

**BEFORE THE
RAILROAD COMMISSION OF TEXAS**

APPLICATION OF ATMOS PIPELINE-TEXAS FOR YEAR 2008 TEST YEAR ANNUAL INTERIM RATE ADJUSTMENT	§ § § § §	GAS UTILITIES DOCKET NO. 9855
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INTERIM RATE ADJUSTMENT ORDER

Notice of Open Meeting to consider this Order was duly posted with the Secretary of State within the time period provided by law pursuant to TEX. GOV'T CODE ANN. Chapter 551 (Vernon 2008). The Railroad Commission of Texas adopts the following findings of fact and conclusions of law and orders as follows:

FINDINGS OF FACT

Background

1. Atmos Energy Corporation (Atmos) is a "gas utility," as that term is defined in the TEXAS UTILITY CODE, and is subject to the jurisdiction of the Railroad Commission of Texas (Commission).
2. Atmos Pipeline-Texas (APT), a division of Atmos, owns and operates a gas pipeline transportation system.
3. On February 13, 2009, APT filed an application for an annual interim rate adjustment (IRA) applicable to customers located on APT's system.
4. APT requested that the IRA for all customer classes become effective on April 14, 2009.
5. On February 25, 2009, the Commission suspended implementation of APT's proposed IRA until May 29, 2009, which is 45 days following the 60th day after the application.
6. On March 18, 2009, the Atmos Cities Steering Committee filed a *Plea in Intervention, Request for Hearing, and Request for Reimbursement of Rate Case Expense* with the Commission in the cause of the Company's application for an IRA. The Commission filed a response on March 18, 2009, citing the IRA statute and rule and taking no action on the plea.

7. Neither TEXAS UTILITIES CODE, §104.301 (Vernon Supp 2007) nor 16 TEX. ADMIN. CODE, §7.7101 (2008) provide the opportunity for parties to intervene in the Commission's review of an application for an annual IRA.
8. 16 TEX. ADMIN. CODE, §7.7101 (2008) allows written comments or a protest concerning the proposed IRA to be filed with the Gas Services Division.
9. The Commission received a letter opposing the application for the increase from one commercial customer on March 19, 2009.
10. A letter was sent to the customer opposing the increase acknowledging their opposition with an explanation of their right to intervene in the next rate case.
11. Atmos was instructed to respond to the commercial customers opposing the increase.
12. Atmos contacted the customer as instructed by the Commission.
13. This docket represents the sixth annual IRA for APT.
14. Until promulgation of TEXAS UTILITIES CODE, §104.301 (Vernon 2007), a utility could not increase its rates subject to the Commission's jurisdiction without filing with the Commission a formal statement of intent rate case, including a comprehensive cost of service rate review.
15. The proposed IRA will allow APT an opportunity to recover, subject to refund, a return on investment, depreciation expense, and related taxes on the incremental cost of infrastructure investment since its last rate case, without the necessity of filing a statement of intent rate case and without review by the Commission of APT's comprehensive cost of service.

Applicability

16. This docket applies to only those rates over which the Commission has original jurisdiction, which includes the entire APT system.
17. As of year-end 2008, APT's customers totaled approximately 703 City Gate meters and 170 Pipeline Transportation rate meters.

Most Recent Comprehensive Rate Case

18. APT's most recent rate case for the area in which the IRA will be implemented is GUD No. 9400, *Statement of Intent Filed by TXU Gas Company to Change Rates in the Company's Statewide Gas Utility System*.
19. GUD No. 9400 was filed on May 23, 2003.

20. The data used in GUD No. 9400 was based on a test-year ending December 31, 2002.
21. The Commission signed the GUD No. 9400 final Order on May 25, 2004, and the rates became effective the same day.
22. The Commission in GUD No. 9400 set the rates charged by APT that have been adjusted by prior orders authorizing IRA adjustments.
23. The following chart shows the factors that were established in GUD No. 9400 to calculate the return on investment, depreciation expense, and incremental federal income taxes for APT:

Rate of Return	8.258%
Depreciation Rate	2.097%
Federal Income Tax Rate	35%

Interim Rate Adjustment

24. APT seeks approval from the Commission for an adjustment to its revenue, based on incremental net utility plant investment, with regard to the following components: return on investment; depreciation expense; ad valorem taxes; revenue related taxes; and federal income taxes.
25. The revenue amounts to be recovered through the proposed annual IRA for APT are incremental to the revenue requirement established in the most recent rate case for APT for the area in which the IRA is to be implemented, GUD No. 9400, as adjusted for prior orders authorizing IRA adjustments.
26. The Company calculated and presented all incremental values for investment, accumulated depreciation, return on investment, depreciation expense, ad valorem taxes, and incremental federal income taxes on a full calendar-year basis. Revenue related taxes are not included in APT's calculation of the IRA. An existing rate schedule that was established by the final Order in GUD No. 9400 (Rider TAX) is applied to all revenues, including revenues that result from an IRA.
27. For the first IRA following a rate case, the amounts by which APT may adjust its rates are based on the difference between APT's invested capital at the end of the most recent rate case test-year (December 31, 2002) and the invested capital at the end of the calendar-year following the end of the most recent rate case test-year (December 31, 2003).
28. This docket is the sixth annual IRA for APT. Therefore, to request its IRA in this docket, APT submitted data for the calendar year ending December 31, 2008.

