 5. To the extent any resolution or ordinance previously adopted by the Council is inconsistent with this Resolution, it is hereby repealed.

SECTION 6. The meeting at which this resolution was approved was in all things conducted in strict compliance with the Texas Open Meetings Act, Texas Government Code, Chapter 551.

SECTION 7. A copy of this Resolution shall be sent to Atmos Mid-Tex, care of Joe T. Christian, Director of Rates, at Atmos Energy Corporation, 5420 LBJ Freeway, Suite 1800, Dallas, Texas 75204, and to Jim Boyle, Counsel to ATM, Herrera and Boyle, PLLC, 860 Congress Avenue, Suite 1120, Austin, TX 78701.

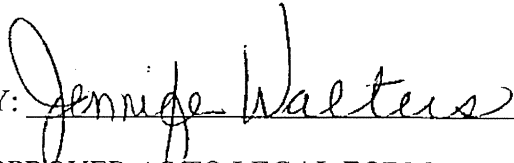
SECTION 8. This Resolution shall become effective from and after its passage with rates authorized by the attached Tariffs to be effective in accordance with the terms of the Settlement Agreement.

PASSED AND APPROVED this the 4th day of March, 2008.

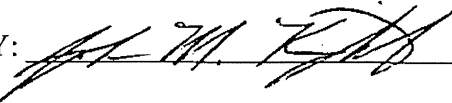


PERRY R. McNEILL, MAYOR

ATTEST:  
JENNIFER WALTERS, CITY SECRETARY

BY: 

APPROVED AS TO LEGAL FORM:  
EDWIN M. SNYDER, CITY ATTORNEY

BY: 

# **ATTACHMENT A**

**SETTLEMENT AGREEMENT BETWEEN ATMOS ENERGY CORP., MID-TEX  
DIVISION AND ATMOS TEXAS MUNICIPALITIES**

WHEREAS, this settlement agreement is entered into and by Atmos Energy Corp's Mid-Tex Division and Atmos Texas Municipalities ("ATM") whose members include the Cities of Austin, Balch Springs, Bandera, Bartlett, Belton, Blooming Grove, Bryan, Cameron, Cedar Park, Clifton, Commerce, Copperas Cove, Corsicana, Denton, Electra, Fredericksburg, Gatesville, Georgetown, Goldthwaite, Granbury, Greenville, Groesbeck, Hamilton, Henrietta, Hickory Creek, Hico, Hillsboro, Hutto, Kerens, Lampasas, Leander, Lometa, Longview, Mart, Mexia, Olney, Pflugerville, Ranger, Rice, Riesel, Rogers, Round Rock, San Angelo, Sanger, Somerville, Star Harbor, Trinidad, Trophy Club, and Whitney; and

WHEREAS, ATM is an active intervenor in *Statement of Intent Filed by Atmos Energy Corporation to Increase Utility Rates Within the Unincorporated Areas Served by the Atmos Energy Corp., Mid-Tex Division*, GUD Docket No. 9762 at the Railroad Commission of Texas ("Commission"); and

WHEREAS, ATM has hired experts and lawyers to analyze the rates and riders proposed by Atmos Energy Corp.'s, Mid-Tex Division ("Atmos" or "Company") in GUD Docket No. 9762; and

WHEREAS, the Settlement Agreement resolves all issues between Atmos and ATM ("the Signatories") regarding GUD Docket No. 9762, which is currently pending before the Commission, in a manner that the Signatories believe is consistent with the public interest, and the Signatories represent diverse interests; and

WHEREAS, the Signatories believe that the resolution of the issues raised in GUD Docket No. 9762 can best be accomplished by each ATM City approving this Settlement Agreement and the rates, terms and conditions reflected in the tariffs attached to this Settlement Agreement as Exhibit A;

NOW, THEREFORE, in consideration of the mutual agreements and covenants established herein, the Signatories, through their undersigned representatives, agree to the following Settlement Terms as a means of fully resolving all issues in the pending appeal between the ATM Cities and Atmos:

**Settlement Terms**

1. Upon the execution of this Settlement Agreement, each ATM city will issue a show cause against Atmos, following appropriate city procedures. After the issuance of the show cause, Atmos and the counsel for the ATM cities will recommend that an ordinance or resolution be adopted to approve this Settlement Agreement and implement the rates, terms and conditions reflected in the tariffs attached to this Settlement Agreement as Exhibit A. Said tariffs should allow Atmos an additional \$10 million in annual revenue by implementation of rates shown in the proof of revenues attached as Exhibit B. The uniform implementation of gas rates, terms and conditions established by this Settlement Agreement shall be effective for bills rendered on or after March 1, 2008, or as soon thereafter as the ATM city adopts an

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ordinance or resolution to implement for the ATM city the rates, terms, and conditions reflected in the tariffs attached to this Settlement Agreement.

2. The net plant amount of \$1,243,607,206 is reasonable for the plant that is used and useful in providing gas utility service.
3. In an effort to streamline the regulatory review process, Atmos and ATM have agreed to undertake a new mechanism for reviewing the Company's cost of service on an annual basis. The new mechanism is known as the Rate Review Mechanism ("Rider RRM"). Rider RRM provides for an annual rate adjustment to reflect changes in billing determinants, operating and maintenance expense, depreciation expense, other taxes expense, and revenues as well as changes in capital investment and associated changes in gross revenue related taxes.
4. Atmos and ATM agree that the Rider RRM shall be implemented annually over a three-year trial period. On or after December 31, 2010, any ATM City that opposes the continued use of the Rider RRM to set rates for areas within its original jurisdiction shall provide written notification to the Company of this fact. Such notice shall be provided no later than January 31, 2011. Upon receipt of such written notification, Atmos shall cease making an annual Rider RRM filing with the notifying ATM City and instead, shall file a general rate case with the notifying ATM City within eighteen months from the date the notification is received by the Company. The last effective rates under the Rider RRM shall remain in effect for the notifying ATM City until such time as new rates are established for that city in a general rate case. In the absence of such notification, Rider RRM shall continue subject to any changes that may be agreed to in writing between the ATM Cities and Atmos.
5. Atmos agrees that effective with the implementation of the first RRM rate adjustment, Atmos shall file with the ATM Cities a revised Rate R-Residential Sales Tariff to reduce the customer charge per bill from \$10.69 per month to \$7.00 per month and to increase the volumetric portion of the rate (shown as \$1.271 in Exhibit A) to the appropriate level to reflect the reduction in customer charge from \$10.69 to \$7.00, as well as to reflect any change resulting from the RRM implementation. Atmos further agrees that effective with the implementation of the first RRM adjustment, Atmos shall file with the ATM Cities a revised Rate C- Commercial Sales Tariff to reduce the customer charge per bill from \$20.28 to \$13.50 per month and to increase the volumetric portion of the rate (shown as \$.7104 in Exhibit A) to the appropriate level to reflect the reduction in customer charge from \$20.28 to \$13.50, as well as to reflect any change resulting from the RRM implementation. The first RRM rate adjustment shall occur October 1, 2008. Atmos and the ATM Cities agree that following the initial RRM adjustment any subsequent implementation of RRM adjustments shall be supported as described in the Rider RRM, and shall limit changes to residential and commercial customer charge to no more than 20%. Further, the parties agree that any approved adjustment in excess of the 20% limitation on the residential and commercial customer charge shall be recovered through the volumetric portion of the rate.

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6. The following types of expenses shall be removed from all expense and rate base amounts included within Rider RRM filings for each Evaluation Period and corresponding Rate Effective Period:
  - Amounts incurred for travel, meals or entertainment of employee spouses.
  - Amounts for air travel that exceed published commercial coach air fares.
  - Amounts incurred for hotel rooms exceeding \$250 per night inclusive of taxes and fees assessed on such rooms.
  - Amounts for alcoholic beverages.
  - Amounts paid for admission to entertainment, sports, art or cultural events, and all event sponsorship costs.
  - Amounts for social club dues or fees.
7. With respect to the RRM, Atmos further agrees to pay all reasonable and necessary expenses of each entity having original jurisdiction that are incurred to review the Company's annual RRM filings. Atmos further agrees that in calculating the proposed rate for any Rate Effective Period, the Company shall not include: (1) any external legal, expert, or consultant costs to prepare and/or provide supportive information related to its filing; or (2) reimbursements to original jurisdiction entities.
8. Notwithstanding paragraph 7 of this Settlement Agreement, Atmos and ATM agree that in the event of an appeal of an original jurisdiction entity's decision regarding a proposed RRM adjustment, recovery of rate case expenses shall be determined according to Chapters 103 and 104, TEX. UTIL. CODE ANN. Further, in the event of such appeal(s), Atmos shall recover any reimbursement made to the original jurisdiction entity through a surcharge to all customer rates that are subject to the Commission's jurisdiction in that proceeding or proceedings that might be joined therewith, regardless of whether such reimbursements are made during the initial review period or appeal period.
9. It is the intention of the Signatories that the ATM Cities receive the benefit of any agreed upon annual RRM adjustment that Atmos enters into with any other RRM-implementing city within the Mid-Tex division during the same year. Therefore, Atmos agrees that if, as determined by the ATM Cities, the annual RRM adjustment agreed to between Atmos and an RRM-implementing city is more beneficial to the ATM Cities, Atmos will make the more beneficial annual RRM adjustment available to the ATM Cities for adoption.
10. The ATM Cities agree that they will not challenge the legal basis of the rates, terms, and conditions reflected in Exhibit A, or any annual RRM adjustment that is implemented pursuant to Rider RRM.
11. Atmos and the ATM Cities further agree that the express terms of the Rider RRM are supplemental to the filing, notice, regulatory review, or appellate procedural process of the ratemaking provisions of Chapter 104 of the Texas Utilities Code. If the statute requires a mandatory action on behalf of the municipal regulatory authority or Atmos, the parties will follow the provisions of such statute. If the statute allows discretion on behalf of the municipal regulatory authority, the ATM



