

ORDINANCE NO. 2010 - 19

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF CANTON, TEXAS (“CITY”) APPROVING NEW RATES FOR ATMOS ENERGY CORP., MID-TEX DIVISION (“ATMOS MID-TEX” OR “COMPANY”) IN RESPONSE TO THE COMPANY’S THIRD RATE REVIEW MECHANISM (“RRM”) FILING IN ALL CITIES EXERCISING ORIGINAL JURISDICTION; DECLARING EXISTING RATES TO BE UNREASONABLE; ADOPTING TARIFFS THAT REFLECT JUST AND REASONABLE RATES; EXTENDING THE RRM PROCESS FOR TWO CYCLES AND ADOPTING A NEW RRM TARIFF, INCLUDING COST RECOVERY FOR A STEEL SERVICE LINE REPLACEMENT PROGRAM; ADOPTING A SAVINGS CLAUSE; DETERMINING THAT THIS ORDINANCE WAS PASSED IN ACCORDANCE WITH THE REQUIREMENTS OF THE TEXAS OPEN MEETINGS ACT; DECLARING AN EFFECTIVE DATE; AND REQUIRING DELIVERY OF THIS ORDINANCE TO THE COMPANY.

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

WHEREAS, in 2008, the Company implemented a Rate Review Mechanism (“RRM”) tariff that allowed for three, annual rate adjustment filings to be made with the City pursuant to an expedited rate review process;

WHEREAS, on or about March 15, 2010, Atmos Mid-Tex filed with the City its third application pursuant to the RRM tariff to increase natural gas base rates on a system-wide basis by approximately \$70.2 million, such increase to be effective in every municipality that has adopted the RRM tariff within its Mid-Tex Division; and

WHEREAS, the Company has filed evidence that existing rates are unreasonable and should be changed; and

WHEREAS, Atmos Mid-Tex has commenced a program to replace steel service lines based on a relative leak repair risk analysis; and

WHEREAS, the City has considered the Company's application and finds it reasonable to: (1) increase system-wide base rate revenues by \$27 million; (2) extend the RRM process, with modifications for an additional two cycles and to thereafter require the filing of a system-wide Statement of Intent rate case on or before June 1, 2013; and (3) allow current recovery of incremental direct costs of the steel service line replacement program in rates set via this ordinance and in future RRM; and

WHEREAS, the attached tariffs implementing new rates ("Attachment A" to this Ordinance) and Atmos Mid-Tex's Proof of Revenues ("Attachment B" to this Ordinance) are just, reasonable, and in the public interest; and

WHEREAS, it is the intention of the parties that if the City determines any rates, revenues, terms and conditions, or benefits resulting from a Final Order or subsequent negotiated settlement approved in any proceeding addressing the issues raised in the Company's Third RRM filing would be more beneficial to the City than the terms of the attached tariff, then the more favorable rates, revenues, terms and conditions, or benefits shall additionally accrue to the City; and

WHEREAS, the City finds that this resolution of the Company's RRM filing and the resulting rates are, as a whole, in the public interest;

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

Section 1. That the findings set forth in this Ordinance are hereby in all things approved.

Section 2. That the City Council finds the existing rates for natural gas service provided by Atmos Mid-Tex are unreasonable and that the new tariffs and Atmos Mid-Tex's

Proof of Revenues, which are attached hereto and incorporated herein as Attachments A and B, are just and reasonable and are hereby adopted.

Section 3. That to the extent any resolution or ordinance previously adopted by the Council is inconsistent with this Ordinance, it is hereby repealed.

Section 4. That the meeting at which this Ordinance was approved was in all things conducted in strict compliance with the Texas Open Meetings Act, Texas Government Code, Chapter 551.

Section 5. That if any one or more sections or clauses of this Ordinance is adjudged to be unconstitutional or invalid, such judgment shall not affect, impair or invalidate the remaining provisions of this Ordinance and the remaining provisions of the Ordinance shall be interpreted as if the offending section or clause never existed.

Section 6. That if the City determines any rates, revenues, terms and conditions, or benefits resulting from a Final Order or subsequent negotiated settlement approved in any proceeding addressing the issues raised in the Company's Third RRM filing would be more beneficial to the City than the terms of the attached tariff, then the more favorable rates, revenues, terms and conditions, or benefits shall additionally accrue to the City.

Section 7. That this Ordinance shall become effective from and after its passage and that the rates authorized by attached Tariffs shall be effective for bills rendered on or after October 1, 2010.

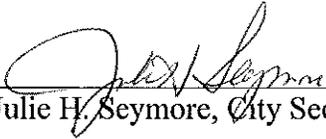
Section 8. That a copy of this Ordinance shall be sent to Atmos Mid-Tex, care of David Park, Vice President Rates and Regulatory Affairs, at Atmos Energy Corporation, 5420 LBJ Freeway, Suite 1862, Dallas, Texas 75240.