29. The value of APT's invested capital is equal to the original cost of the investment at the time the investment was first dedicated to public use minus the accumulated depreciation related to that investment for APT's IRA.
30. APT is required to use the same factors to calculate the interim return on investment, depreciation expense, and incremental federal income tax as those established or used in the final order setting rates for APT in the most recent rate case for the area in which the IRA is to be implemented.
31. APT filed the Commission's Annual Earnings Monitoring Report (EMR) as required by 16 TEXAS ADMINISTRATIVE CODE §7.7101 (2004). The Company's rate of return is 8.409%, which is less than 0.75% in excess of the 8.258% allowed rate of return established in **GUD No. 9400**.
32. Atmos filed its Annual Project Report for APT as required by 16 TEXAS ADMINISTRATIVE CODE §7.7101 (2008).
 - Net APT capital additions included in this docket total \$50,486,821.
 - Gross APT capital project additions totaled \$69,313,171.
 - Safety-related improvements/infrastructure projects totaled \$42,315,476, or 61% of total additions¹.
 - Integrity testing projects totaled \$15,015,739, or 22% of total additions².
33. The Company is required to allocate the revenue to be collected through the IRA for APT among its customer classes in the same manner as the cost of service was allocated among its customer classes in its most recent rate case for the area in which the IRA is to be implemented.
34. Atmos proposed the IRA for APT as a flat rate to be applied to the monthly customer charges and monthly meter charges rather than as a volumetric rate to be applied to the initial block usage rates.
35. APT is required to show its annual IRA on its customers' monthly billing statements as a surcharge.
36. The proposed IRA does not require an evidentiary proceeding; rather, TEXAS UTILITIES CODE, §104.301 (Vernon 2007) and 16 TEX. ADMIN. CODE, §7.7101 (2008) require the regulatory authority to review a utility's method of calculating the IRA.
37. Due process protections are deferred until APT files its next full statement of intent rate case.

1. Response to Staff's RFI #1-8.
2. Response to Staff's RFI #1-10.

Notice

38. The Company provided adequate notice to APT's City Gate (CGS) customers on February 26, 2009.
39. The Company provided adequate notice to APT's Pipeline Transportation (PT) customers on February 26, 2009.

Comprehensive Rate Case Required

40. The Company is not required to initiate a rate case supporting a statement of intent, at the time it applies for an IRA for APT.
41. Under 16 TEX. ADMIN. CODE, §7.7101 (l) (2008) a gas utility that implements an IRA and does not file a rate case before the fifth anniversary of the date its initial IRA became effective is required to file a rate case not later than the 180th day after that anniversary. APT is required to file a statement of intent rate case not later than September 17, 2010.

Review of Interim Rate Adjustment

42. APT presented its IRA calculation using the factors for GUD No. 9400 for rate of return, depreciation, and federal income tax, but using a property-related taxes (Ad Valorem) percentage of 1.655% based on the estimated 2008 taxes paid by the Company.¹
43. APT's proposed IRA is \$7,549,500 based on an incremental net utility plant investment increase of \$50,486,821 using the property-related taxes (Ad Valorem) percentage of 1.655% based on the estimated 2008 taxes paid by the Company.
44. APT's proposed allocation methodology complies with TEXAS UTILITIES CODE, §104.301 (Vernon 2007), and with 16 TEX. ADMIN. CODE, §7.7101 (2008).
45. For allocation methodology, it is reasonable for the Commission to approve use of APT's overall cost of service (less other revenue, gas cost, and revenue related taxes) as determined in GUD 9560. The following overall cost of service allocation factors for use in the calculation of APT's IRA are reasonable:

Customer Class	Allocation Factor
Rate CGS (City Gate Service)	0.731657
Rate PT (Pipeline Transportation)	0.268343

1. 16 TEX. ADMIN. CODE §7.7101(f)(5) only refers to the return on investment, depreciation expense, and incremental federal income tax factors from the most recent rate case to calculate the IRA. The Ad Valorem taxes are not specifically designated as a factor that must remain constant.

