

Memorandum



DATE June 10, 2011

CITY OF DALLAS

TO Honorable Members of the Budget, Finance & Audit Committee: Jerry R. Allen (Chair), Ann Margolin (Vice Chair), Vonciel Jones Hill, Angela Hunt, Delia Jasso, David A. Neumann, Ron Natinsky

SUBJECT Atmos Energy Gas Reliability Infrastructure Program Rate Settlement

The June 22, 2011 addendum will include an item to adopt the settlement agreement between Atmos Energy Corp. (Atmos) and the City pertaining to its Gas Reliability Infrastructure Program (GRIP) rate request. The City Manager recommends adoption of the settlement agreement and associated rate tariffs (copy attached).

Atmos filed its annual GRIP rate adjustment with the City on February 25, 2011. Atmos requested an effective date for the rate increase of April 26, 2011. Consistent with Texas Utilities Code §104.301 the City suspended the effective date for an additional 45 days to allow a thorough review of the filing.

GRIP as enacted by the 78th Legislature (2003), intended to be an incentive for gas utilities to invest in new infrastructure, permits gas utilities to increase rates to recover return on investment, depreciation expense and related taxes on new investment without the delay involved in a traditional rate case. Due to various technical deficiencies, the City of Dallas has denied every previous GRIP adjustment requested by Atmos. Atmos has appealed those decisions to the Railroad Commission of Texas (RCT) and has been able to eventually implement each of the requested increases. Several of those prior cases are still the subject of court appeals and law suits.

After reviewing the current GRIP filing, staff determined that implementation of the GRIP adjustment would result in Atmos rates being excessive and unreasonable. This was due to the fact that GRIP only looks at incremental investment and does not consider changes in expenses or other items that result in a reduction in rate base. In order to reduce the risk and expense associated with litigation, the City rather than denying the GRIP and ordering Atmos to file a full rate case to justify their rates, entered into settlement negotiations with Atmos. Because of the ongoing settlement negotiations, on May 19, 2011 Atmos changed the requested effective date from April 26, 2011 to May 9, 2011. The City had previously suspended the April 26th effective date for 45 days and on June 8th adopted a resolution suspending the new effective date for 45 days, thus giving the City until June 23, 2011 to take final action on this rate filing.

The City and Atmos have reached a settlement of the current GRIP case which also establishes how future rate adjustments will be made. As part of the settlement, the City will adopt the "Dallas Annual Rate Review" (DARR) tariff and Atmos will not make any GRIP filings while the DARR is in effect. The DARR will not only look at changes in investment but will also consider changes in expenses, capital structure, and other factors

affecting net rate base and revenue requirement. The DARR tariff will result in rates that are more fair and reasonable than those produced by the current GRIP filing process.

The following table outlines some of the key points of the settlement:

Issue	Atmos Requested	Proposed Settlement
Annual increase in revenues requested in current GRIP filing	\$20.2 Million	\$11.0 Million
Impact on residential customer	\$0.92/month	\$0.50/month
Reimbursement of City's expenses related to GRIP and settlement	Rate Case expenses are surcharged to customers	\$122 Thousand paid by Atmos
Method for future annual rate adjustments	GRIP	DARR
Effective date of rates	June 10, 2011	July 1, 2011

The following table highlights the differences between GRIP and DARR rate filings:

	GRIP (status quo)	DARR (per settlement)
Basis for rate adjustment	Incremental Investment in net-plant	Comprehensive review of net-plant, expenses, taxes etc.
Basis for calculating depreciation	Uses composite factors from last rate case	Uses actual depreciation rates from last rate case
Rate structure	Increase added to customer charge	City may allocate increase between customer charge and consumption charge
Time allotted for City review and take action to approve or deny	105 days from date of filing (60 days plus 45 day suspension)	135 days
Test year	Calendar Year	Fiscal Year (can compare to Audited Financial Statements)
Date of annual filing	Any time during year	January 15 th
Reimbursement of City's expenses to review annual rate adjustment	Surcharged to rate payers (citizens)	Paid by Atmos without being charged to citizens

In addition to the key points above, the City may cancel the DARR tariff by giving Atmos notice prior to November 15th and may order them to file a full rate case at any time if it is believed the rates being charged are unreasonable.

Please let me know if you have any questions or need additional information.



