

RESOLUTION NO. 35-2007

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MESQUITE, TEXAS, DENYING THE REQUEST OF ATMOS ENERGY CORPORATION, MID-TEX DIVISION, FOR AN ANNUAL GAS RELIABILITY INFRASTRUCTURE PROGRAM (“GRIP”) RATE INCREASE IN THIS MUNICIPALITY, AS A PART OF THE COMPANY’S STATEWIDE GAS UTILITY DISTRIBUTION SYSTEM; FINDING THAT THE MEETING AT WHICH THIS RESOLUTION IS PASSED IS OPEN TO THE PUBLIC; AND PROVIDING FOR NOTICE OF THIS RESOLUTION TO ATMOS ENERGY CORPORATION, MID-TEX DIVISION.

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”) on or about May 31, 2007, proposing to implement interim rate adjustments (“GRIP rate increases”), pursuant to Texas Utilities Code § 104.301, on all customers served by Atmos Mid-Tex, effective July 30, 2007; and

WHEREAS, Atmos has implemented four GRIP surcharges and collected more than \$20 million in GRIP surcharges from customers since the utility acquired the TXU Gas system in 2004; and

WHEREAS, Atmos Mid-Tex was recently granted a rate increase as a result of its filing in GUD No. 9670, in which the Final Order was only signed on March 29, 2007; and

WHEREAS, in GUD No. 9670, it was determined that Atmos Mid-Tex had inappropriately included certain expenditures in its prior GRIP rate increases for rate years 2003, 2004 and 2005; and

WHEREAS, the City, as a regulatory authority, suspended the July 30, 2007, effective date to examine this latest GRIP filing to determine its compliance with the Texas Utilities Code and Railroad Commission Final Order in the most recent Atmos Mid-Tex rate case; and

WHEREAS, the City has joined with other cities to review the Company’s filing, said coalition being known as Atmos Cities Steering Committee (“ACSC”); and

WHEREAS, the consultant hired by Steering Committee has reviewed the GRIP surcharge application and has issued a final report finding that the Company has included millions of dollars of expenses in the current GRIP surcharge that are inconsistent with the Texas Utilities Code and Railroad Commission Final Order in the most recent Atmos Mid-Tex rate case and not related to ensuring the safety and reliability of the system; and

WHEREAS, counsel for the Steering Committee, upon review of the Company’s filing and the consultant’s report, recommends finding that the Company’s proposal is unjustified and unreasonable; and

WHEREAS, ratepayers of Atmos Mid-Tex, including the City and its residents, will be adversely impacted by the proposed GRIP rate increases.

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

SECTION 1. That Atmos Energy Corporation, Mid-Tex Division ("Atmos Mid-Tex" or "the Company") Gas Reliability Infrastructure Program ("GRIP") rate increase request is found to be unreasonable and inconsistent with the Texas Utilities Code and Railroad Commission Final Order in GUD No. 9670, Atmos Mid-Tex most recent rate case, and is therefore denied in all respects.

SECTION 2. That this resolution shall become effective immediately from and after its passage, as the law and charter in such cases provide.

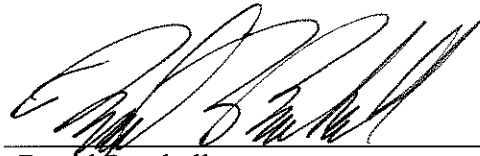
SECTION 3. That it is hereby officially found and determined that the meeting at which this resolution is passed is open to the public as required by law and that public notice of the time, place and purpose of said meeting was given as required.

SECTION 4. That a copy of this resolution, constituting final action on the Company's application, be forwarded to the following:

Charles R. Yarbrough, II
Atmos Energy Corporation
5420 LBJ Freeway, Suite 1800
Dallas, Texas 75240

Lloyd Gosselink Blevins Rochelle & Townsend
c/o Geoffrey Gay
P.O. Box 1725
Austin, Texas 78767-1725

DULY RESOLVED by the City Council of the City of Mesquite, Texas, on this the 4th day of September, 2007.



David Paschall
Mayor Pro Tem

ATTEST:

APPROVED:



Judy Womack
City Secretary



B. J. Smith
City Attorney