

RESOLUTION NO. 02-2005

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MESQUITE, TEXAS, SUSPENDING THE PROPOSAL BY ATMOS ENERGY CORPORATION TO IMPLEMENT INTERIM GRIP RATE ADJUSTMENTS FOR GAS UTILITY INVESTMENT IN 2003; AUTHORIZING PARTICIPATION WITH OTHER CITIES SERVED BY ATMOS ENERGY CORPORATION, MID-TEX DIVISION, IN A REVIEW AND INQUIRY INTO THE BASIS AND REASONABLENESS OF THE PROPOSED RATE ADJUSTMENTS; AUTHORIZING INTERVENTION IN ADMINISTRATIVE AND COURT PROCEEDINGS INVOLVING THE PROPOSED GRIP RATE ADJUSTMENTS; DESIGNATING A REPRESENTATIVE OF THE CITY TO SERVE ON A STEERING COMMITTEE; AND REQUIRING REIMBURSEMENT OF REASONABLE LEGAL AND CONSULTANT EXPENSES.

WHEREAS, the City of Mesquite, Texas ("City"), is a gas utility customer of Atmos Energy Corporation, 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, Atmos Mid-Tex made filings with the City and the Railroad Commission of Texas ("Railroad Commission") in December 2004, proposing to implement interim rate adjustments ("GRIP Rate Increases") pursuant to Texas Utilities Code §104.301 on all customers served by Atmos Mid-Tex; and

WHEREAS, Atmos Energy Corporation has reported a 20 percent increase in profits for its fiscal year ended September 30, 2004, and projects further increases in profits in 2005; and

WHEREAS, in May 2004, the Railroad Commission entered its Final Order in GUD No. 9400 authorizing a rate increase that will produce additional annual revenues of \$11.5 million for Atmos Mid-Tex; and

WHEREAS, Atmos Mid-Tex has projected that it will experience annual cost savings of at least \$40 million over the costs included in rates approved in GUD No. 9400 and said savings are likely to greatly exceed the annual revenue requirement associated with any reasonable increases in invested capital that form the basis of the proposed GRIP Rate Increases; and

WHEREAS, ratepayers of Atmos Mid-Tex, including the City and its residents, will be adversely impacted by the proposed GRIP Rate Increases; and

WHEREAS, the City and its residents could benefit from coordination with other cities served by Atmos Mid-Texas ("Cities") in a review of the reasonableness of the proposed GRIP Rate Increases and joint participation in any proceedings at the Railroad Commission related to the proposed GRIP Rate Increases; and

WHEREAS, the reasonable costs associated with the participation of Cities in this rate proceeding are reimbursable from Atmos Mid-Tex.

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

SECTION 1. That the February 15, 2005, effective date of the GRIP Rate Increases proposed by Atmos Energy Corporation, Mid-Tex Division ("Atmos Mid-Tex" or the "Company") is hereby suspended to permit adequate time to review the proposed increases, analyze all necessary information and take appropriate action related to the proposed increases.

SECTION 2. That the City of Mesquite ("City") is authorized to cooperate with other cities served by Atmos Mid-Texas ("Cities") to create and participate in a Steering Committee to hire and direct legal counsel and consultants, to negotiate with the Company, to make recommendations to the City regarding the proposed GRIP Rate Increases and to direct any administrative proceedings or litigation associated with the proposed GRIP Rate Increases.


SECTION 3. That the City is authorized to intervene in any administrative proceedings or litigation associated with the proposed GRIP Rate Increases including GUD No. 9560, the Company's proposed GRIP Rate Increase for its pipeline system filed at the Railroad Commission of Texas.

SECTION 4. That the City hereby designates Don Simons, their Director of Finance as a representative to a Cities' Steering Committee that shall direct the efforts of counsel and consultants.

SECTION 5. That Atmos Mid-Tex shall promptly reimburse the City's reasonable costs associated with the City's activities related to the proposed GRIP Rate Increases.

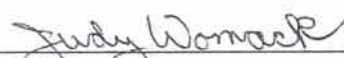
SECTION 6. That this resolution shall become effective immediately from and after its passage.

DULY RESOLVED by the City Council of the City of Mesquite, Texas, on the 3rd day of January, 2005.




Mike Anderson
Mayor

ATTEST:



Judy Womack
City Secretary

APPROVED:



B. J. Smith
City Attorney