Jeanne Chipperfield
Chief Financial Officer

Attachment

C: Honorable Mayor and Members of the City Council
Mary K. Suhm, City Manager
Thomas P. Perkins Jr., City Attorney

Deborah Watkins, City Secretary
Craig Kinton, City Auditor
Judge C. Victor Lander, Administrative Judge
Ryan S. Evans, First Assistant City Manager
A.C. Gonzalez, Assistant City Manager
Forest Turner, Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Frank Libro, Public Information Office
Helena Stevens-Thompson, Assistant to the City Manager
Jack Ireland, Director Office of Financial Services

**SETTLEMENT AGREEMENT BETWEEN ATMOS ENERGY CORP., MID-TEX
DIVISION AND THE CITY OF DALLAS**

WHEREAS, this settlement agreement is entered into and by Atmos Energy Corporation's Mid-Tex Division ("Atmos" or "the Company") and the City of Dallas ("City" or "Dallas"); and

WHEREAS, on February 25, 2011, Atmos filed with the City a 2010 Interim Rate Adjustment Filing pursuant to TEX. UTIL. CODE § 104.301; and

WHEREAS, the City has analyzed the interim rate adjustment proposed by Atmos in its 2010 Interim Rate Adjustment Filing; and

WHEREAS, the Settlement Agreement resolves all issues between Atmos and the City regarding the 2010 Interim Rate Adjustment Filing, which is currently pending before the City, in a manner that is consistent with the public interest; and

WHEREAS, the City and Atmos believe that the resolution of the issues raised in the Company's 2010 Interim Rate Adjustment Filing can best be accomplished by the City approving this Settlement Agreement and the rates, terms and conditions reflected in the tariffs attached to this Settlement Agreement as Exhibit A;

NOW, THEREFORE, in consideration of the mutual agreements and covenants established herein, Atmos and the City agree to the following Settlement Terms as a means of fully resolving all gas utility rate issues arising out of Atmos' February 25, 2011 Interim Rate Adjustment Filing:

Settlement Terms

1. Upon approval of this Settlement Agreement, the City Council will enact an ordinance to approve this Settlement Agreement and implement the rates, terms and conditions reflected in the tariffs attached to this Settlement Agreement as Exhibit A. Said tariffs should allow Atmos an additional \$11.0 million in annual revenue on a Mid-Tex system basis and shall be effective for bills rendered on or after July 1, 2011. Consistent with the City's authority under Tex. Util. Code §103.001, this Settlement Agreement represents a comprehensive settlement of gas utility rate issues affecting the rates, operations and services offered by Atmos within the municipal limits of the City, arising from Atmos' February 25, 2011 Interim Rate Adjustment Filing.
2. Within 30 days of the adoption of an Ordinance adopting rates setting rates consistent with this settlement Atmos shall pay the City \$122,442 as reimbursement of expenses associated with negotiation of this settlement and costs associated with Mid-Tex related GRIP filings.
3. In an effort to streamline the regulatory review process and eliminate the need for future GRIP filings, Atmos and the City have agreed to establish a new tariff for reviewing the Company's total cost of service on an annual basis. The new tariff is known as the Dallas Annual Rate Review ("Rider DARR").