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Cities agree that they shall exercise such discretion in such a way as to implement the provisions of the RRM tariff. If Atmos appeals an action or inaction of an ATM City regarding an RRM filing to the Railroad Commission, the ATM Cities agree that they will not oppose the implementation of interim rates or advocate the imposition of a bond by Atmos consistent with the RRM tariff. Atmos agrees that it will make no filings on behalf of its Mid-Tex division under the provisions of TEX. UTIL. CODE ANN. § 104.301 while the Rider RRM is in place, and any such filings pending at the time the RRM is approved will be trued-up for revenue and rate base components prior to implementation of the annual RRM. In the event that a regulatory authority fails to act or enters an adverse decision regarding the proposed annual RRM adjustment, the Railroad Commission of Texas shall, pursuant to the provisions of the Texas Utilities Code, have exclusive appellate jurisdiction to review the action or inaction of the regulatory authority exercising exclusive original jurisdiction over the RRM request. In addition, the Signatories agree that this Settlement Agreement shall not be construed as a waiver of the ATM Cities' right to initiate a show cause proceeding or the Company's right to file a Statement of Intent under the provisions of the Texas Utilities Code.

12. Atmos and ATM commit that during the Initial Implementation Period, as defined in the RRM tariff, Atmos and the ATM Cities will not devote resources or efforts to advocate statutory changes involving rate stabilization mechanisms or the Gas Reliability Infrastructure Program that is currently codified under TEX. UTIL. CODE §104.301.
13. Atmos and the ATM Cities agree that the gas cost portion of uncollectible expense shall be recovered through the Company's Rider GCR rather than through base rates. The change in accounting for the gas cost portion of uncollectible expense (including both the accrual of expense and write-off of accounts) shall become effective with the implementation of the first RRM rate adjustment. The first RRM rate adjustment is expected to occur October 1, 2008. In calculating the rate for the first Rate Effective Period, the Company shall utilize the same methodology as used in the Company's September 20, 2007 Statement of Intent with the only modification being to exclude the effects of the gas cost portion of uncollectible expense from the base rate calculation.
14. Atmos and the ATM Cities further agree that expense associated with lost and unaccountable gas shall, based on an annual period, be recoverable through the Company's Rider GCR up to a maximum of five (5) percent of the quantity of metered gas, as provided under Commission Rule 7.5525, Lost and Unaccounted for Gas. Such change shall be effective with the complete 12 month reporting period ending June 30, 2008.
15. Included as part of Exhibit A to this Settlement Agreement is a new gas conservation program tariff (Rider CBE) that will be effective October 1, 2008. Atmos and the ATM Cities agree that Atmos will fund \$1 million of the allowable expenses incurred annually, with a customer rate component providing the remainder \$1 million of funding. All customer-supplied funds will, prior to the commencement of the program, be used toward program implementation efforts.

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and, upon implementation, be applied directly to the gas conservation materials and supplies.

16. Atmos and the ATM Cities agree that the Company's requested revision of its weather normalization adjustment ("WNA") mechanism is appropriate and should be approved as set forth in Exhibit A to this Settlement Agreement. Specifically, the revision excludes non-weather sensitive commercial customers and modifies the WNA mechanism to calculate the WNA adjustment based on weather stations at a regional level rather than under the current practice of associating all customers with a single weather location for purposes of determining the WNA adjustment.
17. Atmos and the ATM Cities agree that the three-year gas cost review process that is currently in effect for the Mid-Tex division should be eliminated. Atmos and the ATM Cities further agree to collaborate to establish an alternate process wherein the prudence of gas costs recovered through the Rider GCR can be addressed. Until an agreed upon replacement mechanism has been established, the current gas cost review process shall remain in effect, unless changed by order of the Commission.
18. It is the intention of the Signatories that the ATM Cities receive the benefit of any settlement agreement that Atmos enters into with other entities arising out of the September 20, 2007 Statement of Intent or GUD No. 9672 (consolidated cases) or any associated appeals of GUD No. 9672. Therefore, Atmos agrees that if the rates, revenues, terms and conditions, or benefits accruing to the settling entity would be more beneficial to the ATM Cities than the terms of this Settlement Agreement, as determined by the ATM Cities, such more favorable rates, revenues, terms and conditions, or benefits shall additionally accrue to the ATM Cities. Similarly, if the Final Order in GUD No. 9672 or orders resulting from any associated appeals are determined by the ATM Cities to result in rates, revenues, terms and conditions, or benefits that are more beneficial than the terms of this Settlement Agreement, such more favorable terms, revenues, terms and conditions shall additionally accrue to the ATM Cities. The ATM Cities' exercise of this right is conditioned upon the ATM Cities' acceptance of all rates, revenues, terms and conditions of the Final Order in GUD No. 9672 *in toto*. If there is a subsequent settlement agreement arising out of the September 20, 2007 Statement of Intent or GUD No. 9672 (consolidated cases) or any associated appeals of GUD No. 9672 that is deemed by the ATM Cities to be more beneficial than this Settlement Agreement, the ATM Cities shall be required to accept all of the rates, revenues, terms and conditions of such settlement agreement *in toto*.
19. Atmos and the ATM Cities agree that all reasonable rate case expenses directly incurred by Atmos in connection with the September 20, 2007 Statement of Intent filed on behalf of its Mid-Tex Division through February 29, 2008, as well as all expenses reimbursed to the ATM Cities for such cases shall be recoverable through a surcharge to all customer rates within the ATM Cities. The amount to be recovered through the surcharge to customers within the ATM Cities shall be determined on a pro rata basis, consistent with the ATM Cities' percentage of total Mid-Tex residential load. The surcharge shall be recovered over a thirty-six month period beginning in April of 2008, or as soon thereafter as approved by the last

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ATM City. Atmos further agrees that it will continue to reimburse ATM Cities for the rate case expenses incurred in connection with the September 20, 2007 Statement of Intent on a monthly basis in accordance with the agreement entered between the Signatories on October 15, 2007.

20. Atmos and the ATM Cities agree that Atmos may make all future filings, including, but not limited to, the annual RRM adjustment and any Statement of Intent filing with the ATM Cities on an electronic basis, rather than by paper copy. Electronic Filings shall fulfill the requirements of TEX. UTIL. CODE §104.103. The appropriate ATM Cities representative shall provide a list of the ATM Cities to Atmos by March 1, 2008, and agrees to notify Atmos of any change in the ATM Cities Coalition within 30 days of the effective date of any such change in order for Atmos to maintain adequate service records. Atmos further agrees to make paper copies of filings available to any ATM City that requests a copy.
21. In the spirit of improving communication and cooperation, Atmos agrees to initiate quarterly meetings with the ATM Cities to provide information, answer questions, and receive input from the ATM Cities regarding capital projects in the Mid-Tex service territory. As part of the quarterly meetings, Atmos will update the ATM Cities of its activities in the cities, as well as any service related issues associated with the provision of gas utility services to ATM city customers. Atmos and the ATM Cities will work cooperatively regarding the level of project detail to be presented at the quarterly meetings. Until changed by the parties, the level of project detail supplied by Atmos at such meetings shall be similar to the project spreadsheets on GRIP projects attached to the prefiled direct testimony of James S. Powell in GUD No. 9762. Atmos shall not be required to obtain the pre-approval of the ATM Cities to place projects in service.
22. Atmos and the ATM Cities agree that each ATM city should approve this Settlement Agreement and adopt an ordinance or resolution to implement for the ATM Cities the rates, terms, and conditions reflected in the tariffs attached to this Settlement Agreement as Exhibit A.
23. The Signatories agree that the terms of the Settlement Agreement are interdependent and indivisible, and that if any ATM city enters an order that is inconsistent with this Settlement Agreement, then any Signatory may withdraw without being deemed to have waived any procedural right or to have taken any substantive position on any fact or issue by virtue of that Signatory's entry into the Settlement Agreement or its subsequent withdrawal. If any ATM city rejects this Settlement Agreement, then this Settlement Agreement shall be void *ab initio* and counsel for the ATM Cities shall thereafter only take such actions as are in accordance with the Texas Disciplinary Rules of Professional Conduct.
24. Atmos agrees that it will accept and approve a request pursuant to this Agreement by any municipality that is currently receiving franchise payment from the Company to execute or amend that municipality's applicable franchise agreement to increase the franchise fee payment payable by the Company under the terms of the municipality's franchise agreement to not more than 5% of Gross Revenues (as that

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term is defined in the applicable franchise. The terms of this paragraph shall supersede any and all language currently contained in the applicable franchise, as amended or extended, granting the right to increase the periodic franchise fee payment following the passage and approval of a new, amended, or renewed franchise that provides for a higher franchise fee payment with another municipality. Any municipality that elects to exercise the option granted herein shall notify the Company of such election by written notice given not less than sixty (60) days prior to the effective date of the increase. Upon receipt of the written notice from the electing municipality, the Company and the municipality shall enter into a new, amended or renewed franchise agreement (hereinafter referred to as an "Amendment"). The Company shall calculate the 5% on the gross revenue (as that term is defined in the applicable franchise) from the prior year or the prior quarter, depending on the franchise terms, based upon the gross revenue for the prior year or quarter, respectively. The payment that is made during the current year or quarter is for the privilege of gas operations during that time period. This interpretation applies to all payments made or to be made under the franchise agreement. Each city shall adopt the Amendment in a manner that is consistent with their charter or applicable laws in the case of a general law city. The effective date of the Amendment shall be May 1, 2008 or the date the Amendment is adopted if after May 1, 2008. The Company shall be entitled to collect any franchise fees, whether or not increased under the terms hereof, from customers within each municipality pursuant to the terms of the Company's Rider FF.

