

ORDINANCE NO. 3926

AN ORDINANCE OF THE CITY OF MESQUITE, TEXAS, APPROVING A SETTLEMENT AGREEMENT BETWEEN THE ATMOS CITIES STEERING COMMITTEE AND ATMOS ENERGY CORP., MID-TEX DIVISION ("ATMOS MID-TEX" OR "THE COMPANY") REGARDING THE COMPANY'S STATEMENT OF INTENT TO CHANGE GAS RATES IN ALL CITIES EXERCISING ORIGINAL JURISDICTION; DECLARING EXISTING RATES TO BE UNREASONABLE; ADOPTING TARIFFS THAT REFLECT RATE ADJUSTMENTS CONSISTENT WITH THE SETTLEMENT AGREEMENT AND FINDING THE RATES TO BE SET BY THE ATTACHED TARIFFS TO BE JUST AND REASONABLE; 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 AND LEGAL COUNSEL.

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

WHEREAS, on or about September 20, 2007, Atmos Mid-Tex, pursuant to Gas Utility Regulatory Act § 104.102, filed with the City a Statement of Intent to increase system-wide gas rates by approximately \$52 million, such increase to be effective in all municipalities exercising original jurisdiction within its Mid-Tex Division service area effective on October 25, 2007; and

WHEREAS, the City took action to suspend the October 25, 2007, Effective Date and to coordinate a response to Atmos' filing with more than 150 other similarly situated municipalities through the Atmos Cities Steering Committee ("ACSC") (such participating cities are referred to herein as "ACSC Cities"); and

WHEREAS, Atmos has agreed to extend the October 25, 2007, Effective Date such that the City's jurisdiction over this matter ends March 1, 2008; and

WHEREAS, the Railroad Commission of Texas ("RRC" or the "Commission") in GUD No. 9670, issued an Order approving new system-wide rates for customers of Atmos Energy's Mid-Tex Division in March 2007, which increased residential base rates by approximately \$10 million annually; and

WHEREAS, ACSC and Atmos have each appealed the RRC's decision in Atmos' most recent system-wide rate increase as well as the decision rendered in GUD No. 9400 to the Travis County District Court; and

WHEREAS, Atmos and ACSC have been in continuing disagreement, dispute and litigation over the application of Section 104.301 of the Texas Utilities Code and the resulting rate increases ("GRIP surcharges") established by the RRC; and

WHEREAS, Atmos filed its application for its fourth GRIP surcharge in four years on May 31, 2007, seeking to increase the rates of all customers by approximately \$12 million annually; and

WHEREAS, the ACSC Cities desire to avoid the litigation expense that would result from another lengthy contested rate case proceeding before the RRC as well as the prosecution of the appeals in various courts of the GRIP surcharges and the two previous system-wide rate decisions; and

WHEREAS, ACSC desires to recoup certain costs it previously incurred in connection with GRIP-related proceedings (costs which Atmos contends are not reimbursable rate case expenses under the Texas Utilities Code), as well as costs incurred in connection with this proceeding; and

WHEREAS, on October 18, 2007, more than 60 ACSC members met in Arlington with officers and executives of Atmos to discuss various issues, including rate making, resulting in a mutual pledge to work toward settlement; and

WHEREAS, ACSC members designated a Settlement Committee made up of ACSC representatives to work with ACSC attorneys and consultants to formulate and review reasonable settlement positions to resolve outstanding matters with Atmos, including the pending rate increase request; and

WHEREAS, the Settlement Committee and lawyers representing ACSC met several times with the Company to negotiate a Settlement Agreement resolving the issues raised in the Company's Statement of Intent filing as well as all outstanding appeals of the two prior rate cases and various GRIP filings; and

WHEREAS, the Settlement Committee, as well as ACSC lawyers and consultants believe existing rates are unreasonable and should be changed; and

WHEREAS, the ACSC Executive Committee recommends ACSC members approve the negotiated Settlement Agreement and attached tariffs; and

WHEREAS, the attached tariffs provide for an expedited rate review process as a substitute to the current GRIP process instituted by the Legislature; and

WHEREAS, the expedited rate review process as provided by the Rate Review Mechanism Tariff eliminates piecemeal ratemaking, the ACSC's major objection to the current GRIP process; and

WHEREAS, the attached tariffs implementing new rates are consistent with the Settlement Agreement and are just, reasonable and in the public interest; and

WHEREAS, it is the intention of the parties that ACSC Cities receive the benefit of any Settlement Agreement that Atmos enters into with other entities arising out of its Statement of Intent or any associated appeals of a decision entered by the Railroad Commission regarding the Company's request to increase rates; and

WHEREAS, the Settlement Agreement as a whole is in the public interest.

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

SECTION 1. That the findings set forth in this ordinance are hereby in all things approved.

SECTION 2. That the City Council finds that the Settlement Agreement, which is attached hereto and incorporated herein as Exhibit "A," is in the public interest and is hereby endorsed in all respects.

SECTION 3. That existing rates for natural gas service provided by Atmos Mid-Tex are unreasonable and new tariffs, which are attached hereto and incorporated herein as Exhibit "B," are just and reasonable and are hereby adopted.

SECTION 4. That to the extent any resolution or ordinance previously adopted by the Council is inconsistent with this ordinance, it is hereby repealed.

SECTION 5. 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.

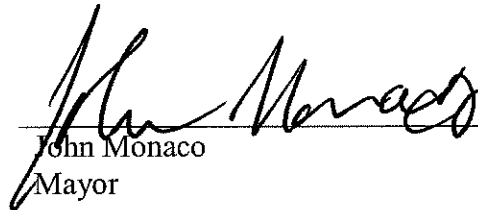
SECTION 6. That if any one or more sections or clauses of this ordinance is adjudged to be unconstitutional or invalid, such judgment shall not affect, impair or invalidate the remaining provisions of this ordinance and the remaining provisions of the ordinance shall be interpreted as if the offending section or clause never existed.

SECTION 7. That if ACSC Cities determine any rates, revenues, terms and conditions, or benefits resulting from a Final Order or subsequent Settlement Agreement approved in any proceeding addressing the issues raised in Atmos' Statement of Intent would be more beneficial to the ACSC Cities than the terms of the attached Settlement Agreement, then the more favorable rates, revenues, terms and conditions, or benefits shall additionally accrue to the ACSC Cities. However, approval of the attached Rider RRM, Rider CEE, Rider GCR and the Rider WNA shall not be affected by the application of the provisions contained in this section, it being the understanding and the intent of the parties hereto that such tariffs shall continue according to their terms.

SECTION 8. That this ordinance shall become effective from and after its passage with rates authorized by attached Tariffs to be effective for customer bills delivered on or after March 1, 2008.

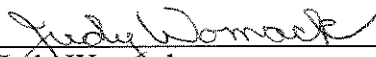
SECTION 9. That a copy of this ordinance shall be sent to Atmos Mid-Tex, care of Joe T. Christian, Director of Rates, at Atmos Energy Corporation, 5420 LBJ Freeway, Suite 1800, Dallas, Texas 75240, and to Geoffrey Gay, General Counsel to ACSC, at Lloyd Gosselink Blevins Rochelle & Townsend, P.C., P.O. Box 1725, Austin, Texas 78767-1725.

DULY PASSED AND APPROVED by the City Council of the City of Mesquite, Texas, on the 22nd day of January, 2008.



