

ORDINANCE NO. 010-10

**AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF DE LEON, TEXAS (“CITY”) APPROVING NEW RATES FOR ATMOS ENERGY CORP., MID-TEX DIVISION (“ATMOS MID-TEX” OR “COMPANY”) IN RESPONSE TO THE COMPANY’S THIRD RATE REVIEW MECHANISM (“RRM”) FILING IN ALL CITIES EXERCISING ORIGINAL JURISDICTION; DECLARING EXISTING RATES TO BE UNREASONABLE; ADOPTING TARIFFS THAT REFLECT JUST AND REASONABLE RATES; EXTENDING THE RRM PROCESS FOR TWO CYCLES AND ADOPTING A NEW RRM TARIFF, INCLUDING COST RECOVERY FOR A STEEL SERVICE LINE REPLACEMENT PROGRAM; 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.**

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

WHEREAS, in 2008, the Company implemented a Rate Review Mechanism (“RRM”) tariff that allowed for three, annual rate adjustment filings to be made with the City pursuant to an expedited rate review process;

WHEREAS, on or about March 15, 2010, Atmos Mid-Tex filed with the City its third application pursuant to the RRM tariff to increase natural gas base rates on a system-wide basis by approximately \$70.2 million, such increase to be effective in every municipality that has adopted the RRM tariff within its Mid-Tex Division; and

WHEREAS, the Company has filed evidence that existing rates are unreasonable and should be changed; and

WHEREAS, Atmos Mid-Tex has commenced a program to replace steel service lines based on a relative leak repair risk analysis; and

WHEREAS, the City has considered the Company's application and finds it reasonable to: (1) increase system-wide base rate revenues by \$27 million; (2) extend the RRM process, with modifications for an additional two cycles and to thereafter require the filing of a system-wide Statement of Intent rate case on or before June 1, 2013; and (3) allow current recovery of incremental direct costs of the steel service line replacement program in rates set via this ordinance and in future RRM's; and

WHEREAS, the attached tariffs implementing new rates ("Attachment A" to this Ordinance) and Atmos Mid-Tex's Proof of Revenues ("Attachment B" to this Ordinance) are just, reasonable, and in the public interest; and

WHEREAS, it is the intention of the parties that if the City determines any rates, revenues, terms and conditions, or benefits resulting from a Final Order or subsequent negotiated settlement approved in any proceeding addressing the issues raised in the Company's Third RRM filing would be more beneficial to the City than the terms of the attached tariff, then the more favorable rates, revenues, terms and conditions, or benefits shall additionally accrue to the City; and

WHEREAS, the City finds that this resolution of the Company's RRM filing and the resulting rates are, as a whole, in the public interest.

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

Section 1. That the findings set forth in this Ordinance are hereby in all things approved.

Section 2. That the City Council finds the existing rates for natural gas service provided by Atmos Mid-Tex are unreasonable and that the new tariffs and Atmos Mid-Tex's Proof of Revenues, which are attached hereto and incorporated herein as Attachments A and B, are just and reasonable and are hereby adopted.

Section 3. That to the extent any resolution or ordinance previously adopted by the Council is inconsistent with this Ordinance, it is hereby repealed.

Section 4. 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 5. 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.

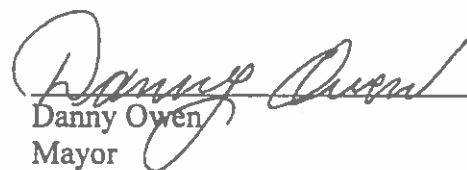
Section 6. That if the City determines any rates, revenues, terms and conditions, or benefits resulting from a Final Order or subsequent negotiated settlement approved in any proceeding addressing the issues raised in the Company's Third RRM filing would be more beneficial to the City than the terms of the attached tariff, then the more favorable rates, revenues, terms and conditions, or benefits shall additionally accrue to the City.

Section 7. That this Ordinance shall become effective from and after its passage and that the rates authorized by attached Tariffs shall be effective for bills rendered on or after October 1, 2010.

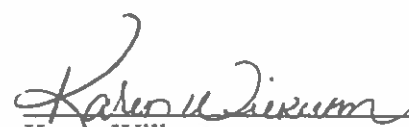
Section 8. That a copy of this Ordinance shall be sent to Atmos Mid-Tex, care of David Park, Vice President Rates and Regulatory Affairs, at Atmos Energy Corporation, 5420 LBJ Freeway, Suite 1862, Dallas, Texas 75240.

PASSED AND APPROVED this 9<sup>th</sup> day of September, 2010.

PASSED, APPROVED AND ADOPTED this 23<sup>RD</sup> day of September, 2010

  
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Danny Owen  
Mayor

ATTEST:

  
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Karen Wilkerson  
City Administrator/Secretary