4. Rider DARR provides for an annual rate adjustment to reflect changes in billing determinants, operation 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.
5. In calculating the DARR adjustment, Atmos and the City agree that Atmos shall utilize the same methodology as used in the most recent final order establishing the Company's latest effective rates for customers within the City. Atmos and the City further agree that in the event of an appeal of the applicable final order pursuant to the provisions of TEX. UTIL. CODE § 105.001, Atmos shall, on a prospective basis, calculate the DARR adjustment in a manner to give effect to the final court decision on each discrete issue that is no longer the subject of any pending appeal of the applicable final order.
6. In the event that either Atmos or the City desires to discontinue the Rider DARR annual rate review, written notice shall be provided to the other party no later than November 15th. Upon receipt of such written notification, Atmos shall cease making an annual Rider DARR filing.
7. With respect to the DARR, Atmos agrees to pay all reasonable and necessary expenses of the City that are incurred to review the Company's annual DARR 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 a DARR filing; or (2) reimbursements to the City that occur in connection with the DARR. Notwithstanding paragraph 7 of this Settlement Agreement, Atmos and the City agree that in the event of an appeal of the City's decision regarding a proposed DARR adjustment, the Company may seek to recover rate case expenses both for the DARR and appeal thereof in accordance with Chapters 103 and 104, TEX. UTIL. CODE ANN. Recovery of rate case expense is limited to costs associated with the current annual DARR subject to the appeal and Atmos shall not be entitled to any recovery or regulatory asset treatment of expenses related to prior years' DARR filings not subject to a timely appeal.
8. The City and Atmos agree that Tex. Util. Code § 103.001 vests the City with the authority to approve the Rider DARR. The City's approval of the Rider DARR shall not, however, be construed as an agreement with or waiver by either the City or Atmos of any legal argument regarding the question of whether the Railroad Commission of Texas has statutory authority to establish an annual rate adjustment mechanism applicable to gas utility service within the municipal limits of a city.
9. Atmos and the City further agree that the express terms of the Rider DARR are supplemental to the filing, regulatory review, or appellate procedural process of the ratemaking provisions of Chapter 104 of the Texas Utilities Code. If Atmos appeals an action or inaction of the City regarding a DARR filing to the Railroad Commission of Texas, the City agrees that it will not oppose the implementation of interim rates subject to refund reflective of the requested DARR adjustment or advocate the imposition of a corporate surety bond by Atmos.

10. In the event that the City fails to act or enters an adverse decision regarding the proposed annual DARR adjustment, the Atmos and the City agree that the Railroad Commission of Texas shall, pursuant to the provisions of Texas Utilities Code § 102.001 and § 103.051, have exclusive appellate jurisdiction to review the action or inaction of the regulatory authority exercising exclusive original jurisdiction over the DARR request. In addition, the Company and the City agree that the Railroad Commission of Texas has, on appeal, jurisdiction to establish the annual DARR adjustment pursuant to the terms of the Rider DARR.
11. Atmos agrees that it will make no filings with the City on behalf of its Mid-Tex division under the provisions of TEX. UTIL. CODE ANN. § 104.301 while the Rider DARR remains in effect.
12. Atmos and the City agree that this Settlement Agreement shall not be construed as a waiver of the City's 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.
13. Atmos and the City agree that Atmos may make all future filings, including, but not limited to, the annual DARR adjustment and any Statement of Intent filing with the City on an electronic basis, in addition to a paper copy. Electronic Filings shall fulfill the requirements of TEX. UTIL. CODE §104.103. Atmos further agrees to make additional paper copies of filings available to the City upon request.
14. Atmos' acceptance of this settlement agreement is contingent upon the City's adoption of an ordinance or resolution to implement the rates, terms and conditions reflected in the tariffs attached to this Settlement Agreement as Exhibit A. Further, the terms of the Settlement Agreement are interdependent and indivisible, and that if the City enters an order that is inconsistent with this Settlement Agreement, then the Company 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 the Company's entry into the Settlement Agreement or its subsequent withdrawal.
15. Atmos and the City agree that all negotiations, discussions and conferences related to the Settlement Agreement are within scope of Tex. R. Evidence 408, and not relevant to prove any issues associated with the Company's 2010 Interim Rate Adjustment filing.
16. Atmos and the City agree that neither this Settlement Agreement nor any oral or written statements made during the course of settlement negotiations may be used by either party for any purpose other than as necessary to support the entry by the City of an ordinance or resolution implementing this Settlement Agreement.
17. Atmos and the City agree that this Settlement Agreement is binding on each party 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 Atmos' or the City's rights and obligations for future periods, this Settlement Agreement shall not be binding or precedential upon Atmos or the City outside of this proceeding.

Agreed to this 3rd day of June, 2011.

ATMOS ENERGY CORP., MID-TEX DIVISION

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

MID-TEX DIVISION
ATMOS ENERGY CORPORATION

RIDER:	DARR – DALLAS ANNUAL RATE REVIEW	
APPLICABLE TO:	Customers within the City of Dallas	
EFFECTIVE DATE:		Page 1 of 4

I. Purpose:

This mechanism is designed to provide annual earnings transparency. All rate calculations under this tariff shall be made on a system wide basis. If, through the implementation of the provisions of this mechanism, it is determined that rates should be decreased or increased, then rates will be adjusted accordingly in the manner set forth herein. The rate adjustments implemented under this mechanism will reflect annual changes in the Company's cost of service and rate base. This Rider DARR will be effective for the period commencing with the Company's first DARR filing on or before January 15, 2012.