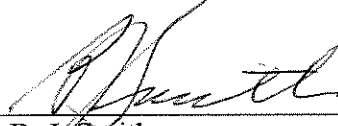
John Monaco
Mayor

ATTEST:



Judy Womack
City Secretary

APPROVED:



B. J. Smith
City Attorney

ATTACHMENT A

STATEMENT OF INTENT FILED BY ATMOS ENERGY, CORP., MID-TEX DIVISION ON SEPTEMBER 20, 2007

SETTLEMENT AGREEMENT

This Settlement Agreement is entered into by and between Atmos Energy Corp. ("Atmos" or "the Company") and the Atmos Cities Steering Committee ("ACSC"), whose members include the Cities of Abilene, Addison, Allen, Alvarado, Angus, Anna, Argyle, Arlington, Bedford, Bellmead, Benbrook, Beverly Hills, Blue Ridge, Bowie, Boyd, Bridgeport, Brownwood, Buffalo, Burkburnett, Burleson, Caddo Mills, Carrollton, Cedar Hill, Celeste, Celina, Cisco, Cleburne, Clyde, College Station, Colleyville, Colorado City, Comanche, Coolidge, Coppel, Corinth, Corral City, Crandall, Crowley, Dalworthington Gardens, Denison, DeSoto, Duncanville, Eastland, Edgecliff Village, Emory, Ennis, Euless, Everman, Fairview, Farmers Branch, Farmersville, Fate, Flower Mound, Forest Hill, Fort Worth, Frisco, Frost, Gainesville, Garland, Garrett, Grand Prairie, Grapevine, Haltom City, Harker Heights, Haskell, Haslet, Heath, Hewitt, Highland Park, Highland Village, Honey Grove, Hurst, Iowa Park, Irving, Justin, Kaufman, Keene, Keller, Kemp, Kennedale, Kerrville, Killeen, Krum, Lakeside, Lake Worth, Lancaster, Lewisville, Lincoln Park, Little Elm, Malakoff, Mansfield, McKinney, Melissa, Mesquite, Midlothian, Murphy, Newark, Nocona, North Richland Hills, Northlake, Oak Leaf, Ovilla, Palestine, Pantego, Paris, Parker, Pecan Hill, Plano, Ponder, Pottsboro, Prosper, Putnam, Quitman, Red Oak, Reno (Parker County), Richardson, Richland Hills, Roanoke, Robinson, Rockwall, Roscoe, Rowlett, Sachse, Saginaw, Seagoville, Sherman, Snyder, Southlake, Springtown, Stamford, Stephenville, Sulphur Springs, Sweetwater, Temple, Terrell, The Colony, Throckmorton, Tyler, University Park, Venus, Vernon, Waco, Watauga, Waxahachie, Westlake, Westworth Village, Whitesboro, White Settlement, Wichita Falls, Woodway, and Wylie (collectively "ACSC Cities").

WHEREAS, the Settlement Agreement resolves all issues relating to the Atmos Energy Corp., Mid-Tex Division Statement of Intent filed with the ACSC Cities on September 20, 2007, in a manner that Atmos and ACSC ("the Signatories") believe is consistent with the public interest, and the Signatories represent diverse interests;

WHEREAS, the Signatories believe that a fully contested hearing in the case would be time-consuming and entail substantial additional expense for all parties and that the public interest will be served by adoption of an ordinance consistent with the Settlement Agreement;

NOW, THEREFORE, in consideration of the mutual agreements and covenants established herein, the Signatories, through their undersigned representatives, agree to and recommend for approval by the ACSC Cities the following Settlement Terms as a means of fully resolving all issues raised in the September 20, 2007 Statement of Intent filed by Atmos on behalf of its Mid-Tex division:

Settlement Terms

1. Atmos and the ACSC Cities agree to the rates, terms and conditions reflected in the tariffs attached to this Settlement Agreement as Exhibit A. Said tariffs should allow Atmos an additional \$10 million in annual revenue by implementation of rates shown in

SETTLEMENT AGREEMENT
STATEMENT OF INTENT FILED BY ATMOS ENERGY, CORP.,
MID-TEX DIVISION ON SEPTEMBER 20, 2007

the proof of revenues attached as Exhibit B. Atmos and the ACSC Cities further agree that the rates, terms, and conditions reflected in Exhibit A to this Settlement Agreement comply with the rate-setting requirements of Chapter 104 of the Texas Utilities Code. The gas rates, terms and conditions established by this Settlement Agreement shall be effective for bills rendered on or after March 1, 2008.

2. The net plant amounts shown in the attached Exhibit B are reasonable for the plant that is used and useful in providing gas utility service.
3. Included as part of Exhibit A is a Rate Review Mechanism ("Rider RRM") that 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. Atmos agrees that effective with the implementation of the first RRM rate adjustment, Atmos shall file with the ACSC Cities a revised Rate R-Residential Sales Tariff to reduce the customer charge per bill from \$10.69 per month to \$7.00 per month and to increase the volumetric portion of the rate (shown as \$1.271 in Exhibit A) to the appropriate level to reflect reduction in customer charge from \$10.69 to \$7.00, as well as to reflect any change resulting from the RRM implementation. The first RRM rate adjustment is expected to occur October 1, 2008. Atmos and the ACSC Cities agree that following the initial RRM adjustment any subsequent implementation of RRM adjustments shall be supported as described in the Rider RRM, and shall limit changes to residential and commercial customer charge to no more than 20%. Further, the parties agree that any approved adjustment in excess of the 20% limitation on the residential and commercial customer charge shall be recovered through the volumetric portion of the rate.
4. With respect to the RRM, Atmos and the ACSC Cities agree that the rate increase limitations set forth in Rider RRM under Calculation of Rate Adjustment, subpart (c) shall not preclude Atmos from recovering any excluded costs during a subsequent Evaluation Period in which the 5% limitation for O&M expenses or net plant investment, respectively, is not reached or in a subsequent Statement of Intent case. To the extent that Atmos seeks to recover any excluded costs during a subsequent Evaluation Period in which the 5% limitation for O&M expenses or net plant investment, respectively, is not reached or in a subsequent Statement of Intent case, Atmos shall identify these costs as a specific line item in the schedule accompanying the RRM rate adjustment filing.
5. With respect to the RRM, Atmos further agrees to pay all reasonable and necessary expenses of each entity having original jurisdiction that are incurred to review the Company's annual RRM filings. Atmos further agrees that in calculating the proposed rate for any Rate Effective Period, the Company shall not include: (1) any external legal, expert, or consultant costs to prepare and/or provide supportive information related to its filing; or (2) reimbursements to original jurisdiction entities.
6. Notwithstanding paragraph 5 of this Settlement Agreement, Atmos and ACSC 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),

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Atmos shall recover any reimbursement made to the original jurisdiction entity through a surcharge to customer rates whether such reimbursements are made during the initial review period or appeal period.

