

**ORDINANCE NO. 20100930-056**

**AN ORDINANCE APPROVING INCREASED RATES FOR NATURAL GAS CHARGED BY ATMOS ENERGY CORPORATION – MID-TEX DIVISION AND APPROVING AN AGREEMENT ESTABLISHING REVISED TARIFFS AND A MECHANISM FOR RATE REVIEW OVER THE NEXT TWO YEARS.**

**BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF AUSTIN:**

**PART 1. FINDINGS.**

The city council finds that:


- (A) the City is a regulatory authority under the Gas Utility Regulatory Act (“GURA”) having exclusive original jurisdiction over Atmos Energy Corporation – Mid-Tex Division (“Atmos”) rates, operations, and services within the City and has participated in prior cases regarding Atmos as a part of a coalition of cities known as the Atmos Texas Municipalities (“ATM”); and
- (B) on April 15, 2010, Atmos filed a for a rate increase and requested an two year extension of its Rate Review Mechanism (“RRM”) that was approved by City Ordinance No. 20080306-075 with modifications; and
- (C) as a result of negotiations between the ATM cities and Atmos, a recommended settlement has been agreed to by ATM and is now being presented to the City for its individual approval.


**PART 2. AGREEMENT FOR RATES.**

- (A) The City agrees that the Settlement Agreement, attached hereto and incorporated herein as Attachment A, is in the public interest and is hereby approved in all respects.
- (B) The City finds that the new tariffs, which are incorporated into the Settlement Agreement and collectively attached hereto as Attachment B, are just and reasonable and are hereby approved subject to a prudence review of the steel pipe replacement expenditures in the next general rate proceeding.

A copy of this Ordinance shall be sent to Mr. David Park, Vice President for Rates and Regulation, Mid-Tex Division, Atmos Energy Corporation, 5420 LBJ Freeway, Suite 1800, Dallas, Texas 75204, and to Jim Boyle, Counsel for ATM, at Herrera & Boyle, PLLC, 816 Congress Avenue, Suite 1250, Austin, Texas 78701.

**PASSED AND APPROVED**

**APPROVED:**   
Karen M. Kennard  
Acting City Attorney

ATTEST:   
Shirley A. Gentry  
City Clerk

**ATTACHMENT A**

**SETTLEMENT AGREEMENT**

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

WHEREAS, this settlement agreement is entered into 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, Heath, Henrietta, Hickory Creek, Hico, Hillsboro, Hutto, Kerens, Lampasas, Leander, Lometa, Longview, Mart, Mexia, Olney, Pflugerville, Point, Ranger, Rice, Riesel, Rockdale, Rockport, Rogers, Round Rock, San Angelo, Sanger, Somerville, Star Harbor, Trinidad, Trophy Club, and Whitney; and

WHEREAS, on March 15, 2010, Atmos filed with the ATM Cities an application, hereafter referred to as the 2010 RRM filing, to adjust rates pursuant to Rider RRM - Rate Review Mechanism; and

WHEREAS, ATM has hired experts and lawyers to analyze the rates proposed by Atmos Energy Corp.'s, Mid-Tex Division ("Atmos" or "Company") in its 2010 RRM filing; and

WHEREAS, the Settlement Agreement resolves all issues between Atmos and ATM ("the Signatories") regarding the 2010 RRM filing, which is currently pending before the ATM Cities, 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 the 2010 RRM filing 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 between the ATM Cities and Atmos involving the 2010 RRM filing:

**Settlement Terms**

1. Upon the execution of this Settlement Agreement, 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. (Attachment A to the Ordinance ratifying this Agreement). Said tariffs should allow Atmos an additional, prospective \$27 million in annual revenue by implementation of rates shown in the proof of revenues attached as Exhibit B. (Attachment B to the Ordinance ratifying this Agreement). The uniform implementation of gas rates, terms and conditions established by this Settlement Agreement shall be effective for bills rendered on or after October 1, 2010.