25. In exchange for ATM's dismissal or non-suit of the suits specified below, Atmos agrees to pay the ATM Cities \$560,000 for expenses associated with all 2003, 2004, 2005, and 2006 GRIP filings and related court appeals within 30 days of the date of the last ATM city ordinance or resolution approving this Settlement Agreement is entered. Such payment shall be recovered through the surcharge to customers within the ATM Cities at a rate of \$.0053 per Mcf. Atmos and the ATM Cities further agree that the surcharge shall be recovered over a twelve month period beginning with the implementation of the first annual Rate Review Mechanism ("RRM") adjustment, which is expected to occur on October 1, 2008.
26. Within 30 days following the date the last ATM city ordinance or resolution approving this Settlement Agreement is entered, Atmos and the ATM Cities agree to file a Notice of Non-Suit or Motion to Dismiss, whichever is applicable, in the following proceedings:

Cause No. D-1-GN-06-000337 (Consolidated), *Atmos Cities Steering Committee v. The Railroad Commission of Texas*, In the 345th District Court, Travis County, Texas. This case includes the following cases:

- a. Cause No. D-1-GN-502179 – *Atmos Texas Municipalities v The Railroad Commission of Texas*, In the 250<sup>th</sup> District Court, Travis County, Texas.\*\*
- b. Cause No. D-1-GV-06-000057 – *Cities of Caldwell, Celina, Copperas Cove, Corsicana, Crowley, Denton, Fredericksburg, Frost, Gatesville, Goldthwaite, Greenville, Groesback, Hamilton, Hickory Creek, Hillsboro,*

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*Lexington, Llano, Longview, Mart, Mexia, Somerville, Thorndale, and Whitney ("Cities") v. The Railroad Commission of Texas, In the 353<sup>rd</sup> District Court, Travis County, Texas.*

- c. Cause No. D-1-GV-06-000061 – *City of Ranger ("City") v. The Railroad Commission of Texas, In the 200<sup>th</sup> District Court, Travis County, Texas.*
- d. Cause No. D-1-GV-06-000076 – *City of McGregor ("City") v. The Railroad Commission of Texas, In the 126<sup>th</sup> District Court, Travis County, Texas.*
- e. Cause No. D-1-GV-06-000077 – *City of West ("City") v. The Railroad Commission of Texas, In the 200<sup>th</sup> District Court, Travis County, Texas.*
- f. Cause No. D-1-GV-06-000078 – *Cities of Balch Springs, Belton, Clifton, Commerce, Dublin, Electra, Lampasas, Lometa, Pflugerville, San Saba and Seymour ("Cities") v. The Railroad Commission of Texas, In the 201<sup>st</sup> District Court, Travis County, Texas.*
- g. Cause No. D-1-GV-06-000079 – *Cities of Burnet, Coleman and Round Rock ("Cities") v. The Railroad Commission of Texas, In the 250<sup>th</sup> District Court, Travis County, Texas.*
- h. Cause No. D-1-GV-06-000106 – *City of Kemp ("City") v. The Railroad Commission of Texas, In the 98<sup>th</sup> District Court, Travis County, Texas.*
- i. Cause No. D-1-GV-06-001095 – *The Cities of Balch Springs, Belton, Burnet, Clifton, Coleman, Copperas Cove, Corsicana, Denton, Dublin, Fredericksburg, Frost, Gatesville, Goldthwaite, Granbury, Grandview, Greenville, Groesbeck, Hillsboro, Lampasas, Leander, Llano, Lometa, Longview, Mexia, Pflugerville, Ranger, Riesel, Round Rock, San Saba, Somerville, Trinidad and Whitney ("Atmos Texas Municipalities" or "ATM") v. The Railroad Commission of Texas, In the 126th District Court, Travis County.*
- j. Cause No. D-1-GV-06-000578 – *Atmos Texas Municipalities v. The Texas Railroad Commission of Texas, In the 201st District Court, Travis County, Texas.\*\**
- k. Cause Number: 03-06-00580-CV; Atmos Energy Corporation, as successor by merger to TXU Gas Company, Allied Coalition of Cities, and City of Dallas v. Railroad Commission of Texas; In the Third District Court of Appeals at Austin, Texas.

**\*\*Non-suit or Dismissal will occur only with respect to the defendant, Atmos Energy, Corp., Mid-Tex division.**

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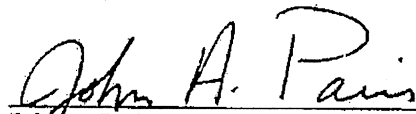
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27. The Signatories agree that all negotiations, discussions and conferences related to the Settlement Agreement are privileged, inadmissible, and not relevant to prove any issues associated with GUD Docket No. 9762.
28. The Signatories agree that neither this Settlement Agreement nor any oral or written statements made during the course of settlement negotiations may be used for any purpose other than as necessary to support the entry by the ATM Cities of an ordinance or resolution implementing this Settlement Agreement.
29. The Signatories agree that this Settlement Agreement is binding on each Signatory only for the purpose of settling the issues set forth herein and for no other purposes, and, except to the extent the Settlement Agreement governs a Signatory's rights and obligations for future periods, this Settlement Agreement shall not be binding or precedential upon a Signatory outside this proceeding.
30. The Signatories agree that this Settlement Agreement may be executed in multiple counterparts and may be filed with facsimile signatures.

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Agreed to this 11<sup>th</sup> day of February, 2008

ATMOS ENERGY CORP., MID-TEX DIVISION

By:

A handwritten signature in cursive script that reads "John A. Paris". The signature is written in dark ink and is positioned above a horizontal line.

John A. Paris  
President, Mid-Tex Division

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Agreed to this 11<sup>th</sup> day of February 2008

ATTORNEY FOR ATMOS TEXAS MUNICIPALITIES,  
WHOSE MEMBERS INCLUDE THE CITIES OF  
AUSTIN, BALCH SPRINGS, BANDERA, BARTLETT,  
BELTON, BLOOMING GROVE, BRYAN, CAMERON,  
CEDAR PARK, CLIFTON, COMMERCE, COPPERAS  
COVE, CORSICANA, DENTON, ELECTRA,  
FREDERICKSBURG, GATESVILLE, GEORGETOWN,  
GOLDTHWAITE, GRANBURY, GREENVILLE,  
GROESBECK, HAMILTON, HENRIETTA, HICKORY  
CREEK, HICO, HILLSBORO, HUTTO, KERENS,  
LAMPASAS, LEANDER, LOMETA, LONGVIEW,  
MART, MEXIA, OLNEY, PFLUGERVILLE, RANGER,  
RICE, RIESEL, ROGERS, ROUND ROCK, SAN  
ANGELO, SANGER, SOMERVILLE, STAR HARBOR,  
TRINIDAD, TROPHY CLUB, AND WHITNEY

By: 

Jim Boyle \*

\* Subject to approval by ATM City Councils



# **ATTACHMENT B**

**EXHIBIT A  
TARIFF FOR GAS SERVICE**

**ATMOS ENERGY CORP.,  
MID-TEX DIVISION**

<b>RATE SCHEDULE:</b>	<b>TABLE OF CONTENTS</b>	
<b>APPLICABLE TO:</b>	Entire System	<b>REVISION DATE:</b>
<b>EFFECTIVE DATE:</b>		<b>PAGE: 1 OF 1</b>

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**II. CITIES AND COUNTIES SERVED**

**III. DEFINITIONS**

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Rider FF - Franchise Fee Adjustment  
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Rate LEP - Line Extension Policy  
Rate M - Miscellaneous Charges  
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Rider WNA - Weather Normalization Adjustment  
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Rider CEE - Conservation and Energy Efficiency

**V. SERVICE RULES AND REGULATIONS**

## TARIFF FOR GAS SERVICE

## EXHIBIT A

ATMOS ENERGY CORP.,  
MID-TEX DIVISION

RATE SCHEDULE:	Rate R - Residential Sales	
APPLICABLE TO:	Entire System	REVISION: DATE:
EFFECTIVE DATE:		PAGE: 1 OF 1

**RATE R - RESIDENTIAL SALES****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 Mcf charges to the amounts due under the riders listed below:

Charge	Amount
Customer Charge per Bill	\$ 10.69 per month
Commodity Charge - All Mcf	\$1.2710 per Mcf

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.