7. Atmos agrees that it will make no filings on behalf of its Mid-Tex division under the provisions of TEX. UTIL. CODE ANN. § 104.301 while the Rider RRM is in place, and any such filings pending at the time the RRM is approved will be trued-up for revenue and rate base components prior to implementation of the annual RRM. In the event that a regulatory authority fails to act or enters an adverse decision regarding the proposed annual RRM adjustment, the Railroad Commission of Texas shall, pursuant to the provisions of the Texas Utilities Code, have exclusive appellate jurisdiction to review the action or inaction of the regulatory authority exercising exclusive original jurisdiction over the RRM request. In addition, the Signatories agree that this Settlement Agreement shall not be construed as a waiver of the ACSC 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.
8. Atmos and the ACSC Cities commit that during the Initial Implementation Period, as defined in the RRM tariff, Atmos and the ACSC Cities will not devote resources or efforts to advocate statutory changes involving rate stabilization mechanisms or the Gas Reliability Infrastructure Plan that is currently codified under TEX. UTIL. CODE §104.301.
9. Atmos and the ACSC Cities agree that the gas cost portion of uncollectible expense shall be recovered through the Company's Rider GCR rather than through base rates. The change in accounting for the gas cost portion of uncollectible expense (including both the accrual of expense and write-off of accounts) shall become effective with the implementation of the first RRM rate adjustment. The first RRM rate adjustment is expected to occur October 1, 2008. In calculating the rate for the first Rate Effective Period, the Company shall utilize the same methodology as used in the Company's September 20, 2007 Statement of Intent with the only modification being to exclude the effects of the gas cost portion of uncollectible expense from the base rate calculation.
10. Atmos and the ACSC Cities further agree that expense associated with lost and unaccountable gas shall, based on an annual period, be recoverable through the Company's Rider GCR up to a maximum of five (5) percent of the quantity of metered gas, as provided under Commission Rule 7.5525, Lost and Unaccounted for Gas. Such change shall be effective with the complete 12 month reporting period ending June 30, 2008.
11. Included as part of Exhibit A to this Settlement Agreement is a new gas conservation program tariff (Rider CEE) that will be effective October 1, 2008. Atmos and the ACSC Cities agree that Atmos will fund \$1 million of the allowable expenses incurred annually, with a customer rate component providing the remainder \$1 million of funding. All customer-supplied funds will, prior to the commencement of the program, be used toward program implementation efforts and, upon implementation, be applied directly to the gas conservation materials and supplies.

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12. Atmos and the ACSC Cities agree that the Company's requested revision of its weather normalization adjustment ("WNA") mechanism is appropriate, as modified by ACSC, and should be approved as set forth in Exhibit A to this Settlement Agreement. Specifically, the revision excludes non-weather sensitive commercial customers and modifies the WNA mechanism to calculate the WNA adjustment based on weather stations at a regional level rather than under the current practice of associating all customers with a single weather location for purposes of determining the WNA adjustment.
13. Atmos and the ACSC Cities agree that the three-year gas cost review process that is currently in effect for the Mid-Tex division should be eliminated. Atmos and the ACSC Cities further agree to collaborate to establish an alternate process wherein the prudence of gas costs recovered through the Rider GCR can be addressed. Until an agreed upon replacement mechanism has been established, the current gas cost review process shall remain in effect, unless changed by order of the Commission.
14. It is the intention of the Signatories that the ACSC Cities receive the benefit of any settlement agreement that Atmos enters into with other entities arising out of GUD No. 9672 (consolidated cases) or any associated appeals of GUD No. 9672. Therefore, Atmos agrees that if the rates, revenues, terms and conditions, or benefits accruing to the settling entity would be more beneficial to the ACSC Cities than the terms of this Settlement Agreement, as determined by the ACSC Cities, such more favorable rates, revenues, terms and conditions, or benefits shall additionally accrue to the ACSC Cities. Similarly, if the Final Order in GUD No. 9672 or orders resulting from any associated appeals are determined by the ACSC Cities to result in rates, revenues, terms and conditions, or benefits that are more beneficial than the terms of this Settlement Agreement, such more favorable terms, revenues, terms and conditions shall additionally accrue to the ACSC Cities. However, the Signatories agree that the approval of the Rider RRM, the Rider WNA, the Rider CEE, and the Rider GCR, as shown in Exhibit A hereto, shall not be affected by the application of the "most favored nations" provisions contained in this paragraph, it being the understanding and the intent of the Signatories hereto that such tariffs shall continue in effectiveness according to their terms. The Signatories further agree that the agreement reflected in paragraph 10 of this Settlement Agreement shall not be affected by the application of the "most favored nations" provisions contained in this paragraph.
15. Atmos agrees to reimburse the ACSC Cities previously incurred rate case expenses within 30 days of the date the last ACSC City ordinance approving this Settlement Agreement is entered, and any additional rate case expenses incurred through the date of the entry of the last ACSC City ordinance, within 30 days of receipt of invoices.
16. Atmos agrees to reimburse the ACSC Cities for expenses associated with all 2003, 2004, 2005, and 2006 GRIP filings and related court appeals up to \$567,213 within 30 days of the date the last ACSC City ordinance approving this Settlement Agreement is entered.
17. Atmos and the ACSC Cities further agree that all expenses reimbursed pursuant to paragraphs 15 and 16 of this Settlement Agreement, as well as all reasonable rate case

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STATEMENT OF INTENT FILED BY ATMOS ENERGY, CORP.,
MID-TEX DIVISION ON SEPTEMBER 20, 2007

expenses directly incurred by Atmos in connection with the September 20, 2007 Statement of Intent filed on behalf of its Mid-Tex Division through February 29, 2008, shall be recoverable through a surcharge to customer rates within the ACSC Cities. With respect to the rate case expenses directly incurred by Atmos, the amount to be recovered through the surcharge to customers within the ACSC Cities shall be determined on a pro rata basis, consistent with the ACSC Cities' percentage of total Mid-Tex residential load (52%). The surcharge shall be recovered over a twelve month period beginning in April of 2008.

18. Within 30 days of the date the last ACSC City ordinance approving this Settlement Agreement is entered, Atmos and the ACSC Cities agree to file a Notice of Non-Suit or Motion to Dismiss, whichever is applicable, in the following proceedings:

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

- a. Cause No. D-1-GN-06-000333; *Atmos Cities Steering Committee v. The Railroad Commission of Texas*, In the 345th District Court, Travis County, Texas.
- b. Cause No. D-1-GN-06-000334; *Atmos Cities Steering Committee v. The Railroad Commission of Texas*, In the 345th District Court, Travis County, Texas.
- c. Cause No. D-1-GN-06-000335; *Atmos Cities Steering Committee v. The Railroad Commission of Texas*, In the 345th District Court, Travis County, Texas.
- d. Cause No. D-1-GN-06-000336; *Atmos Cities Steering Committee v. The Railroad Commission of Texas*, In the 345th District Court, Travis County, Texas.
- e. Cause No. D-1-GN-06-000332; *Atmos Cities Steering Committee v. The Railroad Commission of Texas*, In the 345th District Court, Travis County, Texas.
- f. Cause No. D-1-GN-05-002182; *Atmos Cities Steering Committee v. The Railroad Commission of Texas*, In the 345th District Court, Travis County, Texas.
- g. Cause No. D-1-GN-06-004206; *Atmos Cities Steering Committee v. The Railroad Commission of Texas*, In the 345th District Court, Travis County, Texas.

Cause No. D-1-GN-06-001612; *Atmos Cities Steering Committee v. The Railroad Commission of Texas*, In the 345th District Court, Travis County, Texas.

Cause No. D-1-GN-06-001852; *Atmos Cities Steering Committee v. The Railroad Commission of Texas*, In the 345th District Court, Travis County, Texas.

Cause No. D-1-GV-06-000603; *Atmos Cities Steering Committee v. The Railroad Commission of Texas*, In the 345th District Court, Travis County, Texas.

Cause No. D-1-GV-06-000605; *Atmos Cities Steering Committee v. The Railroad Commission of Texas*, In the 345th District Court, Travis County, Texas.