II. Definitions

a) The **Annual Evaluation Date** shall be the date the Company will make its annual filing under this mechanism. The Annual Evaluation Date shall be no earlier than January 2nd nor later than January 15th of each year. This filing shall be made in electronic form where practicable.

b) **Audited Financial Data** shall mean the Company's books and records related to the Company's Mid-Tex operating area and shared services operations. Audited Financial Data shall not require the schedules and information provided under this tariff to undergo a separate financial audit by an outside auditing firm similar to the Company's annual financial audit.

c) The **Company** is defined as Amos Energy Corporation's Mid-Tex Division.

d) The **Test Period** is defined as the twelve month period ending September 30, of each preceding calendar year (*i.e.* the Company's January 15, 2012 filing will be based on the twelve month period ending September 30, 2011).

e) The **Rate Effective Period** is defined as the twelve-month period commencing June 1 and ending when subsequent rates are implemented pursuant to a final order from a regulatory authority.

f) **Final Order** is defined as the most recent final order establishing the Company's latest effective rates for customers within the City of Dallas.

III. Rate Review Mechanism

The Company shall file with the City of Dallas the schedules specified below for the Test Period, with the filing to be made by the Annual Evaluation Date following the end of the Test Period. The schedules will be based upon the Company's Audited Financial Data, as adjusted, and will include the following:

- a) Test Period ending balances for actual gross plant in service, accumulated depreciation, accumulated deferred income taxes, inventory, working capital, and other rate base components will be used for the calculation of rates for the Rate Effective Period. The ratemaking treatments, principles, findings and adjustments included in the Final Order will apply except when a departure from those treatments, principles, findings or adjustments is justified by changed circumstances. Regulatory adjustments due to prior regulatory rate base adjustment disallowances will be maintained. Cash working capital will be calculated using the lead/lag days approved in the Final Order.
- b) Depreciation rates booked in the period will be those approved in the Final Order, or the depreciation rates most recently approved for the Mid-Tex Division and the Shared Services Division by the Railroad Commission of Texas, as applicable, if and only if the City of Dallas has the right to participate in the subsequent Railroad Commission of Texas proceeding with a full

**MID-TEX DIVISION
ATMOS ENERGY CORPORATION**

RIDER:	DARR – DALLAS ANNUAL RATE REVIEW	
APPLICABLE TO:	Customers within the City of Dallas	
EFFECTIVE DATE:		Page 2 of 4

right to have its reasonable expenses reimbursed. All calculation methodologies will be those approved in the Final Order except where noted or included in this tariff. In addition, the Company shall exclude from operating and maintenance expense the discretionary costs to be disallowed from Rider DARR filings listed in the DARR Schedules and Information section of this tariff.

- c) Return on Equity (ROE) shall be maintained at 10.1%.
- d) Long-term cost of debt will be the actual thirteen month average for the Test Period. Capital structure will be the actual thirteen month average Test Period ratio of long-term debt and equity.
- e) All applicable accounting adjustments along with all supporting work papers. Such adjustments may include:
 - 1) Pro-forma adjustments to update and annualize costs and revenue billing determinants for the Rate Effective Period.
 - 2) Pro-forma or other adjustments required to properly account for atypical, unusual, or nonrecurring events recorded during the Test Period.
- f) Shared Services allocation factors shall be recalculated each year based on the latest component factors used during the Test Period, but the methodology used will be that approved in the Final Order.

IV. Calculation of Rate Adjustment

- a) The Company shall provide additional schedules indicating the following revenue deficiency/sufficiency calculations using the methodology accepted in the Final Order. The result shall be reflected in the proposed new rates to be established for the Rate Effective Period. In calculating the required rate adjustments, such adjustments will be apportioned between the customer charge and usage charge with the Residential and the Commercial customer charges being rounded to the nearest \$0.25.
- b) The Company may also adjust rates for the Rate Effective Period to include recovery of any known and measurable changes to operating and maintenance costs including, but not limited to, payroll and compensation expense, benefit expense, pension expense, insurance costs, materials and supplies, bad debt costs, medical expense, transportation and building and lease costs for the Rate Effective Period. Provided, however, that adjustments may only be made for costs that are reasonable and necessary.
- c) Effective with the Company's DARR filing on January 15, 2013, the Company may include in its rate base calculation all direct, incremental investment and costs associated with its Rider IR steel service line replacement program and request reconciliation of the Rider IR regulatory asset account.
 - 1. Upon implementation of new, final rates that include recovery for all direct, incremental costs and investment associated with the Company's steel service line replacement program, the Company shall cease to charge the Rider IR monthly rate attributable to this program.