- 46. APT’s proposed customer and meter counts comply with TEXAS UTILITIES CODE, §104.301 (Vernon 2007), and with 16 TEX. ADMIN. CODE, §7.7101 (2008).
- 47. For calculating the number of customer charges or meter charges per year, it is reasonable for the Commission to approve use of APT’s 2008 year-end number of customers multiplied by twelve. The following total numbers of customer and meter charges for use in the calculation of the IRA are reasonable:

Customer Class	Total Number of Customer Charges / Meters
Rate CGS (City Gate Service)	8,436
Rate PT (Pipeline Transportation)	2,040

- 48. APT has voluntarily limited the increase to the City of Rising Star and West Texas Gas to 10% of the prior year total meter charge.
- 49. The City of Rising Star represents one meter and twelve meter charges of the 8,436 meter charges in the table above.
- 50. West Texas Gas represents one meter and twelve meter charges of the 8,436 meter charges in the table above.
- 51. APT does not reallocate the revenue not collected by the 10% limitation on the increase to the City of Rising Star and West Texas Gas; therefore, there is no change to the allocation methodology established in GUD 9400.
- 52. The resulting interim rate adjustment for Rate CGS (City Gate Service) and Rate PT (Pipeline Transportation) is shown in Exhibit A and as follows:

Rate Schedule	2007 Meter Charge	2008 IRA	2008 Proposed Meter Charge
Rate CGS (Entire System excluding City of Rising Star and WTG, CoServe Gas)	\$ 2,400.23	\$ 654.77	\$ 3,055.00
Rate CGS (City of Rising Star and WTG)	\$ 2,004.70	\$ 200.43	\$ 2,204.70
Rate CGS (CoServe Gas) ¹	\$ 2,400.23	\$ 654.77	\$ 3,055.00
Rate PT	\$ 3,216.08	\$ 993.07	\$ 4,209.15

¹ The City Gate Service Rate for CoServ Gas includes a provision for gas delivered through the Atmos Mid-Tex System for those meters connected to the Atmos Mid-Tex System. The rate is a portion of the full IRA-adjusted meter charge based on a pro-rata share of peak day volumes.

Reimbursements of Expense

53. As provided for in the statute and the rule, a gas utility that implements an IRA is required to reimburse the Commission for the utility's proportionate share of the Commission's annual costs related to the administration of the IRA mechanism.
54. After the Commission has finally acted on Atmos' application for an IRA for APT, the Director of the Gas Services Division will estimate Atmos' proportionate share of the Commission's annual costs related to the processing of such applications.
55. In making the estimate of APT's proportionate share of the Commission's annual costs related to the processing of such applications, the Director will take into account the number of utilities the Commission reasonably expects to file for IRAs during the fiscal year, and the costs expected to be incurred in processing such applications.
56. The Company is required to reimburse the Commission for the amount determined by the Director of the Gas Services Division, within thirty days after receipt of notice of the amount of the reimbursement.

CONCLUSIONS OF LAW

1. Atmos Energy Corporation (Atmos) is a "gas utility" as defined in TEX. UTIL. CODE ANN. §101.003(7) (Vernon 2007 and Supp 2008) and §121.001 (Vernon 2007), and is therefore subject to the jurisdiction of the Railroad Commission of Texas (Commission).
2. The Commission has jurisdiction over Atmos, Atmos' applications for IRAs for APT for incremental changes in investment, and the subject matter of this case under TEX. UTIL. CODE ANN. §102.001, §104.001, §104.002, and §104.301 (Vernon 2007).
3. Under TEX. UTIL. CODE ANN. §102.001 (Vernon 2007), the Commission has exclusive original jurisdiction over the rates and services of a gas utility that distributes natural gas in areas outside of a municipality and over the rates and services of a gas utility that transmits, transports, delivers, or sells natural gas to a gas utility that distributes the gas to the public.
4. Under the provisions of the TEXAS UTILITIES CODE ANN. §104.301 (2007) and 16 TEX. ADMIN. CODE § 7.7101 (2008), Atmos is required to seek Commission approval before implementing an IRA tariff for APT's customers.
5. Atmos filed its application for an IRA for APT for changes in investment in accordance with the provisions of TEX. UTIL. CODE ANN. §104.301 (Vernon 2007) and 16 TEX. ADMIN. CODE §7.7101 (2008).
6. Atmos' application for an IRA for APT was processed in accordance with the requirements of TEX. UTIL. CODE ANN. §104.301 (Vernon 2007) and 16 TEX. ADMIN. CODE §7.7101 (2004).