SETTLEMENT AGREEMENT
STATEMENT OF INTENT FILED BY ATMOS ENERGY, CORP.,
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Cause No. D-1-GN-06-004518; *Atmos Cities Steering Committee v. The Railroad Commission of Texas*, In the 345th District Court, Travis County, Texas.

Cause Number: 03-06-00580-CV; *Atmos Energy Corporation, as successor by merger to TXU Gas Company, Allied Coalition of Cities, and City of Dallas v. Railroad Commission of Texas*; In the Third District Court of Appeals at Austin, Texas.

Cause No. D-1-GN-07-002871, *Atmos Cities Steering Committee v. Railroad Commission of Texas*, In the 53rd District Court, Travis County, Texas.

Cause No. D-1-GN-07-002796, *Atmos Energy Corporation v. Railroad Commission of Texas*, In the 250th District Court, Travis County, Texas.

Cause No. GV5-00875; *Allied Coalition of Cities v. The Railroad Commission of Texas*, In the 345th District Court, Travis County, Texas.

19. Atmos and the ACSC Cities agree that Atmos may make all future filings, including, but not limited to, the annual RRM adjustment and any Statement of Intent filing with the ACSC Cities on an electronic basis, rather than by paper copy. Electronic Filings shall fulfill the requirements of TEX. UTIL. CODE §104.103. The appropriate ACSC Cities representative shall provide a list of the ACSC Cities to Atmos by March 1, 2008, and agrees to notify Atmos of any change in the ACSC Cities Coalition within 30 days of the effective date of any such change in order for Atmos to maintain adequate service records. Atmos further agrees to make paper copies of filings available to any ACSC City that requests a copy.
20. Atmos and the ACSC Cities agree that the ACSC Cities should pass ordinances approving the Settlement Agreement and establish rates and services for the ACSC Cities consistent with those set forth in Exhibit A to this Settlement Agreement.
21. The Signatories agree that the terms of the Settlement Agreement are interdependent and indivisible, and that if any ACSC 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.
22. 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 the September 20, 2007 Statement of Intent filed by Atmos on behalf of its Mid-Tex Division pursuant to Texas law.
23. 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 ACSC Cities of an order implementing this Settlement Agreement.

SETTLEMENT AGREEMENT
STATEMENT OF INTENT FILED BY ATMOS ENERGY, CORP.,
MID-TEX DIVISION ON SEPTEMBER 20, 2007

24. 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.
25. The Signatories agree that this Settlement Agreement may be executed in multiple counterparts and may be filed with facsimile signatures.

SETTLEMENT AGREEMENT
STATEMENT OF INTENT FILED BY ATMOS ENERGY, CORP.,
MID-TEX DIVISION ON SEPTEMBER 20, 2007 WITH THE ACSC COALITION OF CITIES

Agreed to this 9th day of January, 2008.

ATMOS ENERGY CORP., MID-TEX DIVISION

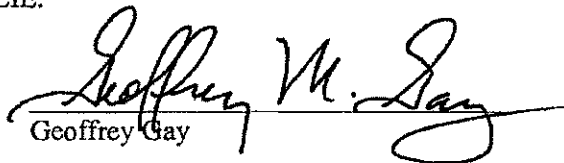
By: John A. Paris
John A. Paris
President, Mid-Tex Division

SETTLEMENT AGREEMENT
STATEMENT OF INTENT FILED BY ATMOS ENERGY, CORP.,
MID-TEX DIVISION ON SEPTEMBER 20, 2007

Agreed to this 9th day of January, 2008.

ATTORNEY FOR ATMOS CITIES STEERING COMMITTEE,
WHOSE MEMBERS INCLUDE THE CITIES OF ABILENE,
ADDISON, ALLEN, ALVARADO, ANGUS, ANNA, ARGYLE,
ARLINGTON, BEDFORD, BELLMEAD, BENBROOK,
BEVERLY HILLS, BLUE RIDGE, BOWIE, BOYD,
BRIDGEPORT, BROWNWOOD, BUFFALO, BURKBURNETT,
BURLESON, CADDO MILLS, CARROLLTON, CEDAR HILL,
CELESTE, CELINA, CISCO, CLEBURNE, CLYDE, COLLEGE
STATION, COLLEYVILLE, COLORADO CITY, COMANCHE,
COOLIDGE, COPPELL, CORINTH, CORRAL CITY,
CRANDALL, CROWLEY, DALWORTHINGTON GARDENS,
DENISON, DESOTO, DUNCANVILLE, EASTLAND,
EDGECLIFF VILLAGE, EMORY, ENNIS, EULESS,
EVERMAN, FAIRVIEW, FARMERS BRANCH,
FARMERSVILLE, FATE, FLOWER MOUND, FOREST HILL,
FORT WORTH, FRISCO, FROST, GAINESVILLE, GARLAND,
GARRETT, GRAND PRAIRIE, GRAPEVINE, HALTOM CITY,
HARKER HEIGHTS, HASKELL, HASLET, HEATH, HEWITT,
HIGHLAND PARK, HIGHLAND VILLAGE, HONEY GROVE,
HURST, IOWA PARK, IRVING, JUSTIN, KAUFMAN, KEENE,
KELLER, KEMP, KENNEDALE, KERRVILLE, KILLEEN,
KRUM, LAKESIDE, LAKE WORTH, LANCASTER,
LEWISVILLE, LINCOLN PARK, LITTLE ELM, MALAKOFF,
MANSFIELD, MCKINNEY, MELISSA, MESQUITE,
MIDLOTHIAN, MURPHY, NEWARK, NOCONA, NORTH
RICHLAND HILLS, NORTHLAKE, OAK LEAF, OVILLA,
PALESTINE, PANTEGO, PARIS, PARKER, PECAN HILL,
PLANO, PONDER, POTTSBORO, PROSPER, PUTNAM,
QUITMAN, RED OAK, RENO (PARKER COUNTY),
RICHARDSON, RICHLAND HILLS, ROANOKE, ROBINSON,
ROCKWALL, ROSCOE, ROWLETT, SACHSE, SAGINAW,
SEAGOVILLE, SHERMAN, SNYDER, SOUTHLAKE,
SPRINGTOWN, STAMFORD, STEPHENVILLE, SULPHUR
SPRINGS, SWEETWATER, TEMPLE, TERRELL, THE
COLONY, THROCKMORTON, TYLER, UNIVERSITY PARK,
VENUS, VERNON, WACO, WATAUGA, WAXAHACHIE,
WESTLAKE, WESTWORTH VILLAGE, WHITESBORO,
WHITE SETTLEMENT, WICHITA FALLS, WOODWAY, AND
WYLIE.

By:


Geoffrey Gay

**EXHIBIT A
TARIFF FOR GAS SERVICE**

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

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Rate I - Industrial Sales
Rate T - Transportation
Rider CT - Competitive Transport
Rider GCR - Gas Cost Recovery
Rider FF - Franchise Fee Adjustment
Rider SUR - Surcharges
Rate LEP - Line Extension Policy
Rate M - Miscellaneous Charges
Rider RA - Retention Adjustment
Rider TAX - Tax Adjustment
Rider WNA - Weather Normalization Adjustment
Rider RRM - Rate Review Mechanism
Rider CEE - Conservation and Energy Efficiency

V. SERVICE RULES AND REGULATIONS

EXHIBIT A

TARIFF FOR GAS SERVICE

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

RATE SCHEDULE:	Rate R - Residential Sales	
APPLICABLE TO:	Entire System	REVISION: DATE:
EFFECTIVE DATE: February 1, 2008		PAGE: 1 OF 1

RATE R - RESIDENTIAL SALES

Application

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

Type of Service

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

Monthly Rate

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

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

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

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

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

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

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

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

Agreement

An Agreement for Gas Service may be required.

