ORDINANCE NO. 11082005

AN ORDINANCE OF THE City OF Frankston TEXAS, DENYING ATMOS ENERGY CORP., MID-TEX DIVISION'S REQUEST FOR AN ANNUAL GAS RELIABILITY INFRASTRUCTURE PROGRAM RATE ADJUSTMENT IN THIS MUNICIPALITY SO THAT THE COMPANY MAY PURSUE A SYSTEM-WIDE ANNUAL GAS RELIABILITY INFRASTRUCTURE PROGRAM RATE ADJUSTMENT WITH THE RAILROAD COMMISSION OF TEXAS; PROVIDING AN EFFECTIVE DATE; FINDING THAT THE MEETING AT WHICH THIS ORDINANCE IS PASSED IS OPEN TO THE PUBLIC AS REQUIRED BY LAW; AND PROVIDING FOR NOTICE OF THIS ORDINANCE TO ATMOS ENERGY CORP., MID-TEX DIVISION.

WHEREAS, Atmos Energy Corp., Mid-Tex Division (the "Company") operates the distribution system serving the City, and;

WHEREAS, on or about September 20, 2005, the Company filed with the City of Frankston Texas (the "City"), a request for an annual gas reliability infrastructure program rate adjustment for customers on the Company's system-wide distribution system, to be effective on November 19, 2005; and

WHEREAS, the City has original jurisdiction to evaluate the Company's request as it pertains to customers of the Company served from the distribution facilities located within the City, pursuant to Texas Utilities Code §§ 102.001(b) and 103.001;

NOW, THEREFORE, BE IT ORDAINED BY THE City COUNCIL OF Frankston TEXAS:

SECTION 1. That the Company's request for an annual gas reliability infrastructure program rate adjustment with respect to customers served from the Company's distribution facilities located inside the City, as part of the Company's system-wide gas utility system, is denied in all respects.

SECTION 2. That this Ordinance 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 Ordinance is passed is open to the public as required by law and the public notice of the time, place, and purpose of said meeting was given as required.

SECTION 4. That a copy of this Ordinance, constituting final action on the Company's request for an annual gas reliability infrastructure program rate adjustment, shall be forwarded to the Company's designated representative within 10 days at the following address: Richard Reis, Atmos Energy Corp., Mid-Tex Division, 5420 LBJ Freeway, Suite 1800, Dallas, Texas 75240.

DULY PASSED and approved by the City Council of Frankston Texas, on this the 8 day of November 2005

APPROVED:

ATTEST:

Laura Griffith

APPROVED AS TO FORM:

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CITY ATTORNEY

Original to Darwin Winfield of Atmos 1/15/08

ORDINANCE NO. 011508

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FRANKSTON **, TEXAS, ("CITY") APPROVING A SETTLEMENT AGREEMENT BETWEEN THE CITY 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 FRANKSTON, 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 evaluate and respond to the Company's filing; and

WHEREAS, Atmos has agreed to extend the October 25, 2007, Effective Date such that the City's jurisdiction over this matter ends February 15, 2008; and

WHEREAS, the City desires to avoid the litigation expense that would result from a lengthy contested rate case proceeding before the Railroad Commission of Texas; and

WHEREAS, Atmos has, since the filing of its Statement of Intent, reached an agreement with certain other cities served by the Mid-Tex system to increase system-wide gas rates by $10 million, rather than the $52 million requested in the Company's Statement of Intent; and

WHEREAS, Atmos is willing to extend the same offer to the City as reflected in 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 will eliminate the need for annual GRIP filings and concurrent rate cases; 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 Atmos that the City 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 FRANKSTON, 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 Attachment 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 Attachment 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 the City determines 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 City than the terms of the attached Settlement Agreement, then the more favorable rates, revenues, terms and conditions, or benefits shall additionally accrue to the City. However, approval of the attached Rider RRM, Rider CEE, Rider GCR and the Rider WNA, as well as the expense associated with lost and unaccountable gas recoverable through the Company's Rider GCR up to a maximum of five (5) percent of the quantity of metered gas, 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 1600, Dallas, Texas 75240.

PASSED AND APPROVED this 15th day of January, 2008.

Mayor

ATTEST:

City Secretary

APPROVED AS TO FORM:

City Attorney