7. In accordance with 16 TEX. ADMIN. CODE §7.315 (2008), within thirty days of the effective date of any change to rates or services, the Company is required to file with the Gas Services Division of the Commission its revised tariffs for APT.
8. The Company may not charge any rate for APT that has not been successfully filed and accepted as a tariff filing electronically pursuant to TEX. UTIL. CODE ANN. §102.151 and 104.002 (Vernon 2007) and 16 TEX. ADMIN. CODE §7.315 (2008).
9. In accordance with TEX. UTIL. CODE ANN. §104.301(a) (Vernon 2007) and 16 TEX. ADMIN. CODE §7.7101(a) (2008), the filing date of Atmos' most recent rate case for APT, in which there is a final order setting rates for the area in which the IRA will apply, was no more than two years prior to the date Atmos filed its initial IRA for APT.
10. Atmos is required, under TEX. UTIL. CODE ANN. §104.301(e) (Vernon 2007) and 16 TEX. ADMIN. CODE §7.7101(d) (2008), to file with the Commission an annual project report for APT, including the cost, need, and customers benefited by the change in investment, and describing the investment projects completed and placed in service during the preceding calendar year and the investments retired or abandoned during the preceding calendar year.
11. Atmos shall include in all future annual IRA filings for APT, relocation project reports that provide additional information about relocation project costs included in investment projects, in the same format as required in this docket.
12. Atmos is required, under TEX. UTIL. CODE ANN. §104.301(f) (Vernon 2007) and 16 TEX. ADMIN. CODE §7.7101(e) (2008), to file with the Commission an annual earnings-monitoring report demonstrating APT's earnings during the preceding calendar year.
13. Atmos is required, under 16 TEX. ADMIN. CODE §7.7101(h) (2008), to recalculate its approved IRA for APT annually and is required to file an application for an annual adjustment no later than 60 days prior to the one-year anniversary of the proposed implementation date of the previous IRA application.
14. In accordance with 16 TEX. ADMIN. CODE §7.7101(i) (2008), all amounts collected from customers under APT's IRA tariffs or rate schedules are subject to refund. The issues of refund amounts, if any, and whether interest should be included on refunded amounts and, if so, the rate of interest, shall be addressed in the rate case a gas utility files or the Commission initiates after the implementation of an IRA and shall be the subjects of specific findings of fact in the Commission's final order setting rates.

15. In accordance with 16 TEX. ADMIN. CODE §7.7101(j) (2004), in the rate case that Atmos files for APT or the Commission initiates after the implementation of an IRA, any change in investment and related expenses and revenues that have been included in any IRA shall be fully subject to review for reasonableness and prudence. Upon issuance of a final order setting rates in the rate case that Atmos files for APT or the Commission initiates after the implementation of an IRA, any change in investment and related expenses and revenues that have been included in any IRA shall no longer be subject to review for reasonableness or prudence.
16. The Commission has authority to suspend the implementation of the IRA, under TEX. UTIL. CODE ANN. §104.301(a) (Vernon 2007) and 16 TEX. ADMIN. CODE §7.7101(e) (2008).
17. The Company provided adequate notice, in accordance with TEX. UTIL. CODE ANN. §104.301(a) (Vernon 2007) and 16 TEX. ADMIN. CODE §7.7101(b) (2008).
18. Atmos' application for an IRA for APT, as proposed, complies with all provisions of TEX. UTIL. CODE ANN. §104.301 (Vernon 2007) and 16 TEX. ADMIN. CODE §7.7101 (2008).
19. The Company's IRA set forth in the findings of fact and conclusions of law in this Order comply with the provisions of TEX. UTIL. CODE ANN. §104.301 (Vernon 2007) and 16 TEX. ADMIN. CODE §7.7101 (2008).
20. In accordance with TEX. UTIL. CODE ANN. §104.301(h) (Vernon 2007) and 16 TEX. ADMIN. CODE §7.7101(l) (2008), Atmos shall file a comprehensive rate case for APT for the areas in which the IRA is implemented, no later than the 180th day after the fifth anniversary of the date its initial IRA became effective.
21. The Commission has authority, under TEX. UTIL. CODE ANN. §104.301(j) (Vernon 2007) and 16 TEX. ADMIN. CODE §7.7101(m) (2008), to recover from Atmos the APT's proportionate share of the Commission's annual costs related to the administration of the IRA mechanism.

IT IS THEREFORE ORDERED BY THE RAILROAD COMMISSION OF TEXAS THAT APT's IRA, as requested, and to the extent recommended to be approved in the findings of fact and conclusions of law, are **HEREBY APPROVED**, subject to refund, to be effective for bills rendered on or after April 28, 2009.

IT IS FURTHER ORDERED THAT Atmos **SHALL** file with the Commission no later than February 13, 2010, for APT, an annual project report, including the cost, need, and customers benefited by the change in investment, and describing the investment projects completed and placed in service during the preceding calendar year and the investments retired or abandoned during the preceding calendar year.