Rate Review Mechanism: Plus or Minus an amount for rates as calculated in accordance with Rider RRM.

Franchise Fee Adjustment: Plus an amount for franchise fees calculated in accordance with Rider FF.

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.

## TARIFF FOR GAS SERVICE

## EXHIBIT A

ATMOS ENERGY CORP.,  
MID-TEX DIVISION

RATE SCHEDULE:	Rate C - Commercial Sales	
APPLICABLE TO:	Entire System	REVISION: DATE:
EFFECTIVE DATE:		PAGE: 1 OF 1

**RATE C - COMMERCIAL SALES****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 3,000 Mcf

**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 Mcf charges to the amounts due under the riders listed below:

Charge	Amount
Customer Charge per Bill	\$ 20.28 per month
Commodity Charge - All Mcf	\$ 0.7104 per Mcf

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.

Rate Review Mechanism: Plus or Minus an amount for rates as calculated in accordance with Rider RRM.

Franchise Fee Adjustment: Plus an amount for franchise fees calculated in accordance with Rider FF.

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.

**EXHIBIT A**

**TARIFF FOR GAS SERVICE**

**ATMOS ENERGY CORP.,  
MID-TEX DIVISION**

<b>RATE SCHEDULE:</b>	<b>Rate I - Industrial Sales</b>	
<b>APPLICABLE TO:</b>	<b>Entire System</b>	<b>REVISION: DATE:</b>
<b>EFFECTIVE DATE:</b>		<b>PAGE: 1 OF 2</b>

**RATE I - INDUSTRIAL SALES**

**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:

<b>Charge</b>	<b>Amount</b>
Customer Charge per Meter	\$ 344.75 per month
First 0 MMBtu to 1,500 MMBtu	\$ 0.2200 per MMBtu
Next 3,500 MMBtu	\$ 0.1600 per MMBtu
All MMBtu over 5,000 MMBtu	\$ 0.0493 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.

**Rate Review Mechanism:** Plus or Minus an amount for rates as calculated in accordance with Rider RRM.

**Franchise Fee Adjustment:** Plus an amount for franchise fees calculated in accordance with Rider FF.

**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."

**EXHIBIT A****TARIFF FOR GAS SERVICE****ATMOS ENERGY CORP.,  
MID-TEX DIVISION**

<b>RATE SCHEDULE:</b>	Rate I - Industrial Sales	
<b>APPLICABLE TO:</b>	Entire System	<b>REVISION: DATE:</b>
<b>EFFECTIVE DATE:</b> February 1, 2008		<b>PAGE: 2 OF 2</b>

**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**

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.

## TARIFF FOR GAS SERVICE

## EXHIBIT A

ATMOS ENERGY CORP.,  
MID-TEX DIVISION

RATE SCHEDULE:	Rate T – Transportation	
APPLICABLE TO:	Entire System	REVISION: DATE:
EFFECTIVE DATE:		PAGE: 1 OF 2

**RATE T - TRANSPORTATION****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	\$ 344.75 per month
First 0 MMBtu to 1,500 MMBtu	\$ 0.2200 per MMBtu
Next 3,500 MMBtu	\$ 0.1600 per MMBtu
All MMBtu over 5,000 MMBtu	\$ 0.0493 per MMBtu

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

**Rate Review Mechanism:** Plus or Minus an amount for rates as calculated in accordance with Rider RRM.

**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.

**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

**EXHIBIT A****TARIFF FOR GAS SERVICE****ATMOS ENERGY CORP.,  
MID-TEX DIVISION**

<b>RATE SCHEDULE:</b>	<b>Rate T - Transportation</b>	
<b>APPLICABLE TO:</b>	<b>Entire System</b>	<b>REVISION: DATE:</b>
<b>EFFECTIVE DATE: February 1, 2008</b>		<b>PAGE: 2 OF 2</b>

defined in the applicable Transportation Agreement, at the end of each month that exceeds 10% of Customer's receipt quantities for the month.

**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.



**TARIFF FOR GAS SERVICE****EXHIBIT A****ATMOS ENERGY CORP.,  
MID-TEX DIVISION**

<b>RIDER:</b>	<b>Rider GCR - Gas Cost Recovery</b>	
<b>APPLICABLE TO:</b>	<b>Entire System</b>	<b>REVISION: DATE:</b>
<b>EFFECTIVE DATE: October 1, 2008</b>		<b>PAGE: 1 OF 3</b>

**Rider GCR - Gas Cost Recovery**

Applicable to Rate R, Rate C, and Rate I for all gas sales made by Company, and applicable to Rate R, Rate C, Rate I, and Rate T for recovery of Pipeline System costs. The total gas cost recovery amount due is determined by adding the gas cost calculated in Section (a) below and the pipeline cost calculated in Section (b) below

The amount due for gas cost (Section (a)) is determined by multiplying the Gas Cost Recovery Factor (GCRF) by the Customer's monthly volume. For Customers receiving service under Rate R and Rate C, monthly volume will be calculated on an Mcf basis. For Customers receiving service under Rate I, monthly volume will be calculated on an MMBtu basis and the quantities will be adjusted as necessary to recover actual costs.

The amount due for pipeline cost (Section (b)) is determined by multiplying the Pipeline Cost Factor (PCF) by the Customer's monthly volume. For Customers receiving service under Rate R and Rate C, monthly volume will be calculated on an Mcf basis. For Customers receiving service under Rate I and Rate T, monthly volume will be calculated on an MMBtu basis and the quantities will be adjusted as necessary to recover actual costs

**(a) Gas Cost****Method of Calculation**

The monthly gas cost adjustment is calculated by the application of a Gas Cost Recovery Factor (GCRF), as determined with the following formula:

**GCRF = Estimated Gas Cost Factor (EGCF) + Reconciliation Factor (RF) + Taxes (TXS) + Adjustments (ADJ)**

**EGCF = Estimated cost of gas, including lost and unaccounted for gas attributed to residential, commercial, and industrial sales, and any reconciliation balance of unrecovered gas costs, divided by the estimated total residential, commercial, and industrial sales.**

**RF = Calculated by dividing the difference between the Actual Gas Cost Incurred, inclusive of interest, over the preceding twelve-month period ended June 30 and the Actual Gas Cost Billed over that same twelve-month period by the estimated total residential, commercial, and industrial sales for the succeeding October through June billing months.**

**Actual Gas Cost Incurred = The sum of the costs booked in Atmos Energy Corp., Mid-Tex Division account numbers 800 through 813 and 858 of the NARUC Uniform System of Accounts, including the net impact of injecting and withdrawing gas from storage. Also includes a credit or debit for any out-of-period adjustments or unusual or nonrecurring costs typically considered gas costs and a credit for amounts received as Imbalance Fees or Curtailment Overpull Fees.**

**Actual Gas Cost Billed = EGCF multiplied by the monthly volumes billed to Residential, Commercial and Industrial Sales customers, less the total amount of gas cost determined to have been uncollectible and written off which remain unpaid for each month of the reconciliation period.**

# EXHIBIT A

## TARIFF FOR GAS SERVICE

ATMOS ENERGY CORP.,  
MID-TEX DIVISION

RIDER:	Rider GCR - Gas Cost Recovery	
APPLICABLE TO:	Entire System	REVISION: DATE:
EFFECTIVE DATE: October 1, 2008		PAGE: 2 OF 3

Any amount remaining in the reconciliation balance after the conclusion of the period of amortization will be maintained in the reconciliation balance and included in the collection of the next RF.

Atmos Energy shall file annual reports with the Commission, providing by month the following amounts: Gas Cost Written Off, Margin Written Off, Tax and Other Written Off, Total Written Off, Gas Cost Collected and Margin Collected

TXS = Any statutorily imposed assessments or taxes applicable to the purchase of gas divided by the estimated total residential, commercial, and industrial sales

ADJ = Any surcharge or refund ordered by a regulatory authority, inclusive of interest, divided by the estimated total residential, commercial, and industrial sales.

### (b) Pipeline Cost

#### Method of Calculation

Each month, a Pipeline Cost Factor (PCF) is calculated separately for each Pipeline Cost Rate Class listed below. The formula for the PCF is:

$PCF = PP / S$ , where:

$PP = (P - A) \times D$ , where:

P = Estimated monthly cost of pipeline service calculated pursuant to Rate CGS

D = Pipeline service allocation factor for the rate class as approved in the Company's most recent rate case, as follows:

Pipeline Cost Rate Class	Allocation Factor (D)
Rate R - Residential Service	.634783
Rate C - Commercial Service	.302805
Rate I - Industrial Service and Rate T - Transportation Service	.062412

A = Adjustment applied in the current month to correct for the difference between the actual and estimated pipeline cost revenue of the second preceding month, calculated by the formula:

$A = R - (C - A2)$ , where:

R = Actual revenue received from the application of the PP component in the second preceding month.

C = Actual pipeline costs for the second preceding month.

A2 = The adjustment (A) applied to the PP component in the second preceding month.

S = Estimated Mcf or MMBtu for the rate class for the current billing month.