Notice

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

EXHIBIT A

TARIFF FOR GAS SERVICE

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

RATE SCHEDULE:	Rate C - Commercial Sales	
APPLICABLE TO:	Entire System	REVISION: DATE:
EFFECTIVE DATE: February 1, 2008		PAGE: 1 OF 1

RATE C - COMMERCIAL SALES

Application

Applicable to Commercial Customers for all natural gas provided at one Point of Delivery and measured through one meter and to Industrial Customers with an average annual usage of less than 3,000 Mcf.

Type of Service

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

Monthly Rate

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

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

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

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

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

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

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

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

Agreement

An Agreement for Gas Service may be required.

Notice

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

EXHIBIT A

TARIFF FOR GAS SERVICE

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

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

RATE I - INDUSTRIAL SALES

Application

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

Type of Service

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

Monthly Rate

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

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

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

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

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

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

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

Curtailment Overpull Fee

Upon notification by Company of an event of curtailment or interruption of Customer's deliveries, Customer will, for each MMBtu delivered in excess of the stated level of curtailment or interruption, pay Company 200% of the midpoint price for the Katy point listed in *Platts Gas Daily* published for the applicable Gas Day in the table entitled "Daily Price Survey."

EXHIBIT A

TARIFF FOR GAS SERVICE

ATMOS ENERGY CORP.,
MID-TEX DIVISION

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

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.

EXHIBIT A

TARIFF FOR GAS SERVICE

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

RATE SCHEDULE:	Rate T – Transportation	
APPLICABLE TO:	Entire System	REVISION: DATE:
EFFECTIVE DATE: February 1, 2008		PAGE: 1 OF 2

RATE T - TRANSPORTATION

Application

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

Type of Service

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

Monthly Rate

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

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

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

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

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

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

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

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

Imbalance Fees

All fees charged to Customer under this Rate Schedule will be charged based on the quantities determined under the applicable Transportation Agreement and quantities will not be aggregated for any Customer with multiple Transportation Agreements for the purposes of such fees.

Monthly Imbalance Fees

Customer shall pay Company the greater of (i) \$0.10 per MMBtu, or (ii) 150% of the difference per MMBtu between the highest and lowest "midpoint" price for the Katy point listed in *Platts Gas Daily* in the table entitled "Daily Price Survey" during such month, for the MMBtu of Customer's monthly Cumulative

EXHIBIT A

TARIFF FOR GAS SERVICE

ATMOS ENERGY CORP.,
MID-TEX DIVISION

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

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.

EXHIBIT A

TARIFF FOR GAS SERVICE

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

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

Rider GCR - Gas Cost Recovery

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

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

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

(a) Gas Cost

Method of Calculation

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

$$\text{GCRF} = \text{Estimated Gas Cost Factor (EGCF)} + \text{Reconciliation Factor (RF)} + \text{Taxes (TXS)} + \text{Adjustments (ADJ)}$$

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

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

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

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

EXHIBIT A

TARIFF FOR GAS SERVICE

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

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

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

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

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

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

(b) Pipeline Cost

Method of Calculation

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

$PCF = PP / S$, where:

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

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

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

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

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

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

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

C = Actual pipeline costs for the second preceding month.

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

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

The PCF is calculated to the nearest 0.0001 cent.

TARIFF FOR GAS SERVICE

EXHIBIT A

ATMOS ENERGY CORP.,
MID-TEX DIVISION

RIDER:	Rider GCR - Gas Cost Recovery	
APPLICABLE TO:	Entire System	REVISION: DATE:
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The Pipeline Cost to be billed is determined by multiplying the Mcf or MMBtu used by the appropriate PCF. The Pipeline Cost is determined to the nearest whole cent.

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

RIDER WNA – Weather Normalization Adjustment

Provisions for Adjustment

The base rate per Mcf (1,000,000 Btu) for gas service set forth in any Rate Schedules utilized by the cities of the Mid-Tex Division service area for determining normalized winter period revenues shall be adjusted by an amount hereinafter described, which amount is referred to as the "Weather Normalization Adjustment." The Weather Normalization Adjustment shall apply to all temperature sensitive residential, and commercial bills based on meters read during the revenue months of November through April.

Computation of Weather Normalization Adjustment

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

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

Where

- i = any particular Rate Schedule or billing classification within any such particular Rate Schedule that contains more than one billing classification
- WNAF_i = Weather Normalization Adjustment Factor for the ith rate schedule or classification expressed in cents per Mcf
- R_i = base rate of temperature sensitive sales for the ith schedule or classification approved by the entity exercising original jurisdiction.
- HSF_i = heat sensitive factor for the ith 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 ith 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

RIDER:	Rider WNA -- Weather Normalization Adjustment	
APPLICABLE TO:	Entire System	REVISION: DATE:
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and weather station as part of the RRM filing.

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

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

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

Filings with Entities Exercising Original Jurisdiction

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

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

Base Use/Heat Sensitivity (HSF) Factors

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

RIDER:	Rider WNA – Weather Normalization Adjustment	
APPLICABLE TO:	Entire System	REVISION: DATE:
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Sample WNAF_i Calculation:

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

Where

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

EXHIBIT A

TARIFF FOR GAS SERVICE

ATMOS ENERGY CORP.,
MID-TEX DIVISION

RIDER:	Rider RRM – Rate Review Mechanism	
APPLICABLE TO:	Entire Mid-Tex Division	REVISION DATE:
EFFECTIVE DATE: February 1, 2008		PAGE: 1 of 5

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

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

Definitions

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

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

EXHIBIT A

TARIFF FOR GAS SERVICE

ATMOS ENERGY CORP.,
MID-TEX DIVISION

RIDER:	Rider RRM – Rate Review Mechanism	
APPLICABLE TO:	Entire Mid-Tex Division	REVISION DATE:
EFFECTIVE DATE: February 1, 2008		PAGE: 2 of 5

Evaluation Date following the end of the Evaluation Period. The schedules, which will be based upon the Company's Audited Financial Data, as adjusted, and provided in the same format as Atmos' rate filing with municipalities on September 20, 2007, will include the following:

- a) Company's actual gross plant in service, accumulated depreciation, accumulated deferred income taxes, inventory, working capital, and other rate base components. 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 where applicable. Cash working capital will be calculated using the lead/lag days approved in the Final Order.
- b) The Company's depreciation expense, operating and maintenance expense, income taxes, and taxes other than income taxes. Depreciation rates 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, or in the most recent order addressing the methodology. In addition, the Company shall exclude from operating and maintenance expense the type of expenses related to employee expense accounts disallowed in the GUD No. 9670 Final Order.
- c) Return on Equity (ROE) shall be maintained at 9.6%.
- d) Cost of debt will reflect actual cost. Capital structure will be the actual Evaluation Period ending ratio of long-term debt and equity, with percentage equity not to exceed the percentage established in the Final Order in G.U.D. No. 9670 (48.1% equity).
- e) All applicable accounting and pro forma adjustments along with all supporting workpapers.
- f) Pro-forma adjustments to update and annualize costs and revenue billing determinants for the Rate Effective Period.
- g) Pro-forma or other adjustments required to properly account for atypical, unusual, or nonrecurring events.
- h) Shared Services allocation factors may be recalculated each year based on the latest component factors, but the methodology used will be that approved in the Final Order.