IT IS FURTHER ORDERED THAT Atmos **SHALL** file with the Commission no later than February 13, 2010, for APT, a relocation project report, which provides additional information about relocation costs included in investment projects, in the format provided in this docket.

IT IS FURTHER ORDERED THAT Atmos **SHALL** file with the Commission no later than February 13, 2010, for APT, an annual earnings monitoring report demonstrating APT's earnings during the preceding calendar year.

IT IS FURTHER ORDERED THAT Atmos **SHALL** file with the Commission no later than February 13, 2010, for APT, recalculations of its approved IRA and applications for annual IRA for the preceding calendar year.

IT IS FURTHER ORDERED THAT within 30 days of this order Atmos **SHALL** electronically file its IRA tariffs for APT in proper form that accurately reflect the rates approved by the Commission in this Order.

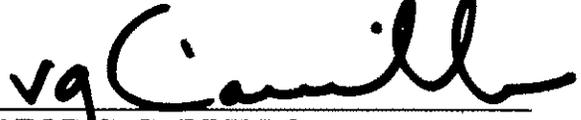
IT IS FURTHER ORDERED THAT Atmos **SHALL** not charge any rate for APT that has not been electronically filed and accepted by the Commission as a tariff.

IT IS FURTHER ORDERED THAT Atmos **SHALL** reimburse the expenses incurred by the Commission in reviewing this application. The amount of this reimbursement shall be determined by the Director of the Gas Services Division. This Order will not be final and effective until 20 days after a party is notified of the Commission's order. A party is presumed to have been notified of the Commission's order three days after the date on which the notice is actually mailed. If a timely motion for rehearing is filed by any party at interest, this order shall not become final and effective until such motion is overruled, or if such motion is granted, this order shall be subject to further action by the Commission. Pursuant to TEX. GOV'T CODE §2001.146(e), the time allotted for Commission action on a motion for rehearing in this case prior to its being overruled by operation of law, is hereby extended until 90 days from the date the order is served on the parties.

Any portion of APT's application not expressly granted herein is overruled. All requested findings of fact and conclusions of law, which are not expressly adopted herein, are denied. All pending motions and requests for relief not previously granted or granted herein are denied.

SIGNED this 28th day of April, 2009.

RAILROAD COMMISSION OF TEXAS



VICTOR G. CARRILLO
CHAIRMAN



ELIZABETH A. JONES
COMMISSIONER



MICHAEL L. WILLIAMS
COMMISSIONER

ATTEST



RENEE WILLIAMS
SECRETARY

EXHIBIT A

1. Rate Schedule – Rate CGS – City Gate Service, Entire System (Excluding CoServ Gas, City of Rising Star and WTG), 2 pages.
2. Rate Schedule – Rate CGS – City Gate Service, City of Rising Star and WTG, 2 pages.
3. Rate Schedule – Rate CGS – CoServe Gas, 3 pages
4. Rate Schedule – Rate PT – Pipeline Transportation, 2 pages

TARIFF FOR GAS SERVICE

**ATMOS ENERGY CORP.,
ATMOS PIPELINE-TEXAS**

RATE SCHEDULE:	Rate CGS - City Gate Service	
APPLICABLE TO:	Entire System (Excluding CoServ Gas, City of Rising Star and WTG)	REVISION: DATE:
EFFECTIVE DATE:		PAGE: 1 OF 2

RATE CGS - CITY GATE SERVICE

Application

Applicable, in the event that Company has entered into a Transportation Agreement - City Gate Service, to a Local Distribution Company (Customer) directly connected to the Atmos Pipeline -Texas System for the transportation of all natural gas supplied by Customer to one Point of Delivery.

Type of Service

Where service of the quantity and type required 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 meter, capacity, and MMBtu charges to the amounts and quantities due under the riders listed below:

Charge	Amount
Meter	\$ 200.00 per meter
Interim Rate Adjustment ("IRA")	\$ 2,855.00 per meter 1
Total Meter Charge	\$ 3,055.00 per meter
Capacity	\$ 0.9988 per MDU
All MMBtu	\$ 0.2103 per MMBtu

Retention Adjustment: Plus a quantity of gas as calculated in accordance with Rider RA.

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).

MDU Determination

MDU is the maximum daily usage of natural gas delivered in MMBtu to a Point of Delivery.

MDU for the calculation of the monthly bill is the highest of:

- 1) Current month MDU;
- 2) Maximum Daily Quantity as specified in the associated Transportation Agreement - City Gate Service; or
- 3) Highest annual MDU occurring in the 12-month period ended with current month.