The PCF is calculated to the nearest 0.0001 cent

**TARIFF FOR GAS SERVICE****EXHIBIT A****ATMOS ENERGY CORP.,  
MID-TEX DIVISION**

<b>RIDER:</b>	<b>Rider GCR - Gas Cost Recovery</b>	
<b>APPLICABLE TO:</b>	<b>Entire System</b>	<b>REVISION: DATE:</b>
<b>EFFECTIVE DATE: October 1, 2008</b>		<b>PAGE: 3 OF 3</b>

The Pipeline Cost to be billed is determined by multiplying the Mcf or MMBtu used by the appropriate PCF. The Pipeline Cost is determined to the nearest whole cent

**TARIFF FOR GAS SERVICE****EXHIBIT A****ATMOS ENERGY CORP.,  
MID-TEX DIVISION**

<b>RIDER:</b>	<b>Rider CEE – Conservation &amp; Energy Efficiency</b>	
<b>APPLICABLE TO:</b>	<b>Entire System</b>	<b>REVISION: DATE:</b>
<b>EFFECTIVE DATE:</b>		<b>PAGE: 1 OF 1</b>

**RIDER CEE – Conservation & Energy Efficiency****Purpose**

Atmos Energy Mid-Tex is proposing to institute a complete Conservation & Energy Efficiency program which will offer assistance to qualified customer segments in reducing energy consumption and lowering energy utility bills. The proposal is one where Atmos Energy shareholders will fund a percentage of the allowable expenses incurred annually, with a customer rate component providing the remainder of the funding. Following is a high-level, concept summary of the proposal. Atmos Energy Mid-Tex Division proposes to work with the communities it serves to develop the details of a new tariff and programs addressing conservation and energy efficiency.

**Synopsis:**

Voucher system to provide free energy savings materials and supplies to qualifying customers of Atmos Mid-Tex. Qualified Customers will receive up to two hundred dollars (\$200.00) worth of caulking, weather-stripping, sheathing, sealing, water heater blankets, and like materials, other energy saving devices such as clock-thermostats, set-back devices ("covered items") from approved suppliers / retailers. Company will undertake efforts to enlist support from community groups, including its own Employee Action Program, to assist customers with installation. If it is determined that professional installation capabilities are necessary, the parties will agree on labor assistance amounts.

**Eligibility**

**Low Income** – Low-income rate-payers that qualify for heating bill assistance through LIHEAP agencies and all agencies that distribute Atmos "Share the Warmth" funds. Agencies that allocate assistance funds denote customer as Low Income, a status that lasts for one year.

**Senior Citizen** – Primary account holder can request eligibility through ATM call center or web-site. Customer provides primary SSN which is verified through Social Security Administration. And account holder that is or turns 65 years old in that year becomes eligible.

**Funding**

Initial program funding will be at two million dollars (\$2,000,000). Atmos Energy shareholders will contribute one million dollars (\$1,000,000.00) to this initiative annually with ratepayers providing one million dollars (\$1,000,000.00) per year. It is proposed that the program operate on an October 1 through September 30 year, with benefits being capped at the two million dollar level for the initial program period.

**Administration:**

A third-party administrator will coordinate qualification of customers, voucher distribution, subsequent verification and reimbursement of eligible expenditures and general program administration. Program administration expenses will be funded from the annual approved budget.

Program audits will be conducted and the results provided to any interested party within 120 days of the end of each program year to determine effectiveness.

## TARIFF FOR GAS SERVICE

## EXHIBIT A

ATMOS ENERGY CORP.,  
MID-TEX DIVISION

RIDER:	Rider WNA – Weather Normalization Adjustment	
APPLICABLE TO:	Entire System	REVISION: DATE:
EFFECTIVE DATE: November 1, 2008		PAGE: 1 OF 3

**RIDER WNA – Weather Normalization Adjustment****Provisions for Adjustment**

The base rate per Mcf (1,000,000 Btu) 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.

**Computation of Weather Normalization Adjustment**

The Weather Normalization Adjustment Factor shall be computed to the nearest one-hundredth cent per Mcf 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 Mcf
- $R_i$  = base rate of temperature sensitive sales for the  $i^{th}$  schedule or classification approved by the entity exercising original jurisdiction.
- $HSF_i$  = heat sensitive factor for the  $i^{th}$  schedule or classification calculated as the slope of the linear regression of average sales per bill (Mcf) and actual heating degree days by month for the test year by schedule or classification and weather station as part of the RRM filing.
- $NDD$  = 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 calculated as the y-intercept of the linear regression of average sales per bill (Mcf) and actual heating degree days by month for the test year by schedule or classification

## TARIFF FOR GAS SERVICE

ATMOS ENERGY CORP.,  
MID-TEX DIVISION

RIDER:	Rider WNA – Weather Normalization Adjustment	
APPLICABLE TO:	Entire System	REVISION: DATE:
EFFECTIVE DATE: November 1, 2008		PAGE: 2 OF 3

and weather station as part of the RRM filing

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

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

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

#### Filings with Entities Exercising Original Jurisdiction

As part of its annual RRM filing the Company will file (a) a copy of each computation of the Weather Normalization Adjustment Factor, (b) a schedule showing the effective date of each such Weather Normalization Adjustment, (c) a schedule showing the factors of values used in calculating such Weather Normalization Adjustment and (d) a random sample and audit of thirty (30) actual customer bills, with customer information deleted, for each rate schedule or classification to which the WNA was applied in the preceding 12 month period. To the extent that source data is needed to audit the WNA application, such data will be provided by the Company as part of the annual RRM filing.

If the RRM is discontinued, as provided in the Rider RRM tariff, the information required herein to be filed with the entities exercising original jurisdiction shall be filed on March 1 of each year.

#### Base Use/Heat Sensitivity (HSF) Factors

Weather Station	<u>Residential</u>		<u>Commercial</u>	
	Base use Mcf	HSF Mcf/HDD	Base use Mcf	HSF Mcf/HDD
Abilene	1.14	.0131	8.11	.0631
Austin	1.31	.0136	18.05	.0669
Dallas	1.57	.0185	18.08	.0925
Waco	1.20	.0138	10.97	.0606
Wichita Falls	1.27	.0147	11.58	.0581

## TARIFF FOR GAS SERVICE

## EXHIBIT A

ATMOS ENERGY CORP.,  
MID-TEX DIVISION

RIDER:	Rider WNA – Weather Normalization Adjustment	
APPLICABLE TO:	Entire System	REVISION: DATE:
EFFECTIVE DATE: November 1, 2008		PAGE: 3 OF 3

Sample WNAF<sub>i</sub> Calculation:

$$.1533 \text{ per Mcf} = 1.2267 \times \frac{(.0131 \times (30-17))}{(1.14 + (.0131 \times 17))}$$

Where

- $i$  = Residential Single Block Rate Schedule  
 $R_i$  = 1.2267 per MCF (Rate R - Final Order GUD No. 9670)  
 $HSF_i$  = .0131 (Residential - Abilene Area)  
 $NDD$  = 30 HDD (Simple ten-year average of Actual HDD for Abilene Area – 9/15/06 – 10/14/06)  
 $ADD$  = 17 HDD (Actual HDD for Abilene Area – 9/15/06 – 10/14/06)  
 $Bl_i$  = 1.14 Mcf (Residential - Abilene Area)

## EXHIBIT A

## TARIFF FOR GAS SERVICE

ATMOS ENERGY CORP.,  
MID-TEX DIVISION

RIDER:	Rider RRM – Rate Review Mechanism	
APPLICABLE TO:	Entire Mid-Tex Division	REVISION DATE:
EFFECTIVE DATE:		PAGE: 1 of 10

**RIDER RRM – RATE REVIEW MECHANISM****Purpose:**

This mechanism is designed to provide annual earnings transparency. All rate calculations under this tariff shall be made on a system wide basis. If, through the implementation of the provisions of this mechanism, it is determined that rates should be decreased or increased, then rates will be adjusted accordingly in the manner set forth herein. The rate adjustments implemented under this mechanism will reflect annual changes in the Company's cost of service and rate base. This adjustment will be authorized for an Initial Implementation Period. With the conclusion of the final rate adjustment, if any, for the Initial Implementation Period, each entity having original jurisdiction may revoke, amend, or approve Subsequent Implementation Period(s) for the mechanism.