2. In an effort to streamline the regulatory review process, Atmos and ATM have agreed to renew the Rate Review Mechanism ("Rider RRM") for a period commencing with the Company's April 1, 2011 filing under this mechanism for the calendar year 2010, effective August 15, 2011, and concluding upon the implementation of new, final rates established pursuant to the general rate case that Atmos will file on or before June 1, 2013. 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. The revised RRM tariff is included in Exhibit A.
3. Notwithstanding the RRM rate adjustments that will occur pursuant to paragraph 2 of this Settlement Agreement, Atmos and ATM agree that on or before June 1, 2013, Atmos shall file a general, system-wide rate case for the Mid-Tex Division. During the pendency of the general rate case, Atmos and ATM agree that rate adjustments associated with the RRM filing for calendar year 2011 shall be implemented on August 15, 2012, and shall remain in effect until the earlier of either the issuance of a final order by the Railroad Commission of Texas in the general rate case to be filed on or before June 1, 2013, or the entry of an agreed upon order resolving all issues involved in the general rate case. The adjustments made or requested in the 5<sup>th</sup> year RRM shall not be considered precedent during the general rate case.
4. Atmos and ATM further agree that for the period commencing March 1, 2010 through September 30, 2012, Atmos will expand its existing steel service line replacement program to complete the replacement of 100,000 steel service lines within its Mid-Tex Division during this period. Atmos and ATM agree that a risk-based approach should be adopted to allow replacement of the highest priority steel service lines within this time period. Atmos agrees to provide the ATM cities with quarterly reports providing the number and location of the lines replaced during the quarter. Atmos agrees to coordinate with ATM member cities to minimize disruption to cities' rights of way without compromising the safety of residents of the cities.
5. Atmos and ATM agree that costs incurred to replace steel service lines prior to October 1, 2010 shall be included in the RRM rate adjustment calculation for the 2010 calendar year, and shall not be subject to or included in the rate cap limitations set forth in subsection IV (a)-(b) of the Rider RRM tariff.
6. Atmos and ATM agree that the projected incremental direct costs incurred to replace steel service lines on or after October 1, 2010 shall be separately identified and shall not be subject to or included in the rate cap limitations set forth in subsection IV (a)-(b) of the Rider RRM tariff. Atmos and ATM further agree that such projected direct incremental costs incurred to replace steel service lines after October 1, 2010, shall be separately calculated and recovered as a discrete component of customer charges in the Company's annual RRM filings as set forth below:
  - a. Atmos and ATM agree that Atmos shall be entitled to separately adjust rates for the Rate Effective Period as defined in the Rider RRM tariff to allow recovery of the projected annual revenue requirement associated with direct incremental costs to be incurred in connection with a steel service line replacement program, that are not otherwise included within the RRM cost of service, including a return on equity of 9.0% within the overall weighted cost of capital applied to net

investment (net plant additions, less accumulated depreciation and accumulated deferred income taxes), depreciation expense and applicable taxes;

- b. Atmos and ATM further agree that the capital structure used to calculate the steel service line replacement rate adjustment will be the actual Evaluation Period (as defined in the Rider RRM tariff) ratio of long-term debt and equity, with an equity percentage not to exceed 50%;
  - c. Rate recovery associated with a steel service line replacement program shall occur through an adjustment to the Residential and Commercial customer charges. Current year recovery factors as of October 1, 2010 shall be \$0.15 for residential customers and \$0.41 for commercial customers. The rates will be adjusted annually, however, Atmos and ATM agree that in no case will the per customer monthly cost recovery factors attributable to a steel service line replacement program exceed \$0.44 for residential customers or \$1.22 for commercial customers, either prior to or during the pendency of the general rate case Atmos will file on or before June 1, 2013.
  - d. Atmos and ATM further agree that any per customer amount attributable to cost recovery for a steel service line replacement program shall be subject to review by the regulatory authority in a subsequent Evaluation Period as defined in the Rider RRM tariff and all incremental costs associated with a steel service line replacement program shall be subject to a prudence/reasonableness review in the general rate case to be filed by Atmos on or before June 1, 2013.
7. With respect to the Company's annual RRM filings, Atmos 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. 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.
10. 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 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. 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.