1 2003 IRA - \$137.66; 2004 IRA - \$152.52; 2005 IRA - \$264.34; 2006 IRA - \$1,067.54; 2007 IRA - \$578.17; 2008 IRA - \$654.77 (a one-time adjustment of (\$5.00) will be made for a 12 month period).

TARIFF FOR GAS SERVICE

**ATMOS ENERGY CORP.,
ATMOS PIPELINE-TEXAS**

RATE SCHEDULE:	Rate CGS - City Gate Service	
APPLICABLE TO:	Entire System (Excluding CoServ Gas, City of Rising Star and WTG)	REVISION: DATE:
EFFECTIVE DATE:		PAGE: 2 OF 2

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.

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 service 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 CGS, 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.

TARIFF FOR GAS SERVICE

**ATMOS ENERGY CORP.,
ATMOS PIPELINE-TEXAS**

RATE SCHEDULE:	Rate CGS - City Gate Service	
APPLICABLE TO:	City of Rising Star and WTG	REVISION: DATE:
EFFECTIVE DATE:		PAGE: 1 OF 2

Application

Applicable, in the event that Company has entered into a Transportation Agreement - City Gate Service, to a Local Distribution Company (Customer) directly connected to the Atmos Pipeline -Texas System for the transportation of all natural gas supplied by Customer to one Point of Delivery.

Type of Service

Where service of the quantity and type required 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 meter, capacity, and MMBtu charges to the amounts and quantities due under the riders listed below:

Charge	Amount
Meter	\$ 200.00 per month
Interim Rate Adjustment ("IRA")	\$ 2,004.70 per meter ¹
Total Meter Charge	\$ 2,204.70 per meter
Capacity	\$ 0.9988 per MDU
All MMBtu	\$ 0.2103 per MMBtu

Retention Adjustment: Plus a quantity of gas as calculated in accordance with Rider RA.

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).

MDU Determination

MDU is the maximum daily usage of natural gas delivered in MMBtu to a Point of Delivery.

MDU for the calculation of the monthly bill is the highest of:

- 1) Current month MDU;
- 2) Maximum Daily Quantity as specified in the associated Transportation Agreement - City Gate Service; or
- 3) Highest annual MDU occurring in the 12-month period ended with current month.

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.

TARIFF FOR GAS SERVICE

**ATMOS ENERGY CORP.,
ATMOS PIPELINE-TEXAS**

RATE SCHEDULE:	Rate CGS - City Gate Service	
APPLICABLE TO:	City of Rising Star and WTG	REVISION: DATE:
EFFECTIVE DATE:		PAGE: 2 OF 2

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.

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 service 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 CGS, 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.

[1] 2003 IRA - \$137.66; 2004 IRA - \$152.52; 2005 IRA - \$264.34; 2006 IRA - \$1,067.54; 2007 IRA - \$578.17 (Adjusted per "NOTE" below) (10% limit - \$182.21); 2008 IRA - \$654.77 (10% limit - \$200.43)(a one-time adjustment of (\$5.00) will be made for a 12 month period).

NOTE: Effective April 1, 2008. Any annual interim rate adjustment to the Meter Charge under Rate CGS pursuant to TEX. UTILITIES CODE Section 104.301 approved by the Railroad Commission in 2008 or thereafter shall, for the purpose of billing Customer under this Agreement, be limited to an amount not to exceed ten percent of the Meter Charge billed to Customer immediately prior to such adjustment. For example, if Atmos Pipeline - Texas, in March 2008, received approval to adjust the then current Rate CGS Meter Charge of \$1,822.06 by an amount of \$578.17 to a new adjusted charge of \$2,400.23; then the adjustment to Customer's Meter Charge would be limited to \$182.21 per Meter per month (or ten percent of \$1,822.06) for an new adjusted charge applicable to Customer of \$2004.27 per meter per month.

TARIFF FOR GAS SERVICE

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ATMOS PIPELINE-TEXAS**

RATE SCHEDULE:	Rate CGS - City Gate Service	
APPLICABLE TO:	CoServ Gas	REVISION: DATE:
EFFECTIVE DATE:		PAGE: 1 OF 3

Rate:

(a) The amount payable to Atmos Pipeline - Texas (APT) by Customer for firm transportation and storage service during any month shall be the total of (i) Meter charges as calculated pursuant to subsection (b), (ii) the product of the customer's MDU, as determined in Rate CGS, and \$0.8507 per MMBtu of MDU, and (iii) the product of \$0.1778 per MMBtu and the quantity of gas delivered to the Points(s) of Delivery hereunder during such month. As described in the Contract, the rates stated above are subject to certain amendments or changes as a result of judicial or regulatory action. Additionally, APT shall retain a volume of gas each month equal to one percent (1.0%) of the volume of gas received by APT from Customer (or its designee) at the Points(s) of Receipt.