**Definitions**

- a) The **Annual Evaluation Date** shall be the date the Company will make its annual filing under this mechanism. The Annual Evaluation Date shall be no later than March 1, of each year. This filing shall be effective in electronic form where practicable. The initial filing shall be made the later of March 31, 2008 or upon approval of this tariff.
  - b) **Audited Financial Data** shall mean the Company's books and records related to the Company's Mid-Tex operating area and shared services operations. Audited Financial Data shall not require the schedules and information provided under this tariff to undergo a separate financial audit by an outside auditing firm similar to the Company's annual financial audit.
  - c) The **Evaluation Period** is defined as the twelve month period ending December 31, of each calendar year. The initial Evaluation Period shall be calendar year 2007.
  - d) The **Rate Effective Period** is defined as the earlier of the twelve month period for which rates determined under this mechanism will be in effect or subsequent rates are implemented.
  - e) **Per Connection Basis** is defined as the existing average number of Mid-Tex active meters to customers during the Evaluation Period.
  - f) **Initial Implementation Period** is defined as the three (3) year period commencing with the Company's filing under this mechanism for the calendar year 2007, effective October 1, 2008, and shall conclude with the implementation of rate adjustments, if any, for the third Rate Effective Period.
  - g) **Subsequent Implementation Period** is defined as any three (3) year period after the conclusion of the Initial Implementation Period.
  - h) **Final Order** is defined as the most recent order establishing the Company's latest effective rates for the area in which the mechanism is implemented, and shall include municipal rate ordinances and resolutions.
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## TARIFF FOR GAS SERVICE

## EXHIBIT A

ATMOS ENERGY CORP.,  
MID-TEX DIVISION

RIDER:	Rider RRM – Rate Review Mechanism	
APPLICABLE TO:	Entire Mid-Tex Division	REVISION DATE:
EFFECTIVE DATE:		PAGE: 2 of 10

Rate Review Mechanism

The Company shall file with each regulatory authority having original jurisdiction over the Company's rates the schedules specified below for the Evaluation Period, with the filing to be made by the Annual Evaluation Date following the end of the Evaluation Period. The schedules, which will be based upon the Company's Audited Financial Data, as adjusted, and provided in the same format as Atmos' rate filing with municipalities on September 20, 2007, will include the following:

- a) Company's 13 month average actual gross plant in service, accumulated depreciation, accumulated deferred income taxes, inventory, working capital, and other rate base components for the Evaluation Period. A 13 month average will be used for these items for the true up calculation; Evaluation Period ending balances for these items will be used for the calculation of rates for the Rate Effective Period. The ratemaking treatments, principles, findings and adjustments included in the Final Order will apply. Regulatory adjustments due to prior regulatory rate base adjustment disallowances will be maintained. Cash working capital will be calculated using the lead/lag days approved in the Final Order. Accumulated deferred income taxes (ADIT) will be calculated using the methodology used in the Final Order. The RRM Schedules & Information section of this tariff identifies those ADIT components to be included in the calculation of rate base for both the Evaluation Period and Rate Effective Period calculations.
- b) The Company's depreciation expense, operating and maintenance expense, and taxes other than income taxes booked in the period will be used for the true-up calculation purposes. Depreciation rates booked in the period will be those approved in the Final Order, or the rate most recently approved. All calculation methodologies will be those approved in the Final Order except where noted or included in this tariff, or in the most recent order addressing the methodology. In addition, the Company shall exclude from operating and maintenance expense the discretionary costs to be disallowed from Rider RRM filings listed in the RRM Schedules and Information section of this tariff.
- c) Return on Equity (ROE) shall be maintained at 9.6%.
- d) Cost of debt will reflect actual cost for the Evaluation Period. A 13 month average cost of debt and capital structure will be used for the true up calculation; Evaluation Period ending balances for cost of debt and capital structure will be used for the calculation of rates for the Rate Effective Period. Capital structure will be the actual Evaluation Period ratio of long-term debt and equity, with percentage equity not to exceed the percentage established in the Final Order in G.U.D. No. 9670 (48.1% equity), based on the calculation methodology outcomes used above.
- e) All applicable accounting adjustments along with all supporting work papers. Such adjustments may include:

## TARIFF FOR GAS SERVICE

## EXHIBIT A

ATMOS ENERGY CORP.,  
MID-TEX DIVISION

RIDER:	Rider RRM – Rate Review Mechanism	
APPLICABLE TO:	Entire Mid-Tex Division	REVISION DATE:
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- 1) Pro-forma adjustments to update and annualize costs and revenue billing determinants for the Rate Effective Period.
- 2) Pro-forma or other adjustments required to properly account for atypical, unusual, or nonrecurring events recorded during the Evaluation Period.
- f) Shared Services allocation factors shall be recalculated each year based on the latest component factors used during the Evaluation Period, but the methodology used will be that approved in the Final Order.

Calculation of Rate Adjustment

- a) The Company shall provide additional schedules indicating the following revenue deficiency/sufficiency calculations using the methodology accepted in the Final Order, a 13 month average will be used for the specified items for the true up calculation, Evaluation Period ending balances will be used for the calculation of rates for the Rate Effective Period. These schedules shall identify the rate adjustments necessary for both a true-up of revenue for the Evaluation Period and the setting of prospective rates for the Rate Effective Period. The net result of these rate adjustments shall be reflected in the proposed new rates to be established for the Rate Effective Period. In calculating the required rate adjustments, such adjustments will be made pro-ratably to the customer charge and usage charge based upon actual revenue generated, as adjusted under the Company's approved Weather Normalization Adjustment (WNA) Rider. Provided, however, that neither the Residential nor the Commercial customer charges may increase more than 20% per year
- b) If Company's earnings during the Evaluation Period exceed 9.6% return on common equity, the Company shall calculate a decrease to rates to reduce the revenue required to achieve a return on equity of 9.6% for the Evaluation Period. If Company's earnings during the Evaluation Period are below 9.6% return on common equity, the Company shall calculate an increase in rates to collect the additional revenue required to increase its return on equity for the Evaluation Period to 9.6%. In order to avoid double-counting of true-up revenues, any true-up revenue booked during the Evaluation Period that is related to prior periods will be removed in determining both the prospective rates for the Rate Effective Period and the true-up increase or decrease related to the current Evaluation Period. The RRM Schedule & Information section of this tariff provides an example calculation. After the prospective rates for the Rate Effective Period are calculated, the true-up element shall be added to or deducted from those rates in order to determine the rates that shall thereafter be recovered
- c) The Company may also adjust rates for the Rate Effective Period to include recovery of any known and measurable changes to operating and maintenance costs including, but not limited to, all payroll and compensation expense, all benefit expense, all pension expense, insurance costs, materials and supplies, bad debt costs, all medical expense, transportation and building and lease costs for the Rate Effective Period. Provided, however, that adjustments may only be made for costs that are reasonable and necessary. Additionally, utility plant and rate base for the Rate

## TARIFF FOR GAS SERVICE

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Effective Period will be established by using the Evaluation Period ending balances, including associated changes in depreciation and amortization expense and taxes. In calculating the Company's known and measurable changes for prospective RRM adjustment purposes, the following limitations will apply, on a Per Connection Basis.

1. Operating and Maintenance expenses per connection for the Rate Effective Period cannot increase more than 5% per year without specific identification and justification. Any proposed adjustment above 5% per year, is subject to the provisions of the Evaluation Procedures of this tariff. Such procedures provide that the regulatory authority will review the proposed adjustment and that the Company and regulatory authority will work collaboratively to seek agreement on the proposed adjustments to the Company's schedules and proposed rates. Justification for such expenditures over the cap shall include an event or combination of events beyond the control of the Company. The beginning adjusted Operation and Maintenance expense per connection for the 2007 RRM Evaluation Period will be limited to not exceed \$151 million divided by the connections for the period. The increase in adjusted Operation and Maintenance expenses per connection for the 2008 Rate Effective Period and subsequent Rate Effective periods cannot exceed 5% per year, without specific identification and justification. The RRM Schedule & Information section of this tariff provides an example calculation of the 5% limit.
2. Net plant investment per connection for the Rate Effective Period cannot increase more than 5% per year without specific identification and justification. Any proposed adjustment above 5% per year, is subject to the provisions of the Evaluation Procedures of this tariff. Such procedures provide that the regulatory authority will review the proposed adjustment and that the Company and regulatory authority will work collaboratively seek agreement on the proposed adjustments to the Company's schedules and proposed rates. However, in performing a cap test to verify compliance, Company shall exclude any changes in net plant investment associated with federal, state, or local mandates related to safety, compliance, or road moves. The 2007 true up calculation shall be made using the net plant investment of \$1,243,607,206. The initial 2008 prospective rate will be set using net plant limited to not exceed [\$1,243,607,206 divided by average active meters for the 12 months ended June 30 2007] times 1.025 times the average active meters for calendar year 2007. Subsequent filing calculations of net plant investment will be made using the same method used in the Company's September 20, 2007 Statement of Intent with the following exceptions: 1) A 13 month average will be used for net plant in the true up calculation and 2) Evaluation Period ending balances will be used for net plant in the calculation of rates for the Rate Effective Period.

The rate increase limitations set forth in this tariff shall not preclude the Company from recovering any excluded net plant costs during a subsequent Evaluation Period in which the 5% limitation for net plant investment is not reached or in a subsequent Statement of Intent case. To the extent that the Company seeks to recover any excluded net plant costs during a subsequent Evaluation Period in which the 5% limitation for net plant investment is not reached or in a subsequent Statement of Intent case, the Company shall

## EXHIBIT A

## TARIFF FOR GAS SERVICE

ATMOS ENERGY CORP.,  
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identify these costs as a specific line item in the schedule accompanying the RRM rate adjustment filing.

The regulatory authority may disallow any net plant investment that is not shown to be prudently incurred. Approval by the regulatory authority of net plant investment pursuant to the provisions of this tariff shall constitute a finding that such net plant investment was prudently incurred. Such finding of prudence shall not be subject to further review in a subsequent Evaluation Period or Statement of Intent filing.

- d) The Company also shall provide a schedule demonstrating the "proof of revenues" relied upon to calculate the proposed rate for the Rate Effective Period. The proposed rates shall conform as closely as is practicable to the revenue allocation principles approved in the Final Order.