**MID-TEX DIVISION
ATMOS ENERGY CORPORATION**

RIDER:	DARR – DALLAS ANNUAL RATE REVIEW	
APPLICABLE TO:	Customers within the City of Dallas	
EFFECTIVE DATE:		Page 3 of 4

2. Notwithstanding IV(c)(1), the Company shall be entitled to separately recover the Rider IR monthly rate attributable to its steel service line replacement program until such time as new, final rates reflective of steel service line replacement costs and investment have been established pursuant to either (i) a DARR adjustment or (ii) a Statement of Intent rate case establishing the Company's latest effective rates for customers within the City of Dallas.
- d) The regulatory authority may disallow any net plant investment that is not shown to be prudently incurred. Approval by the regulatory authority of net plant investment pursuant to the provisions of this tariff shall permit the Company to earn a return on that net investment for the Effective Period which shall not be subject to refund if in a subsequent review a portion of the plant is determined to be imprudently incurred.
- e) The Company shall provide a schedule demonstrating the "proof of revenues" relied upon to calculate the proposed rate for the Rate Effective Period. The proposed rates shall conform as closely as is practicable to the revenue allocation principles approved in the Final Order.

V. Attestation

A sworn statement shall be filed by an Officer of the Mid-Tex Division affirming that the filed schedules are in compliance with the provisions of this mechanism and are true and correct to the best of his/her knowledge, information and belief. No testimony shall be filed, but a brief narrative explanation shall be provided of any changes to corporate structure, accounting methodologies or allocation of common costs.

VI. Evaluation Procedures

The City of Dallas shall have 135 days to review and render a decision on the Company's filed schedules and work papers. The Company will be prepared to provide all supplemental information as may be requested to ensure adequate review by the relevant regulatory authority. The Company shall not unilaterally impose any limits upon the provision of supplemental information and such information shall be provided within ten (10) working days of the original request. The regulatory authority may propose any adjustments it determines to be required to bring the schedules into compliance with the above provisions.

During the 135 day period, the Company and the regulatory authority will work collaboratively and seek agreement on the proposed adjustments to the Company's schedule and proposed rates. If agreement has been reached by the Company and the regulatory authority, the regulatory authority shall authorize an increase or decrease to the Company's rates so as to achieve the revenue levels indicated for the Rate Effective Period. If, at the end of the 135 day 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 an appeal of the City's order relating to an annual DARR filing with the Railroad Commission of Texas, the City shall not oppose the implementation of rates subject to refund or advocate the imposition of a 3rd party surety bond by the Company.

VII. Reconsideration and Appeal

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

**MID-TEX DIVISION
ATMOS ENERGY CORPORATION**

RIDER:	DARR – DALLAS ANNUAL RATE REVIEW	
APPLICABLE TO:	Customers within the City of Dallas	
EFFECTIVE DATE:		Page 4 of 4

VIII. Notice

Notice of this annual DARR filing shall be provided by including the notice, in conspicuous form, in the bill of each directly affected customer no later than forty-five (45) days after the Company makes its annual filing pursuant to this tariff. The notice to customers shall include the following information:

- a) a description of the proposed revision of rates and schedules;
- b) the effect the proposed revision of rates is expected to have on the rates applicable to each customer class and on an average bill for each affected customer;
- c) the service area or areas in which the proposed rate adjustment would apply;
- d) the date the proposed rate adjustment was filed with the regulatory authority; and
- e) the Company's address, telephone number and website where information concerning the proposed rate adjustment may be obtained.

Company shall notice customers again by bill insert as soon as practical after final DARR rates are ordered by the City and agreed to by the Company if the agreed increase or decrease in rates is materially different than the initial notice.