Calculation of Rate Adjustment

- a) The Company shall provide additional schedules indicating the following revenue deficiency/sufficiency calculations using the methodology accepted in the Final Order. These schedules shall identify the rate adjustments necessary for both a true-up of revenue for the Evaluation Period and the setting of prospective rates for the Rate Effective Period. The net result of these rate adjustments shall be reflected in the proposed new rates to be established for the Rate Effective Period. In calculating the required rate adjustments, such adjustments will be made pro-ratably to the customer charge and usage charge based upon actual revenue generated, as adjusted under the Company's approved Weather Normalization Adjustment (WNA) Rider. Provided,

EXHIBIT A

TARIFF FOR GAS SERVICE

ATMOS ENERGY CORP.,
MID-TEX DIVISION

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however, that neither the Residential nor the Commercial customer charges may increase more than 20% per year.

- b) If Company's earnings during the Evaluation Period exceed 9.6% return on common equity, the Company shall calculate an adjustment to rates to refund the revenue required to achieve a return on equity of 9.6% for the Evaluation Period. If Company's earnings during the Evaluation Period are below 9.6% return on common equity, the Company shall calculate an adjustment in rates to collect the additional revenue required to increase its return on equity for the Evaluation Period to 9.6%. The Company will calculate an adjustment for the Rate Effective Period to refund or collect this difference.
- c) The Company will adjust rates for the Rate Effective Period to include recovery of any known and measurable changes to operating and maintenance costs including, but not limited to, all payroll and compensation expense, all benefit expense, all pension expense, insurance costs, materials and supplies, bad debt costs, all medical expense, transportation and building and lease costs for the Rate Effective Period. Additionally, utility plant for the Rate 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 for the Rate Effective Period, cannot increase more than 5% per connection per year without specific identification and justification. The beginning Operation and Maintenance expense for the 2007 RRM filing (the initial filing) will be \$161 million.
 2. Net plant investment for the Rate Effective Period cannot increase more than 5% per connection per year without specific identification. However, in performing a cap test to verify compliance, Company shall exclude any changes in net plant investment associated with federal, state, or local mandates related to safety, compliance, or road moves.
- d) The Company also shall provide a schedule demonstrating the "proof of revenues" relied upon to calculate the proposed rate for the Rate Effective Period. The proposed rates shall conform as closely as is practicable to the revenue allocation principles approved in the Final Order.

Attestation

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

EXHIBIT A

TARIFF FOR GAS SERVICE

ATMOS ENERGY CORP.,
MID-TEX DIVISION

RIDER:	Rider RRM – Rate Review Mechanism	
APPLICABLE TO:	Entire Mid-Tex Division	REVISION DATE:
EFFECTIVE DATE: February 1, 2008		PAGE: 4 of 5

Evaluation Procedures

The regulatory authority having original jurisdiction over the Company's rates shall have ninety (90) days to review the Company's filed schedules. The Company will be prepared to provide 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 come to agreement on, the proposed adjustments to the Company's schedule and proposed rates. Once 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 both the Evaluation Period and Rate Effective Period. If, at the end of the thirty (30) day response period, the Company and the regulatory authority have not reached agreement on the proposed adjustments, the Company shall have the right to appeal the regulatory authority's action or inaction to the Railroad Commission of Texas. Upon the filing of any appeal, the Company shall have the right to implement the proposed RRM rate adjustment, subject to refund.

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

Reconsideration and Appeal

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

Notice

Notice of the annual Rate Review Mechanism filing shall be provided to all affected customers of the Atmos Mid-Tex Division in accordance with the provisions of this section no later than forty-five (45) days after the Company makes its annual filing pursuant to this tariff. Company may provide notice either by mailing or otherwise delivering the notice with its billing statements. Notice by mail shall be presumed to be complete three days after the date of deposit of the paper upon which such notice is written, enclosed in a post-paid, properly addressed wrapper, in a post office or official depository under the care of the United States Postal Service. 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;

TARIFF FOR GAS SERVICE

EXHIBIT A

ATMOS ENERGY CORP.,
MID-TEX DIVISION

RIDER:	Rider RRM – Rate Review Mechanism	
APPLICABLE TO:	Entire Mid-Tex Division	REVISION DATE:
EFFECTIVE DATE: February 1, 2008		PAGE: 5 of 5

- 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.

EXHIBIT A

TARIFF FOR GAS SERVICE

ATMOS ENERGY CORP.,
MID-TEX DIVISION

RIDER:	Rider CEE – Conservation & Energy Efficiency	
APPLICABLE TO:	Entire System	REVISION: DATE:
EFFECTIVE DATE: February 1, 2008		PAGE: 1 OF 1

RIDER CEE – Conservation & Energy Efficiency

Purpose

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

Synopsis:

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

Eligibility

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

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

Funding

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

Administration:

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

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

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

Line No.	Description (a)	Current Revenues (b)	Proposed Revenues ¹ (c)	Proposed Change (d)	Percent Change (e)
1	Residential (Base Revenue)	\$ 277,485,494	\$ 280,887,686	\$ 3,402,192	1.23%
2	Residential (Rider GCR)	625,991,761	625,991,761	-	0.00%
3	Residential (Rider FF & Rider TAX)	52,488,696	52,686,332	197,637	0.38%
4	Total Residential	\$ 955,965,951	\$ 959,565,779	\$ 3,599,828	0.38%
5					
6	Commercial (Base Revenue)	\$ 59,666,416	\$ 65,119,647	\$ 5,453,231	9.14%
7	Commercial (Rider GCR)	399,910,917	399,910,917	-	0.00%
8	Commercial (Rider FF & Rider TAX)	26,699,748	27,016,551	316,803	1.19%
9	Total Commercial	\$ 486,277,080	\$ 492,047,115	\$ 5,770,035	1.19%
10					
11	Industrial/Transportation (Base Revenue)	\$ 8,461,218	\$ 9,057,219	\$ 596,001	7.04%
12	Industrial/Transportation (Rider GCR)	33,616,178	33,616,178	-	0.00%
13	Industrial/Transportation (Rider FF & Rider TAX)	2,444,541	2,478,166	34,625	1.42%
14	Total Industrial/Transportation	\$ 44,521,937	\$ 45,152,563	\$ 630,625	1.42%
15					
16	Other Revenue (Base Revenue)	\$ 17,418,758	\$ 17,418,758	\$ -	0.00%
17	Other Revenue (Rider GCR)	-	-	-	0.00%
18	Other Revenue (Rider FF & Rider TAX)	1,011,966	1,011,966	-	0.00%
19	Total Other Revenue	\$ 18,430,724	\$ 18,430,724	\$ -	0.00%
20					
21	Base Revenue	\$ 363,031,887	\$ 372,483,310	\$ 9,451,423	2.60%
22	Rider GCR	1,059,518,856	1,059,518,856	-	0.00%
23	Rider FF & Rider TAX	82,644,951	83,194,015	549,064	0.66%
24	Total Operating Revenues	\$ 1,505,195,693	\$ 1,515,196,181	\$ 10,000,488	0.66%
25					
26					
27	Note:				
28	¹ Proposed Revenues are the result of the application of the proposed rates to billing determinants.				