Attestation

A sworn statement shall be filed by the Company's Chief Officer in Charge of Mid-Tex Operations affirming that the filed schedules are in compliance with the provisions of this mechanism and are true and correct to the best of his/her knowledge, information and belief. No testimony shall be filed.

Evaluation Procedures

The regulatory authority having original jurisdiction over the Company's rates shall have no less than ninety (90) days to review the Company's filed schedules and work papers. The Company will be prepared to provide all supplemental information as may be requested to ensure adequate review by the relevant regulatory authority. The Company shall not unilaterally impose any limits upon the provision of supplemental information and such information shall be provided within ten (10) working days of the original request. The regulatory authority may propose any adjustments it determines to be required to bring the schedules into compliance with the above provisions.

During and following the ninety (90) day review period and a thirty (30) day response period, the Company and the regulatory authority will work collaboratively and seek agreement on the proposed adjustments to the Company's schedule and proposed rates. If agreement has been reached by the Company and the regulatory authority, the regulatory authority shall authorize an increase or decrease to the Company's rates so as to achieve the revenue levels indicated for the Rate Effective Period. If, at the end of the thirty (30) day response period, the Company and the regulatory authority have not reached agreement on the proposed adjustments, the Company shall have the right to appeal the regulatory authority's action or inaction to the Railroad Commission of Texas. Upon the filing of any appeal, the Company shall have the right to implement the proposed RRM rate adjustment, subject to refund.

If approved by the entity exercising original jurisdiction, the rates established pursuant to the Rate Review Mechanism for the first Rate Effective Period shall be effective on October 1, 2008. Thereafter, rates established pursuant to the Rate Review Mechanism for subsequent Rate Effective Periods, if approved as provided herein, shall be effective on July 15 of each year.

Reconsideration and Appeal

## TARIFF FOR GAS SERVICE

## EXHIBIT A

ATMOS ENERGY CORP.,  
MID-TEX DIVISION

RIDER:	Rider RRM – Rate Review Mechanism	
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Orders issued pursuant to this mechanism are ratemaking orders and shall be subject to appeal under Sections 102.001(b) and 103.021, et seq., of the Texas Utilities Code (Vernon 2007).

Notice

Notice of the annual Rate Review Mechanism filing shall be provided pursuant to Section 104.103, TEX. UTIL. CODE ANN, no later than forty-five (45) days after the Company makes its annual filing pursuant to this tariff. The notice to customers shall include the following information:

- a) a description of the proposed revision of rates and schedules;
- b) the effect the proposed revision of rates is expected to have on the rates applicable to each customer class and on an average bill for each affected customer;
- c) the service area or areas in which the proposed rate adjustment would apply;
- d) the date the proposed rate adjustment was filed with the regulatory authority; and
- e) the Company's address, telephone number and website where information concerning the proposed rate adjustment may be obtained.

RRM Schedules and InformationAccumulated Deferred Income Tax ("ADIT") Items To Be Recognized in Rate Base

The following list identifies those ADIT components to be included in the calculation of rate base for both the Evaluation Period and Rate Effective Period calculations:

**Mid-Tex:**

Gas Plant in Service

Insurance Accruals

Benefit Accruals

Deferred Expense Projects

Allowance for Doubtful Accounts

Customer Advances

UNICAP Section 263A Costs (which shall be removed from Atmos Mid-Tex when these costs are transferred to Atmos Pipeline Texas)

Regulatory Asset - Mid-Tex

Regulatory Liability - Mid-Tex

Other Plant

## TARIFF FOR GAS SERVICE

## EXHIBIT A

ATMOS ENERGY CORP.,  
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Accumulated Deferred Income Tax ("ADIT") Items To Be Recognized in Rate Base (continued):

SSU - Customer Support:  
Gas Plant in Service

SSU - General Office:  
Gas Plant in Service

Insurance Accruals  
Benefits Accruals  
Deferred Expense Projects  
Prepaid Expenses  
Regulatory Liability - Atmos 109  
FAS 115 Adjustment  
Treasury Lock Adjustment  
Revenue Agent Report Carryforward Adjustments 1990-1985  
Tax Net Operating Loss Credit Carryforwards  
State Bonus Depreciation  
R & D Credit Valuation Allowance  
Other Plant

Discretionary Costs to Be Disallowed from Rider RRM filings

The following types of employee reimbursed expenses and directly incurred costs are to be removed from all expense and rate base amounts included within Rider RRM filings for the Evaluation Period and for the Rate Effective Period:

Amounts incurred for travel, meals or entertainment of employee spouses  
Amounts for air travel that exceed published commercial coach air fares  
Amounts incurred for hotel rooms exceeding \$250 per night inclusive of taxes and fees assessed on such rooms.  
Amounts for alcoholic beverages.  
Amounts paid for admission to entertainment, sports, art or cultural events, and all event sponsorship costs  
Amounts for social club dues or fees.

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## TARIFF FOR GAS SERVICE

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ATMOS ENERGY CORP.,  
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Example Calculation A - Revenue for RRM True-Up Portion of Rate

\*\*FOR ILLUSTRATION PURPOSES ONLY.  
AMOUNTS ARE HYPOTHETICAL, AND DO NOT CORRESPOND  
WITH OTHER EXAMPLE SCHEDULES\*\*

	Calendar 2007	Calendar 2008	Calendar 2009	Calendar 2010	Calendar 2011
Per Books Revenue, excluding True-Up Revenue from prior Evaluation Periods	\$150,000	\$156,000	\$157,700	\$158,200	\$158,700
Per-Books True-Up Revenue based on 2007 Evaluation Period [1]		800	1,200		
Per-Books True-Up Revenue based on 2008 Evaluation Period [1]			(364)	(546)	
Per-Books True-Up Revenue based on 2009 Evaluation Period [1]				234	351
Total Per-Books Revenue	\$150,000	\$156,800	\$158,536	\$157,888	\$159,051
Add / (Subtract):					
Revenue from Riders GCR, FF, & TAX	(110,000)	(111,000)	(112,000)		
Surcharges for Rate Case Cost Recovery	(200)	(200)	(200)		
True-Up Revenue for 2007 Evaluation Period [1]		(800)	(1,200)		
True-Up Revenue for 2008 Evaluation Period [1]			364		
Remove out-of-period and unusual items	-	-	-		
Realized Revenue for True-Up Calculation	39,800	44,800	45,500		
Revenue Requirement at 9.6% ROE [2]	41,800	43,890	46,085		
True-Up Increase (Decrease), subject to Revenue-Related Tax Gross-up	\$ 2,000	\$ (910)	\$ 585		

[1] For illustration purposes, example assumes 40% of the total calculated true-up is collected in the following calendar year. Each true-up is subject to a proof of collection or refund after the collection/refund period, and any residual amount will be refunded or collected in the subsequent period.

[2] Since realized revenue for the true-up calculation excludes Riders GCR, FF, and TAX, as well as surcharges for rate case cost recovery, the revenue requirement for purposes of the true-up calculation also excludes all corresponding expenses for the Evaluation Period.

## TARIFF FOR GAS SERVICE

## EXHIBIT A

ATMOS ENERGY CORP.,  
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Example Calculation B - Revenue for RRM Prospective Portion of Rate

\*\*FOR ILLUSTRATION PURPOSES ONLY.  
AMOUNTS ARE HYPOTHETICAL, AND DO NOT CORRESPOND  
WITH OTHER EXAMPLE SCHEDULES\*\*

	Oct 2008 - Sept 2009	July 15, 2009 - July 14, 2010	July 15, 2010 - July 14, 2011
Rate Effective Period Revenue Price-Out at Current Rates [1]	\$ 60,000	\$ 65,000	\$ 68,000
Remove True-Up Portion of Revenue [2]		(2,500)	1,100
Revenue at Current Rates for Rate Effective Period Deficiency Calculation	60,000	62,500	69,100
Revenue Requirement for Rate Effective Period	65,000	68,250	71,663
Rate Effective Period Revenue Increase / (Decrease) before True-Up, subject to Revenue Tax Gross-Up [3]	\$ 5,000	\$ 5,750	\$ 2,563

- [1] To be calculated using pro-forma annualized billing determinants, as provided for in this tariff, priced out at the current rates at the time of the deficiency calculation.
- [2] To be calculated using pro-forma annualized billing determinants, as provided for in this tariff, priced out at the portion of current rates at the time of the deficiency calculation intended to true up prior Evaluation Period(s)
- [3] This represents the prospective deficiency portion of the RRM adjustment. The true-up adjustment, demonstrated in Example Calculation A, will be combined with this adjustment to determine the total adjustment for the Rate Effective Period.



## TARIFF FOR GAS SERVICE

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## Example Calculation C - Operation &amp; Maintenance Expense Cap Test

\*\*All Amounts are Hypothetical, and do not correspond with other example calculations\*\*

Evaluation Period (Calendar Year)	2007	2008	2009
Benchmark O&M Per Connection (Increased 5% annually)	\$ 97.23	\$ 102.09	\$ 107.19
Gas Service Connections [1]	1,553,000	1,560,000	1,567,000
Maximum O&M Allowed	\$ 151,000,000	\$ 159,260,400	\$ 167,968,730

[1] For illustration purposes only, Gas Service Connections are estimated for 2007 and are assumed to increase 7,000 connections per year. Therefore, 'Maximum O&M Allowed' is estimated for 2008 and 2009. Actual Gas Service Connections for 2007 will be used to calculate the 2007 O&M per Connection. For each subsequent Evaluation Period, the prior period O&M per Connection will be increased by 5%, and then multiplied by the actual Gas Service Connections for the same period to derive the 'Maximum O&M Allowed'.