11. Atmos and ATM further agree that the ordinance or resolution adopting this Settlement Agreement shall include a provision authorizing Atmos to establish regulatory asset account(s) for costs related to working gas in storage. Atmos and ATM further agree that the language authorizing these regulatory asset account(s) shall be the same as that set forth in the 4<sup>th</sup> Ordering Paragraph (Page 10 of 11) of the Final Order Nunc Pro Tunc issued by Railroad Commission of Texas in GUD No. 9869 on February 23, 2010. This language states as follows:

IT IS FURTHER ORDERED that Atmos shall be allowed to establish a regulatory asset for the ad valorem taxes related to working gas in storage. In addition, Atmos shall be allowed to establish a regulatory asset for (1) the costs associated with Accumulated Deferred Income Tax for UNICAP Section 263A, (2) the WACOG to FIFO change, and (3) an amount equal to the rate of return approved in this RRM Proceeding for the Accumulated Deferred Income Tax items related to working gas in storage. Atmos shall record these amounts in Other Regulatory Assets (Account 182.3). These deferred items shall be considered, along with the investment in working gas, for consideration and possible inclusion in rates for Atmos Pipeline-Texas in that entity's next filed rate case. If the Commission determines that such deferred items are not properly included in the rates of Atmos Pipeline – Texas, the items shall be further deferred until the next Atmos Mid-Tex rate case filed after the final decision in the Atmos Pipeline-Texas rate case for inclusion with the working gas investment in the Atmos Mid-Tex rates.

12. Atmos and ATM 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, as well as the regulatory asset authorization language discussed in paragraph 12 of this Settlement Agreement.

13. 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.
14. 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 Atmos' 2010 RRM filing.
15. 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.
16. 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.
17. The Signatories agree that this Settlement Agreement may be executed in multiple counterparts and may be filed with facsimile signatures.

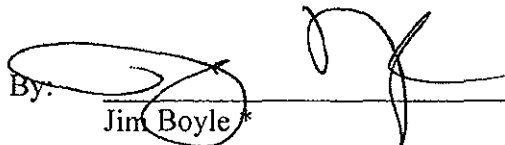
Agreed to this 23 day of August, 2010.

ATMOS ENERGY CORP., MID-TEX DIVISION

By: John A. Paris  
John A. Paris  
President, Mid-Tex Division

Agreed to this 23<sup>rd</sup> day of August 2010.

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, HEATH, HENRIETTA, HICKORY CREEK, HICO, HILLSBORO, HUTTO, KERENS, LAMPASAS, LEANDER, LOMETA, LONGVIEW, MART, MEXIA, OLNEY, PFLUGERVILLE, POINT, RANGER, RICE, RIESEL, ROCKDALE, ROCKPORT, 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

## TARIFFS

**ATMOS ENERGY CORPORATION  
MID-TEX DIVISION**

<b>RATE SCHEDULE:</b>	<b>R – RESIDENTIAL SALES</b>	
<b>APPLICABLE TO:</b>	<b>All Cities except the City of Dallas and all unincorporated areas</b>	
<b>EFFECTIVE DATE:</b>	<b>Bills Rendered on or after 10/01/2010</b>	

**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:

<b>Charge</b>	<b>Amount</b>
Customer Charge per Bill	\$ 7.15 per month
Commodity Charge – All Mcf	\$2.5246 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. 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.

**ATMOS ENERGY CORPORATION  
MID-TEX DIVISION**

<b>RATE SCHEDULE:</b>	<b>C – COMMERCIAL SALES</b>	
<b>APPLICABLE TO:</b>	<b>All Cities except the City of Dallas and all unincorporated areas</b>	
<b>EFFECTIVE DATE:</b>	<b>Bills Rendered on or after 10/01/2010</b>	

**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:

<b>Charge</b>	<b>Amount</b>
Customer Charge per Bill	\$ 13.91 per month
Commodity Charge - All Mcf	\$ 1.0796 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. 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.