PASSED AND APPROVED this 21st day of September, 2010.



William R. Wilson, Mayor

ATTEST:



Julie H. Seymore, City Secretary

APPROVED AS TO FORM:



Richard D. Davis, City Attorney

**ATMOS ENERGY CORPORATION
MID-TEX DIVISION**

Attachment A to Ordinance

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

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	\$ 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**

Attachment A to Ordinance

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

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 Mof charges to the amounts due under the riders listed below:

Charge	Amount
Customer Charge per Bill	\$ 13.91 per month
Commodity Charge - All Mof	\$ 1.0796 per Mof

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**

Attachment A to Ordinance

RATE SCHEDULE:	1 - INDUSTRIAL SALES	
APPLICABLE TO:	All Cities except the City of Dallas and all unincorporated areas	
EFFECTIVE DATE:	Bills Rendered on or after 10/01/2010	

Application

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

Type of Service

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

Monthly Rate

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

Charge	Amount
Customer Charge per Meter	\$ 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**

Attachment A to Ordinance

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

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**

Attachment A to Ordinance

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

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	\$ 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**

Attachment A to Ordinance

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

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**

Attachment A to Ordinance

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

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:

$$WNA_j = WNAF_i \times q_j$$

**ATMOS ENERGY CORPORATION
MID-TEX DIVISION**

Attachment A to Ordinance

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

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	Residential		Commercial	
	Base use Mcf	Heat use Mcf/HDD	Base use Mcf	Heat use Mcf/HDD
Ablene	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	.0810
Wichita Falls	1.19	.0136	11.21	.0549

Sample WNA_i Calculation:

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

Where

- i = Residential Single Block Rate Schedule
- R_i = 2.5246 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)
- B_i = 1.06 Mcf (Residential - Abilene Area)

RIDER:	RRM – RATE REVIEW MECHANISM	
APPLICABLE TO:	All Cities except the City of Dallas and all unincorporated areas	
EFFECTIVE DATE:	Bills Rendered on or after 10/01/2010	

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.

RIDER:	RRM – RATE REVIEW MECHANISM	
APPLICABLE TO:	All Cities except the City of Dallas and all unincorporated areas	
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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

RIDER:	RRM – RATE REVIEW MECHANISM	
APPLICABLE TO:	All Cities except the City of Dallas and all unincorporated areas	
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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.

RIDER:	RRM – RATE REVIEW MECHANISM	
APPLICABLE TO:	All Cities except the City of Dallas and all unincorporated areas	
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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 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.

**ATMOS ENERGY CORPORATION
MID-TEX DIVISION**

Attachment A to Ordinance

RIDER:	RRM – RATE REVIEW MECHANISM	
APPLICABLE TO:	All Cities except the City of Dallas and all unincorporated areas	
EFFECTIVE DATE:	Bills Rendered on or after 10/01/2010	

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

**ATMOS ENERGY CORPORATION
MID-TEX DIVISION**

Attachment A to Ordinance

RIDER:	RRM – RATE REVIEW MECHANISM	
APPLICABLE TO:	All Cities except the City of Dallas and all unincorporated areas	
EFFECTIVE DATE:	Bills Rendered on or after 10/01/2010	

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.

**ATMOS ENERGY CORP., MID-TEX DIVISION
SUMMARY OF CURRENT AND PROPOSED RATE STRUCTURE
TEST YEAR ENDING DECEMBER 31, 2009
(2010 RRM SETTLEMENT PROPOSAL)**

Line No.	Description (a)	Current (b)	Proposed (Beginning Oct 1) (d)
1	Rate R		
2	Customer Charge per month	\$7.00	\$7.00
3			
4	Consumption Charge per MCF	\$2.2647	\$2.5246
5	2008 RRM True-up per MCF	\$0.0000	\$0.0000
6	2009 RRM True-up per MCF	<u>\$0.0060</u>	<u>\$0.0000</u>
7	Total Consumption Charge per MCF	\$2.2707	\$2.5246
8	Rate C		
9	Customer Charge per month	\$13.50	\$13.50
10			
11	Consumption Charge per MCF	\$0.9825	\$1.0796
12	2008 RRM True-up per MCF	\$0.0000	\$0.0000
13	2009 RRM True-up per MCF	<u>\$0.0052</u>	<u>\$0.0000</u>
14	Total Consumption Charge per MCF	\$0.9877	\$1.0796
15	Rate I & T		
16	Customer Charge per month	\$425.00	\$450.00
17			
18	Consumption Charge per MMBTU:		
19	First 1,500 MMBTU	\$0.2496	\$0.2750
20	Next 3,500 MMBTU	\$0.1820	\$0.2015
21	Over 5,000 MMBTU	\$0.0390	\$0.0433
22	2008 RRM True-up per MMBTU:		
23	First 1,500 MMBTU	\$0.0087	\$0.0000
24	Next 3,500 MMBTU	\$0.0064	\$0.0000
25	Over 5,000 MMBTU	\$0.0014	\$0.0000
26	2009 RRM True-up per MMBTU:		
27	First 1,500 MMBTU	\$0.0000	\$0.0000
28	Next 3,500 MMBTU	\$0.0000	\$0.0000
29	Over 5,000 MMBTU	<u>\$0.0000</u>	<u>\$0.0000</u>
30	Total Consumption Charge per MMBTU		
31	First 1,500 MMBTU	\$0.2583	\$0.2750
32	Next 3,500 MMBTU	\$0.1884	\$0.2015
33	Over 5,000 MMBTU	\$0.0404	\$0.0433