b) The total monthly meter charges shall equal the sum of:

- (i) For Points of Delivery connected to APT, the product of the Rate CGS meter fee, as adjusted annually, and the number of meters at all of the Points of Delivery on APT; and
- (ii) For Points of Delivery on Atmos Energy Corp., Mid-Tex Division (Mid-Tex)(Customer/ Mid-Tex City Gate) downstream of city gate points between APT and Mid-Tex (APT/Mid-Tex City Gates), the sum of the following calculation for each of the APT/Mid-Tex City Gates: the product of the Rate CGS meter fee, as adjusted annually, and the number of meters at a particular APT/Mid-Tex City Gate upstream of a Customer/Mid-Tex City Gate and the ratio of coincident peak day volumes for each such APT/Mid-Tex City Gate determined by dividing the volumes delivered on such date at the Customer/Mid-Tex City Gates downstream of such APT/Mid-Tex City Gate by the total volumes on such date delivered at the APT/Mid-Tex City Gate.

Meter charges will be assessed on a meter basis at each station.¹

(c) The ratio described in Subsection (b)(ii) will be adjusted each year at the same time as adjustments are made to Customer's MDU and will be based on deliveries during the immediately preceding 12 months.

Taxes:

(a) Customer agrees to reimburse APT for any new Taxes, as defined in (b) below, imposed upon APT after December 31 2002 and related to the services provided hereunder; provided that such reimbursement for new Taxes is required from all similarly situated shippers on a non-discriminatory basis, including Atmos Mid-Tex

(b) The term "Taxes" as used herein, shall mean all taxes and fees levied upon and/or paid by APT [other than ad valorem, capital stock, income or excess profit taxes (except as provided herein), general franchise taxes imposed on corporations on account of their corporate existence or on their right to do business within the state as a foreign corporation and similar taxes], including, but not limited to, gross receipts tax, net profits tax, gas utility tax, street and alley rental fees agreed upon in franchise ordinances, licenses, fees and other charges levied, assessed, or made by any governmental authority on the act, right or privilege of transporting, handling, or delivering, gas, which taxes or fees are based upon the volume, heat content, value, or sales/purchase priced of the gas, or transportation fee payable hereunder and applicable federal income tax imposed as a result of installation of equipment at the Receipt and Delivery Points.

¹ 2003 IRA - \$137.66; 2004 IRA - \$152.52; 2005 IRA - \$264.34; 2006 IRA - \$1,067.54; 2007 IRA - \$578.17; 2008 IRA - \$654.77 (a one-time adjustment of (\$5.00) will be made for a 12 month period).

TARIFF FOR GAS SERVICE

**ATMOS ENERGY CORP.,
ATMOS PIPELINE-TEXAS**

RATE SCHEDULE:	Rate CGS - City Gate Service	
APPLICABLE TO:	CoServ Gas	REVISION: DATE:
EFFECTIVE DATE:		PAGE: 2 OF 3

(c) APT will provide Customer by January 31 of each year the Customer's total working gas inventory in each of APT's storage facilities. Customer will render such working gas inventory to the appropriate taxing authorities and pay any ad valorem taxes attributable to such inventory.

Adjustment for Changes in Investment:

The rates charged will be adjusted annually by APT in accordance with Section 104.301 of the Texas Utilities Code.

Term:

Subject to the other terms and provisions of the Contract, the Contract will be effective for a term ending December 31, 2011. Notwithstanding the above, if an imbalance in deliveries exists on the date of termination, cancellation, or expiration of the Contract between the quantities theretofore received at the Point(s) of Receipt and those redelivered at the Point(s) of Delivery, the term of the Contract shall be extended, solely for the purpose of correcting such imbalance, for a period sufficient to allow the party whose deliveries are in arrears to promptly eliminate any imbalance, but such imbalance, in any event, must be eliminated no later than the end of the sixtieth (60th) day of such extension.