IX. DARR Schedules and Information

The following types of employee reimbursed expenses and directly incurred costs are to be removed from all expense and rate base amounts included within Rider DARR filings for the Test Period and for the Rate Effective Period:

- Amounts incurred for travel, meals or entertainment of employee spouses, domestic partners, significant others, children and pets.
- Amounts for air travel that exceed published commercial coach air fares.
- Amounts incurred for excessive rates for hotel rooms.
- Amounts for alcoholic beverages.
- Amounts paid for admission to entertainment, sports, art or cultural events, and all event sponsorship costs.
- Amounts for social club dues or fees.

MID-TEX DIVISION
ATMOS ENERGY CORPORATION

EXHIBIT A

RATE SCHEDULE:	R – RESIDENTIAL SALES	
APPLICABLE TO:	Customers within the City of Dallas	
EFFECTIVE DATE:	Bills Rendered on or after 07/01/2011	Page 1 of 1

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	\$17.28 per month
Commodity Charge – All Mcf	\$ 0.4315 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.

Franchise Fee Adjustment: Plus an amount for franchise fees calculated in accordance with Rider FF. Franchise Fees are to be assessed solely to customers within municipal limits. This does not apply to Environs Customers.

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).

Infrastructure Replacement: Plus an amount for steel service line replacement in accordance with Rider IR.

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.

**MID-TEX DIVISION
ATMOS ENERGY CORPORATION**

RATE SCHEDULE:	C – COMMERCIAL SALES	
APPLICABLE TO:	Customers within the City of Dallas	
EFFECTIVE DATE:	Bills Rendered on or after 07/01/2011	Page 1 of 1

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	\$ 33.55 per month
Commodity Charge - All Mcf	\$ 0.5748 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.

Franchise Fee Adjustment: Plus an amount for franchise fees calculated in accordance with Rider FF. Franchise Fees are to be assessed solely to customers within municipal limits. This does not apply to Environs Customers.

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).

Infrastructure Replacement: Plus an amount for steel service line replacement in accordance with Rider IR.

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.

**MID-TEX DIVISION
ATMOS ENERGY CORPORATION**

RATE SCHEDULE:	I – INDUSTRIAL SALES	
APPLICABLE TO:	Customers within the City of Dallas	
EFFECTIVE DATE:	Bills Rendered on or after 07/01/2011	Page 1 of 2

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	\$ 607.09 per month
First 0 MMBtu to 1,500 MMBtu	\$ 0.1373 per MMBtu
Next 3,500 MMBtu	\$ 0.0999 per MMBtu
All MMBtu over 5,000 MMBtu	\$ 0.0159 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.

Franchise Fee Adjustment: Plus an amount for franchise fees calculated in accordance with Rider FF. Franchise Fees are to be assessed solely to customers within municipal limits. This does not apply to Environs Customers.

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).

Curtailement Overpull Fee

Upon notification by Company of an event of curtailement or interruption of Customer's deliveries, Customer will, for each MMBtu delivered in excess of the stated level of curtailement 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.

**MID-TEX DIVISION
ATMOS ENERGY CORPORATION**

RATE SCHEDULE:	I – INDUSTRIAL SALES	
APPLICABLE TO:	Customers within the City of Dallas	
EFFECTIVE DATE:	Bills Rendered on or after 07/01/2011	Page 2 of 2

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.

**MID-TEX DIVISION
ATMOS ENERGY CORPORATION**

RATE SCHEDULE:	T – TRANSPORTATION	
APPLICABLE TO:	Customers within the City of Dallas	
EFFECTIVE DATE:	Bills Rendered on or after 07/01/2011	Page 1 of 2

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	\$ 607.09 per month
First 0 MMBtu to 1,500 MMBtu	\$ 0.1373 per MMBtu
Next 3,500 MMBtu	\$ 0.0999 per MMBtu
All MMBtu over 5,000 MMBtu	\$ 0.0159 per MMBtu

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

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. Franchise Fees are to be assessed solely to customers within municipal limits. This does not apply to Environs Customers.

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 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.

MID-TEX DIVISION
ATMOS ENERGY CORPORATION

RATE SCHEDULE:	T – TRANSPORTATION	
APPLICABLE TO:	Customers within the City of Dallas	
EFFECTIVE DATE:	Bills Rendered on or after 07/01/2011	Page 2 of 2

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.