Attachment B to Ordinance

**ATMOS ENERGY CORP., MID-TEX DIVISION
CUSTOMER IMPACT OF PROPOSED RATES COMPARED TO CURRENT RATES
TEST YEAR ENDING DECEMBER 31, 2009
(2010 RRM SETTLEMENT PROPOSAL)**

Line No.	Description (a)	Prospective Rate Increase (b)
1	Rate R	
2	Consumption Charge per MCF	
3	Change from Current Rate	\$0.2639
4	Billing Units for Specified Period	78,600,000
5	Total Change in Base Revenue	\$19,934,212
6	Associated Revenue Taxes	<u>\$1,480,401</u>
7	Total Rate Impact	\$21,424,613
8	Number of Bills for Specified Period	17,287,740
9	Average Impact per Bill	\$1.24
10	Rate C	
11	Consumption Charge per MCF	
12	Change from Current Rate	\$0.0919
13	Billing Units for Specified Period	49,600,000
14	Total Change in Base Revenue	\$4,647,060
15	Associated Revenue Taxes	<u>\$338,888</u>
16	Total Rate Impact	\$4,887,028
17	Number of Bills for Specified Period	1,446,436
18	Average Impact per Bill	\$3.38
19	Rates I&T - Customer Charge	
20	Customer Charge	
21	Change from Current Rate	\$25.00
22	Billing Units for Specified Period	10,988
23	Total Change in Base Revenue	\$274,626
24	Associated Revenue Taxes	<u>\$20,633</u>
25	Total Rate Impact	\$295,167.81
26	Rates I&T - 1st block	
27	Consumption Charge per MCF	
28	Change from Current Rate	\$0.0167
29	Billing Units for Specified Period	10,697,656
30	Total Change in Base Revenue	\$177,031
31	Associated Revenue Taxes	<u>\$13,236</u>
32	Total Rate Impact	\$180,266
33	Rates I&T - 2nd block	
34	Consumption Charge per MCF	
35	Change from Current Rate	\$0.0131
36	Billing Units for Specified Period	10,791,216
37	Total Change in Base Revenue	\$141,297
38	Associated Revenue Taxes	<u>\$10,564</u>
39	Total Rate Impact	\$151,862
40	Rates I&T - 3rd block	
41	Consumption Charge per MCF	
42	Change from Current Rate	\$0.0029
43	Billing Units for Specified Period	16,666,623
44	Total Change in Base Revenue	\$47,655
45	Associated Revenue Taxes	<u>\$3,663</u>
46	Total Rate Impact	\$51,218
47	Rates I&T - Total	
48	Total Rate Impact	\$688,604
49	Number of Bills for Specified Period	10,988
50	Average Impact per Bill	\$62.68
51		
52	Total Change in Base Revenue	\$25,121,880
53	Total Rate Impact (Inc. Rev. Taxes)	\$27,000,142

Attachment B to Ordinance

ATMOS ENERGY CORP., MID-TEX DIVISION
 CUSTOMER IMPACT OF PROPOSED RATES COMPARED TO CURRENT RATES
 (STEEL SERVICE REPLACEMENT PROGRAM)

Line No.	Description (a)	Prospective Rate Increase (b)
1	Rate R	
2	Monthly Customer Charge	
3	Change from Current Rate	\$0.16
4	Billing Units for Specified Period	17,287,740
5	Total Change in Base Revenue	\$2,693,161
6	Associated Revenue Taxes	\$193,880
7	Total Rate Impact	\$2,787,041
8	Number of Bills for Specified Period	17,287,740
9	Average Impact per Bill	\$0.16
10	Rate C	
11	Monthly Customer Charge	
12	Change from Current Rate	\$0.41
13	Billing Units for Specified Period	1,445,436
14	Total Change in Base Revenue	\$592,628
15	Associated Revenue Taxes	\$44,308
16	Total Rate Impact	\$636,937
17	Number of Bills for Specified Period	1,445,436
18	Average Impact per Bill	\$0.44
19		
20	Total Change in Base Revenue	\$3,185,790
21	Total Rate Impact (Inc. Rev. Taxes)	\$3,423,979
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