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

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

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

Line	Description (a)	Total (b)	Reference (c)
	Rate R		
1	<u>Rate Characteristics:</u>		
2	Customer Charge	\$10.69	CCS
3			
4	Consumption Charge (\$/Mcf)	\$1.2710	CCS
5			
6	Rider GCR Part A	\$7.5520	Schedule H
7	Rider GCR Part B	\$0.5990	Schedule I
8			
9	<u>Billing Units (1):</u>		
10	Bills	17,144,647	WP_J-1.1
11	Total MCF	<u>76,798,906</u>	WP_J-1.1
12			
13	<u>Present Revenue:</u>		
14	Customer Charge	\$ 183,276,276	
15	Consumption Charge	<u>97,611,410</u>	
16	Base Revenue	\$ 280,887,686	
17	Rider GCR Part A	579,988,302	
18	Rider GCR Part B	<u>46,003,459</u>	
19	Subtotal	\$ 906,879,447	
20	Revenue Related Taxes	52,686,332	
21			
22	Total Proposed Revenue- Rate R	<u><u>\$ 959,565,779</u></u>	
23			
24	Note 1: See Billing Determinants Study for details.		

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

Line	Description (a)	Total (b)	Reference (c)
	Rate C		
1	<u>Rate Characteristics:</u>		
2	Customer Charge	\$20.28	CCS
3			
4	Consumption Charge (\$/Mcf)	\$0.7104	CCS
5			
6	Rider GCR Part A	\$7.5520	Schedule H
7	Rider GCR Part B	\$0.5001	Schedule I
8			
9	<u>Billing Units (1):</u>		
10	Bills	1,471,279	WP_J-1.2
11	Total MCF	<u>49,665,131</u>	WP_J-1.2
12			
13	<u>Present Revenue:</u>		
14	Customer Charge	\$ 29,837,538	
15	Consumption Charge	<u>35,282,109</u>	
16	Base Revenue	\$ 65,119,647	
17	Rider GCR Part A	375,072,987	
18	Rider GCR Part B	<u>24,837,930</u>	
19	Subtotal	\$ 465,030,564	
20	Revenue Related Taxes	27,016,551	
21			
22	Total Proposed Revenue- Rate C	<u><u>\$ 492,047,115</u></u>	
23			
24	Note 1: See Billing Determinants Study for details.		

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

Line	Description (a)	Total (b)	Reference (c)
Rate I & T			
1	<u>Rate Characteristics:</u>		
2	Customer Charge	\$344.75	CCS
3			
4	Block 1 (\$/MMBTU)	\$0.2200	CCS
5	Block 2 (\$/MMBTU)	\$0.1600	CCS
6	Block 3 (\$/MMBTU)	\$0.0493	CCS
7			
8	Rider GCR Part A	\$7.5520	Schedule H
9	Rider GCR Part B	\$0.2804	Schedule I
10			
11	<u>Consumption Characteristics:</u>		
12	Block 1 (First 1,500 MMBTU)	0.21691	(1)
13	Block 2 (Next 3,500 MMBTU)	0.24651	(1)
14	Block 3 (Over 5,000 MMBTU)	0.53657	(1)
15			
16	<u>Billing Units (1):</u>		
17	Bills	11,542	WP_J-1.3
18	Block 1	9,694,939	WP_J-1.3
19	Block 2	11,018,084	WP_J-1.3
20	Block 3	23,982,442	WP_J-1.3
21	Total MMBTU	<u>44,695,465</u>	
22			
23	Sales Volumes	<u>2,858,579</u>	WP_J-1.3
24			
25	<u>Present Revenue:</u>		
26	Customer Charge	\$ 3,979,105	
27	Block 1	2,132,887	
28	Block 2	1,762,893	
29	Block 3	<u>1,182,334</u>	
30	Base Revenue	\$ 9,057,219	
31	Rider GCR Part A	21,082,128	
32	Rider GCR Part B	<u>12,534,050</u>	
33	Subtotal	\$ 42,673,397	
34	Revenue Related Taxes	2,479,166	
35			
36	Total Proposed Revenue- Rate I&T	<u>\$ 45,152,563</u>	
37			
38	Note 1: See Billing Determinants Study for details.		

RATE SCHEDULE:	TABLE OF CONTENTS	
APPLICABLE TO:	Entire System	REVISION DATE: February 1, 2008
EFFECTIVE DATE: February 1, 2008		PAGE: 1 OF 1

I. UTILITY OPERATIONS**II. CITIES AND COUNTIES SERVED****III. DEFINITIONS****IV. GAS SERVICE RATES & RIDERS**

Rate R - Residential Sales
Rate C - Commercial Sales
Rate I - Industrial Sales
Rate T - Transportation
Rider CT - Competitive Transport
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Rider SUR - Surcharges
Rate LEP - Line Extension Policy
Rate M - Miscellaneous Charges
Rider RA - Retention Adjustment
Rider TAX - Tax Adjustment
Rider WNA - Weather Normalization Adjustment
Rider RRM - Rate Review Mechanism
Rider CEE - Conservation and Energy Efficiency

V. SERVICE RULES AND REGULATIONS

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

RATE SCHEDULE:	Rate R - Residential Sales	
APPLICABLE TO:	Entire System	REVISION: DATE:
EFFECTIVE DATE: February 1, 2008		PAGE: 1 OF 1

RATE R - RESIDENTIAL SALES**Application**

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

Type of Service

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

Monthly Rate

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

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

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

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

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

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

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

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

Agreement

An Agreement for Gas Service may be required.

Notice

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

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

RATE SCHEDULE:	Rate C - Commercial Sales	
APPLICABLE TO:	Entire System	REVISION: DATE:
EFFECTIVE DATE: February 1, 2008		PAGE: 1 OF 1

RATE C - COMMERCIAL SALES**Application**

Applicable to Commercial Customers for all natural gas provided at one Point of Delivery and measured through one meter and to Industrial Customers with an average annual usage of less than 3,000 Mcf.

Type of Service

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

Monthly Rate

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

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

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

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

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

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

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

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

Agreement

An Agreement for Gas Service may be required.

Notice

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

TARIFF FOR GAS SERVICE

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

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

RATE I - INDUSTRIAL SALES

Application

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

Type of Service

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

Monthly Rate

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

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

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

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

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

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

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

Curtailment Overpull Fee

Upon notification by Company of an event of curtailment or interruption of Customer's deliveries, Customer will, for each MMBtu delivered in excess of the stated level of curtailment or interruption, pay Company 200% of the midpoint price for the Katy point listed in *Platts Gas Daily* published for the applicable Gas Day in the table entitled "Daily Price Survey."

TARIFF FOR GAS SERVICEATMOS ENERGY CORP.,
MID-TEX DIVISION

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

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 1, Customer must have the type of meter required by Company. Customer must pay Company all costs associated with the acquisition and installation of the meter.

TARIFF FOR GAS SERVICE

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

RATE SCHEDULE:	Rate T – Transportation	
APPLICABLE TO:	Entire System	REVISION: DATE:
EFFECTIVE DATE: February 1, 2008		PAGE: 1 OF 2

RATE T - TRANSPORTATION

Application

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

Type of Service

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

Monthly Rate

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

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

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

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

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

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

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

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

Imbalance Fees

All fees charged to Customer under this Rate Schedule will be charged based on the quantities determined under the applicable Transportation Agreement and quantities will not be aggregated for any Customer with multiple Transportation Agreements for the purposes of such fees.