**ATMOS ENERGY CORPORATION  
MID-TEX DIVISION**

<b>RATE SCHEDULE:</b>	<b>I – INDUSTRIAL SALES</b>	
<b>APPLICABLE TO:</b>	<b>All Cities except the City of Dallas and all unincorporated areas</b>	
<b>EFFECTIVE DATE:</b>	<b>Bills Rendered on or after 10/01/2010</b>	

**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	\$ 450.00 per month
First 0 MMBtu to 1,500 MMBtu	\$ 0.2750 per MMBtu
Next 3,500 MMBtu	\$ 0.2015 per MMBtu
All MMBtu over 5,000 MMBtu	\$ 0.0433 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. 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."

**ATMOS ENERGY CORPORATION  
MID-TEX DIVISION**

<b>RATE SCHEDULE:</b>	<b>I – INDUSTRIAL SALES</b>	
<b>APPLICABLE TO:</b>	<b>All Cities except the City of Dallas and all unincorporated areas</b>	
<b>EFFECTIVE DATE:</b>	<b>Bills Rendered on or after 10/01/2010</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.

**ATMOS ENERGY CORPORATION  
MID-TEX DIVISION**

<b>RATE SCHEDULE:</b>	<b>T – TRANSPORTATION</b>	
<b>APPLICABLE TO:</b>	<b>All Cities except the City of Dallas and all unincorporated areas</b>	
<b>EFFECTIVE DATE:</b>	<b>Bills Rendered on or after 10/01/2010</b>	

**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:

<b>Charge</b>	<b>Amount</b>
Customer Charge per Meter	\$ 450.00 per month
First 0 MMBtu to 1,500 MMBtu	\$ 0.2750 per MMBtu
Next 3,500 MMBtu	\$ 0.2015 per MMBtu
All MMBtu over 5,000 MMBtu	\$ 0.0433 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. 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.

**ATMOS ENERGY CORPORATION  
MID-TEX DIVISION**

<b>RATE SCHEDULE:</b>	<b>T – TRANSPORTATION</b>	
<b>APPLICABLE TO:</b>	<b>All Cities except the City of Dallas and all unincorporated areas</b>	
<b>EFFECTIVE DATE:</b>	<b>Bills Rendered on or after 10/01/2010</b>	

**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.

**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.

**ATMOS ENERGY CORPORATION  
MID-TEX DIVISION**

<b>RIDER:</b>	<b>WNA – WEATHER NORMALIZATION ADJUSTMENT</b>	
<b>APPLICABLE TO:</b>	<b>All Cities except the City of Dallas and all unincorporated areas</b>	
<b>EFFECTIVE DATE:</b>	<b>Bills Rendered on or after 10/01/2010</b>	

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. 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 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 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:

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

**ATMOS ENERGY CORPORATION  
MID-TEX DIVISION**

<b>RIDER:</b>	<b>WNA – WEATHER NORMALIZATION ADJUSTMENT</b>	
<b>APPLICABLE TO:</b>	<b>All Cities except the City of Dallas and all unincorporated areas</b>	
<b>EFFECTIVE DATE:</b>	<b>Bills Rendered on or after 10/01/2010</b>	

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 Use Factors

Weather Station	<u>Residential</u>		<u>Commercial</u>	
	Base use Mcf	Heat use Mcf/HDD	Base use Mcf	Heat use Mcf/HDD
Abilene	1.06	.0131	9.03	.0588
Austin	1.17	.0138	19.39	.0674
Dallas	1.49	.0191	20.37	.0872
Waco	1.13	.0137	11.81	.0610
Wichita Falls	1.19	.0136	11.21	.0549

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

$$.3352 \text{ per Mcf} = 2.5246 \times \frac{(.0131 \times (30-17))}{(1.06 + (.0131 \times 17))}$$

Where

$i$  = Residential Single Block Rate Schedule

$R_i$  = 2.25246 per MCF

$HSF_i$  = .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)

$Bl_i$  = 1.06 Mcf (Residential - Abilene Area)

**ATMOS ENERGY CORPORATION  
MID-TEX DIVISION**

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**I. 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 Rider RRM will be effective for the period commencing with the Company's RRM filing on April 1, 2011, and concluding with the implementation of new, final rates established pursuant to the general rate case that Atmos will file on or before June 1, 2013.