Cumulative Imbalance Resolution:

In the event of a monthly imbalance [as described in the Contract] which Customer fails to correct during the next month and Customer's deliveries to APT at the Point(s) of Receipt during such two (2) month period (less any retention volumes) are in excess of, or deficient by, more than five percent (5%) of the transportation quantities delivered by APT to Customer at the Point(s) of Delivery during said two (2) month period, then (i) in the case of any cumulative imbalance, as hereinafter defined, due to APT ("underdeliveries by Customer"), APT shall have the right to require Customer to purchase such cumulative imbalance volume(s) from APT, at a price per MMBtu equal to the highest Gas Daily (Houston Ship Channel) price of gas during the month(s) in which such cumulative imbalance occurred, plus one dollar (\$1.00) per MMBtu; or (ii) in the case of any cumulative imbalance, as herein defined, due Customer ("overdeliveries by Customer"), APT shall have the right to collect from Customer an amount equal to the product of fifty cents (\$0.50) multiplied by the number of MMBtu in such cumulative imbalance volume(s) (and further provided APT expressly reserves the right to restrict, interrupt, or reduce the quantity of gas APT will accept at any and/or all Point(s) of Receipt until such time as the cumulative imbalance is corrected). For this purposes of this paragraph, the term "cumulative imbalance" shall mean the sum of (1) any imbalance carried forward from an immediately preceding month to the next succeeding month, plus (2) any imbalance based on the delivery and receipt of gas hereunder during such succeeding month. The provisions of this paragraph dealing with resolution of cumulative imbalances will not be effective until thirty (30) days following the issuance of a formal order of the Railroad Commission of Texas, or its successor, authorizing such provisions for Customer and all other similarly situated shippers, including, but not limited to, all firm shippers. In the event that the Railroad Commission of Texas, or its successor, issues a formal order authorizing imbalance charges to Customer and all other similarly situated shippers, including but not limited to, all firm shippers, which contains imbalance charges that are different from those set forth above, then imbalance charges authorized in such formal order shall be applicable to Customer effective thirty (30) days following the issuance of the order; provided, however, that such imbalance charges may be no greater than the charges proposed by TXU Gas Company In Rate Schedule 5 of its Tariff for Gas Service as filed with the Railroad Commission of Texas in Gas Utilities Docket No. 9400 on May 23, 2003; and further provided that APT reasonably makes available to Customer, at no additional charge (except for any charge otherwise agreed to in writing), reliable daily gas measurement data on a timely basis so that Customer can monitor and adjust its deliveries and receipts to minimize imbalances. For purposes of this paragraph, transportation of gas by APT for delivery to

TARIFF FOR GAS SERVICE**ATMOS ENERGY CORP.,
ATMOS PIPELINE-TEXAS**

RATE SCHEDULE:	Rate CGS - City Gate Service	
APPLICABLE TO:	CoServ Gas	REVISION: DATE:
EFFECTIVE DATE:		PAGE: 3 OF 3

distribution system(s) at city gate stations shall be considered as if Mid-Tex is a similarly situated shipper to Customer with regard to such transportation services.

TARIFF FOR GAS SERVICE

**ATMOS ENERGY CORP.,
ATMOS PIPELINE-TEXAS**

RATE SCHEDULE:	Rate PT - Pipeline Transportation	
APPLICABLE TO:	Entire System	REVISION: DATE:
EFFECTIVE DATE:		PAGE: 1 OF 2

RATE PT - PIPELINE TRANSPORTATION

Application

Applicable, in the event that Company has entered into a Transportation Agreement - Pipeline, to a customer directly connected to the Atmos Pipeline-Texas System for the transportation of all natural gas supplied by Customer or Customer's agent at one Point of Delivery.

Not applicable for service to City Gate Service customers.

Type of Service

Where service of the quantity and 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 meter, capacity, and MMBtu charges to the amounts and quantities due under the riders listed below:

Charge	Amount
Meter	\$ 200.00 per meter
Interim Rate Adjustment ("IRA")	\$ 4,009.15 per meter 1
Total Meter Charge	\$ 4,209.15 per meter
First 12 MMBtu per Billing MDU	\$ 0.1739 per MMBtu
All Additional MMBtu	\$ 0.1579 per MMBtu

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, if applicable.

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).

1 2003 IRA - \$223.83; 2004 IRA - \$210.32; 2005 IRA - \$371.16; 2006 IRA - \$1,461.46; 2007 IRA - \$749.31; 2008 IRA - \$993.07 (a one-time adjustment of (\$7.58) will be made for a 12 month period).

TARIFF FOR GAS SERVICEATMOS ENERGY CORP.,
ATMOS PIPELINE-TEXAS

RATE SCHEDULE:	Rate PT - Pipeline Transportation	
APPLICABLE TO:	Entire System	REVISION: DATE:
EFFECTIVE DATE:		PAGE: 2 OF 2

MDU Determination

MDU is the maximum daily usage of natural gas delivered in MMBtu to a Point of Delivery. MDU for the calculation of the monthly bill is the highest of:

- 1) Current month MDU;
- 2) 75% of Maximum Daily Quantity as specified in the associated Transportation Agreement - Pipeline; or
- 3) 75% of highest MDU occurring in the most recent months of December, January, February, and March.

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.

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.

Agreement

A transportation agreement is required.

Notice

Service hereunder and the rates for service 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 PT, 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.