**ATMOS ENERGY CORP., MID-TEX DIVISION**  
**REVENUE REQUIREMENTS BY SERVICE CLASS**  
**TEST YEAR ENDING JUNE 30, 2007**  
**EXHIBIT B TO SETTLEMENT AGREEMENT BETWEEN ATMOS ENERGY AND THE ATM CITIES**

Line No.	Description (a)	Current Revenues (b)	Proposed Revenues <sup>1</sup> (c)	Proposed Change (d)	Percent Change (e)
1	Residential (Base Revenue)	\$ 277,485,494	\$ 280,887,686	\$ 3,402,192	1.23%
2	Residential (Rider GCR)	625,991,761	625,991,761	-	0.00%
3	Residential (Rider FF & Rider TAX)	52,488,696	52,686,332	197,637	0.38%
4	Total Residential	\$ 955,965,951	\$ 959,565,779	\$ 3,599,828	0.38%
5	Commercial (Base Revenue)	\$ 59,666,416	\$ 65,119,647	\$ 5,453,231	9.14%
6	Commercial (Rider GCR)	399,910,917	399,910,917	-	0.00%
7	Commercial (Rider FF & Rider TAX)	26,699,748	27,016,551	316,803	1.19%
8	Total Commercial	\$ 486,277,080	\$ 492,047,115	\$ 5,770,035	1.19%
9	Industrial/Transportation (Base Revenue)	\$ 8,461,218	\$ 9,057,219	\$ 596,001	7.04%
10	Industrial/Transportation (Rider GCR)	33,616,178	33,616,178	-	0.00%
11	Industrial/Transportation (Rider FF & Rider TAX)	2,444,541	2,479,168	34,625	1.42%
12	Total Industrial/Transportation	\$ 44,521,937	\$ 45,152,563	\$ 630,625	1.42%
13	Other Revenue (Base Revenue)	\$ 17,418,758	\$ 17,418,758	\$ -	0.00%
14	Other Revenue (Rider GCR)	-	-	-	0.00%
15	Other Revenue (Rider FF & Rider TAX)	1,011,968	1,011,968	-	0.00%
16	Total Other Revenue	\$ 18,430,724	\$ 18,430,724	\$ -	0.00%
17	Base Revenue	\$ 363,031,887	\$ 372,483,310	\$ 9,451,423	2.60%
18	Rider GCR	1,059,518,856	1,059,518,856	-	0.00%
19	Rider FF & Rider TAX	82,644,951	83,194,015	549,064	0.66%
20	Total Operating Revenues	\$ 1,505,195,693	\$ 1,515,196,181	\$ 10,000,488	0.66%

Note:

<sup>1</sup> Proposed Revenues are the result of the application of the proposed rates to billing determinants.

ATMOS ENERGY CORP., MID-TEX DIVISION  
REVENUE REQUIREMENTS  
TEST YEAR ENDING JUNE 30, 2007  
Settlement Proposal

Line No.	Description (a)	Ref (b)	(c)	Base Revenue (d)	Rider GCR (e)	Rider FF & Rider TAX (f)	Total (g)
1							
2	Rider GCR Part A	Schedule H		\$ -	\$ 976,143,417	\$ -	\$ 976,143,417
3	Rider GCR Part B	Schedule I			83,375,439		83,375,439
4	Total Rider GCR				\$ 1,059,518,856		\$ 1,059,518,856
5							
6	Operation and Maintenance Expenses	Schedule F-1		\$ 150,891,394		\$ -	\$ 150,891,394
7							
8	Taxes Other than Income Taxes	Schedule F-5		20,756,918		\$ 83,194,015	103,950,933
9							
10	Depreciation and Amortization Expense	Schedule F-3		79,148,614			79,148,614
11							
12	Interest on Customer Deposits	Schedule F-7		1,593,388			1,593,388
13							
14	Rate Base	Schedule B	\$ 1,123,773,895				
15	Rate of Return	Schedule G	7.79%				
16				87,535,806			87,535,806
17							
18	Income Taxes	Schedule F-8		32,556,703			32,556,703
19							
20	Revenue Requirements			\$ 372,482,822	\$ 1,059,518,856	\$ 83,194,015	\$ 1,515,195,693
21							
22	Current Revenues	Schedule A					\$ 1,505,195,693
23							
24	Proposed Change						\$ 10,000,000

**ATMOS ENERGY CORP., MID-TEX DIVISION  
SUMMARY PROOF OF REVENUE AT PROPOSED RATES  
TEST YEAR ENDING JUNE 30, 2007**

Line	Description	Total	Reference
	(a)	(b)	(c)
<b>Rate R</b>			
1	<u>Rate Characteristics:</u>		
2	Customer Charge	\$10.69	CCS
3			
4	Consumption Charge (\$/Mcf)	\$1.2710	CCS
5			
6	Rider GCR Part A	\$7.5520	Schedule H
7	Rider GCR Part B	\$0.5990	Schedule I
8			
9	<u>Billing Units (1):</u>		
10	Bills	17,144,647	WP_J-1 1
11	Total MCF	76,798,906	WP_J-1 1
12			
13	<u>Present Revenue:</u>		
14	Customer Charge	\$ 183,276,276	
15	Consumption Charge	97,611,410	
16	Base Revenue	\$ 280,887,686	
17	Rider GCR Part A	579,988,302	
18	Rider GCR Part B	46,003,459	
19	Subtotal	\$ 906,879,447	
20	Revenue Related Taxes	52,686,332	
21			
22	Total Proposed Revenue- Rate R	<u>\$ 959,565,779</u>	
23			
24	Note 1: See Billing Determinants Study for details.		

**ATMOS ENERGY CORP., MID-TEX DIVISION  
SUMMARY PROOF OF REVENUE AT PROPOSED RATES  
TEST YEAR ENDING JUNE 30, 2007**

<u>Line</u>	<u>Description</u>	<u>Total</u>	<u>Reference</u>
	(a)	(b)	(c)
<b>Rate C</b>			
1	<u>Rate Characteristics:</u>		
2	Customer Charge	\$20.28	CCS
3			
4	Consumption Charge (\$/Mcf)	\$0.7104	CCS
5			
6	Rider GCR Part A	\$7.5520	Schedule H
7	Rider GCR Part B	\$0.5001	Schedule I
8			
9	<u>Billing Units (1):</u>		
10	Bills	1,471,279	WP_J-1.2
11	Total MCF	49,665,131	WP_J-1.2
12			
13	<u>Present Revenue:</u>		
14	Customer Charge	\$ 29,837,538	
15	Consumption Charge	35,282,109	
16	Base Revenue	\$ 65,119,647	
17	Rider GCR Part A	375,072,987	
18	Rider GCR Part B	24,837,930	
19	Subtotal	\$ 465,030,584	
20	Revenue Related Taxes	27,016,551	
21			
22	Total Proposed Revenue- Rate C	\$ 492,047,115	
23			
24	Note 1: See Billing Determinants Study for details.		

**ATMOS ENERGY CORP., MID-TEX DIVISION  
SUMMARY PROOF OF REVENUE AT PROPOSED RATES  
TEST YEAR ENDING JUNE 30, 2007**

Line	Description	Total	Reference
	(a)	(b)	(c)
<b>Rate I &amp; T</b>			
1	<u>Rate Characteristics:</u>		
2	Customer Charge	\$344.75	CCS
3			
4	Block 1 (\$/MMBTU)	\$0.2200	CCS
5	Block 2 (\$/MMBTU)	\$0.1600	CCS
6	Block 3 (\$/MMBTU)	\$0.0493	CCS
7			
8	Rider GCR Part A	\$7.5520	Schedule H
9	Rider GCR Part B	\$0.2804	Schedule I
10			
11	<u>Consumption Characteristics:</u>		
12	Block 1 (First 1,500 MMBTU)	0.21691	(1)
13	Block 2 (Next 3,500 MMBTU )	0.24651	(1)
14	Block 3 (Over 5,000 MMBTU )	0.53657	(1)
15			
16	<u>Billing Units (1):</u>		
17	Bills	11,542	WP_J-13
18	Block 1	9,694,939	WP_J-13
19	Block 2	11,018,084	WP_J-13
20	Block 3	23,982,442	WP_J-13
21	Total MMBTU	44,695,465	
22			
23	Sales Volumes	2,858,579	WP_J-13
24			
25	<u>Present Revenue:</u>		
26	Customer Charge	\$ 3,979,105	
27	Block 1	2,132,887	
28	Block 2	1,762,893	
29	Block 3	1,182,334	
30	Base Revenue	\$ 9,057,219	
31	Rider GCR Part A	21,082,128	
32	Rider GCR Part B	12,534,050	
33	Subtotal	\$ 42,673,397	
34	Revenue Related Taxes	2,479,166	
35			
36	Total Proposed Revenue- Rate I&T	\$ 45,152,563	
37			
38	Note 1: See Billing Determinants Study for details.		