**II. 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 April 1, of each year. This filing shall be effective in electronic form where practicable.

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.

d) The **Rate Effective Period** is defined as the later 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) **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.

**III. 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' RRM filing with municipalities on March 15, 2010, will exclude a true-up computation, but will include the following:

- a) Evaluation Period ending balances for actual gross plant in service, accumulated depreciation, accumulated deferred income taxes, inventory, working capital, and other rate base components 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.

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- b) 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 9.7%.
- d) Cost of debt will reflect actual cost for the Evaluation Period. 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 50%, based on the calculation methodology outcomes used above.
- e) All applicable accounting adjustments along with all supporting work papers. Such adjustments may include:
  - 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.
- g) Any changes to corporate structure or allocation of common costs will include narrative explanations with the filing.

**IV. 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 with the exception of any allowance for a true-up component in the April 1, 2011 or the April 1, 2012 RRM filings. 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 the setting of prospective rates for the Rate Effective Period. The result 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) 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, payroll and compensation expense, benefit expense, pension expense, insurance costs, materials and supplies, bad debt costs, 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

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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 the subsequent Rate Effective periods cannot exceed 5% per year, without specific identification and justification.
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 to seek agreement on the proposed adjustments to the Company's schedules and proposed rates. However, in performing a cap test to verify compliance, the Company shall exclude any changes in net plant investment associated with federal, state, or local mandates related to safety, compliance, or road moves, including steel service line replacement program costs incurred prior to October 1, 2010. The initial 2008 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 except that 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 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.

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- c) Notwithstanding the limitations in subparts IV (a) through (b) of this tariff, the Company shall be entitled to separately adjust rates for the Rate Effective Period to include recovery for direct incremental costs associated with a steel service line replacement program incurred on and after October 1, 2010, a return on equity of 9.0% for such incremental costs as capitalized, depreciation, and applicable taxes. Capital structure will be the actual Evaluation Period ratio of long-term debt and equity, with percentage equity not to exceed 50%, based on the calculation methodology outcomes used above. Rate recovery associated with a steel service line replacement program shall be recovered through the Residential and Commercial customer charges and shall not be subject to or included in the rate increase limitations set forth in IV (a) through (b) of this tariff. Current year recovery factors are presumed to be \$0.15 for residential customers and \$0.41 for commercial customers. The rates will be adjusted annually, however, in no case will the per customer monthly cost recovery factors attributable to a steel service line replacement program exceed \$0.44 for residential customers or \$1.22 for commercial customers, prior to or during the pendency of the Company's next Statement of Intent case. Moreover, the per customer amount attributable to cost recovery for a steel service line replacement program shall be subject to review by the regulatory authority in a subsequent Evaluation Period and all costs associated with a steel service line replacement program will be subject to a prudence/reasonableness review in the Company's next Statement of Intent rate case.
- d) The Company 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.

**V. 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, but a brief narrative explanation shall be provided of any changes to corporate structure or allocation of common costs.

**VI. 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, including the adjustment attributable to steel service line replacement program costs, subject to refund.

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Rates established pursuant to the Rate Review Mechanism, if approved as provided herein, shall be effective on August 15 of each year.

**VII. Reconsideration and Appeal**

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).

**VIII. 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.

**IX. RRM Schedules and Information**

**a. Accumulated 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

**SSU - Customer Support:**

Gas Plant in Service

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**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

**b. 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.