Monthly Imbalance Fees

Customer shall pay Company the greater of (i) \$0.10 per MMBtu, or (ii) 150% of the difference per MMBtu between the highest and lowest "midpoint" price for the Katy point listed in *Platts Gas Daily* in the table entitled "Daily Price Survey" during such month, for the MMBtu of Customer's monthly Cumulative

TARIFF FOR GAS SERVICE

ATMOS ENERGY CORP.,
MID-TEX DIVISION

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

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.

TARIFF FOR GAS SERVICE

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

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

Rider GCR - Gas Cost Recovery

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

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

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

(a) Gas Cost

Method of Calculation

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

$$\text{GCRF} = \text{Estimated Gas Cost Factor (EGCF)} + \text{Reconciliation Factor (RF)} + \text{Taxes (TXS)} + \text{Adjustments (ADJ)}$$

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

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

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

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

TARIFF FOR GAS SERVICE

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

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

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

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

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

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

(b) Pipeline Cost

Method of Calculation

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

PCF = PP / S, where:

PP = (P - A) x D, where:

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

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

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

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

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

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

C = Actual pipeline costs for the second preceding month.

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

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

The PCF is calculated to the nearest 0.0001 cent.

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

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

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

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

RIDER WNA – Weather Normalization Adjustment

Provisions for Adjustment

The base rate per Mcf (1,000,000 Btu) for gas service set forth in any Rate Schedules utilized by the cities of the Mid-Tex Division service area for determining normalized winter period revenues shall be adjusted by an amount hereinafter described, which amount is referred to as the "Weather Normalization Adjustment." The Weather Normalization Adjustment shall apply to all temperature sensitive residential, and commercial bills based on meters read during the revenue months of November through April.

Computation of Weather Normalization Adjustment

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

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

Where

- i = any particular Rate Schedule or billing classification within any such particular Rate Schedule that contains more than one billing classification
- WNAF_i = Weather Normalization Adjustment Factor for the ith rate schedule or classification expressed in cents per Mcf
- R_i = base rate of temperature sensitive sales for the ith schedule or classification approved by the entity exercising original jurisdiction.
- HSF_i = heat sensitive factor for the ith 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 ith 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

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and weather station as part of the RRM filing.

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

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

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

Filings with Entities Exercising Original Jurisdiction

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

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

Base Use/Heat Sensitivity (HSF) Factors

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

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Sample WNAF_i Calculation:

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

Where

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

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RIDER RRM – RATE REVIEW MECHANISM

Purpose:

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

Definitions

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

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

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Evaluation Date following the end of the Evaluation Period. The schedules, which will be based upon the Company's Audited Financial Data, as adjusted, and provided in the same format as Atmos' rate filing with municipalities on September 20, 2007, will include the following:

- a) Company's actual gross plant in service, accumulated depreciation, accumulated deferred income taxes, inventory, working capital, and other rate base components. 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 where applicable. Cash working capital will be calculated using the lead/lag days approved in the Final Order.
- b) The Company's depreciation expense, operating and maintenance expense, income taxes, and taxes other than income taxes. Depreciation rates 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, or in the most recent order addressing the methodology. In addition, the Company shall exclude from operating and maintenance expense the type of expenses related to employee expense accounts disallowed in the GUD No. 9670 Final Order.
- c) Return on Equity (ROE) shall be maintained at 9.6%.
- d) Cost of debt will reflect actual cost. Capital structure will be the actual Evaluation Period ending ratio of long-term debt and equity, with percentage equity not to exceed the percentage established in the Final Order in G.U.D. No. 9670 (48.1% equity).
- e) All applicable accounting and pro forma adjustments along with all supporting workpapers.
- f) Pro-forma adjustments to update and annualize costs and revenue billing determinants for the Rate Effective Period.
- g) Pro-forma or other adjustments required to properly account for atypical, unusual, or nonrecurring events.
- h) Shared Services allocation factors may be recalculated each year based on the latest component factors, but the methodology used will be that approved in the Final Order.

Calculation of Rate Adjustment

- a) The Company shall provide additional schedules indicating the following revenue deficiency/sufficiency calculations using the methodology accepted in the Final Order. These schedules shall identify the rate adjustments necessary for both a true-up of revenue for the Evaluation Period and the setting of prospective rates for the Rate Effective Period. The net result of these rate adjustments shall be reflected in the proposed new rates to be established for the Rate Effective Period. In calculating the required rate adjustments, such adjustments will be made pro-ratably to the customer charge and usage charge based upon actual revenue generated, as adjusted under the Company's approved Weather Normalization Adjustment (WNA) Rider. Provided,

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however, that neither the Residential nor the Commercial customer charges may increase more than 20% per year.

- b) If Company's earnings during the Evaluation Period exceed 9.6% return on common equity, the Company shall calculate an adjustment to rates to refund the revenue required to achieve a return on equity of 9.6% for the Evaluation Period. If Company's earnings during the Evaluation Period are below 9.6% return on common equity, the Company shall calculate an adjustment in rates to collect the additional revenue required to increase its return on equity for the Evaluation Period to 9.6%. The Company will calculate an adjustment for the Rate Effective Period to refund or collect this difference.
- c) The Company will adjust rates for the Rate Effective Period to include recovery of any known and measurable changes to operating and maintenance costs including, but not limited to, all payroll and compensation expense, all benefit expense, all pension expense, insurance costs, materials and supplies, bad debt costs, all medical expense, transportation and building and lease costs for the Rate Effective Period. Additionally, utility plant for the Rate 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 for the Rate Effective Period, cannot increase more than 5% per connection per year without specific identification and justification. The beginning Operation and Maintenance expense for the 2007 RRM filing (the initial filing) will be \$161 million.
 2. Net plant investment for the Rate Effective Period cannot increase more than 5% per connection per year without specific identification. However, in performing a cap test to verify compliance, Company shall exclude any changes in net plant investment associated with federal, state, or local mandates related to safety, compliance, or road moves.
- d) The Company also shall provide a schedule demonstrating the "proof of revenues" relied upon to calculate the proposed rate for the Rate Effective Period. The proposed rates shall conform as closely as is practicable to the revenue allocation principles approved in the Final Order.

Attestation

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

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Evaluation Procedures

The regulatory authority having original jurisdiction over the Company's rates shall have ninety (90) days to review the Company's filed schedules. The Company will be prepared to provide 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 come to agreement on, the proposed adjustments to the Company's schedule and proposed rates. Once 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 both the Evaluation Period and Rate Effective Period. If, at the end of the thirty (30) day response period, the Company and the regulatory authority have not reached agreement on the proposed adjustments, the Company shall have the right to appeal the regulatory authority's action or inaction to the Railroad Commission of Texas. Upon the filing of any appeal, the Company shall have the right to implement the proposed RRM rate adjustment, subject to refund.

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

Reconsideration and Appeal

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

Notice

Notice of the annual Rate Review Mechanism filing shall be provided to all affected customers of the Atmos Mid-Tex Division in accordance with the provisions of this section no later than forty-five (45) days after the Company makes its annual filing pursuant to this tariff. Company may provide notice either by mailing or otherwise delivering the notice with its billing statements. Notice by mail shall be presumed to be complete three days after the date of deposit of the paper upon which such notice is written, enclosed in a post-paid, properly addressed wrapper, in a post office or official depository under the care of the United States Postal Service. 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;

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- 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.

RIDER:	Rider CEE – Conservation & Energy Efficiency	
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RIDER CEE – Conservation & Energy Efficiency

Purpose

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

Synopsis:

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

Eligibility

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

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

Funding

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

Administration:

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

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