

TENNESSEE REGULATORY AUTHORITY

Sara Kyle, Chairman
Eddie Roberson, Director
Pat Miller, Director
Ron Jones, Director



460 James Robertson Parkway
Nashville, Tennessee 37243-0505

June 13, 2007

MEMORANDUM

To: Docket File

From: Carsie D. Mundy *CDM*
Chief-Consumer Services Division

Subject: *Alleged Violations by Atmos Energy Corporation of Stipulations Adopted in*
Docket No. 05-00281
Docket No. 07-00152

Attached for the file, is the signed settlement agreement in this Docket.

Attachments: 1

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

IN RE:)
)
ALLEGED VIOLATIONS BY ATMOS) **DOCKET NO. 07-00152**
ENERGY CORPORATION OF)
STIPULATIONS ADOPTED IN DOCKET)
NO. 05-00281

SETTLEMENT AGREEMENT

This Settlement Agreement has been entered into between the Consumer Services Division (“CSD”) of the Tennessee Regulatory Authority (“Authority” or “TRA”) and Atmos Energy Corporation (“Atmos”) and is subject to the approval of the Directors of the TRA.

This Settlement Agreement pertains to issues relating to Atmos’s actions in terminating service to thirty-three (33) customers between the period of November 1, 2005 through March 31, 2006. As discussed briefly below, specific procedures had been adopted by the Authority that natural gas companies were required to follow prior to terminating service for customers during the relevant time period.

At a regularly scheduled Authority Conference on September 26, 2005, representatives of Atmos, Chattanooga Gas Company and Nashville Gas Company (collectively, the “Companies”) appeared at the request of the Authority to address each utility’s efforts to educate consumers concerning increasing gas prices and the affordability of rates.¹ On October 14, 2005, the Companies filed a petition which set forth stipulations regarding the equal payment plans of the

¹ See Transcript of Authority Conference, pp. 35-86 (September 26, 2005).

Companies to be effective November 1, 2005 through March 31, 2006. The stipulations would put into place temporary procedures to modify the prerequisites for entering into such equal payment plans and to prevent unnecessary service disconnection due to non-payment of bills for customers who, except for the extremely high cost of natural gas predicted for the upcoming winter, would be able to pay their bills. In pertinent part, the stipulations provided that for qualified customers their billing methodology would be automatically adjusted to an equal payment plan methodology prior to terminating service for non-payment. The petition was granted at a regularly scheduled Authority Conference held on November 7, 2005.

Based on Atmos's reports filed with the TRA regarding customer service terminations, a series of data requests and responses between the TRA Staff and Atmos ensued. In that information exchange, Atmos and the TRA staff discovered that thirty-three (33) customers had service erroneously disconnected before being placed on budget billing as required by the November 7, 2005 stipulations.

Tenn. Code Ann. § 65-4-104 (2004) gives the Authority general supervisory and regulatory power, jurisdiction and control over all public utilities, their property, property rights, facilities and franchises. The Authority lawfully exercised said power when it granted the Companies' petition in Docket No. 05-00281 which set forth stipulations regarding the equal payment plans and cut-off procedures of the Companies to be effective November 1, 2005 through March 31, 2006. Although Atmos contends that it did not intentionally fail to comply with the terms of the Authority's order and that the alleged failure was inadvertent, Atmos does not dispute that it was required to comply with said order of the Authority.

Tenn. Code Ann. § 65-4-120 provides for a penalty of fifty dollars (\$50) per day to be levied at the discretion of the Authority for each day a public utility fails to comply

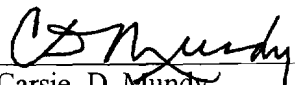
with the Authority's lawful order. Atmos's violation of the stipulations set out in the Authority's November 7, 2005 order is reasonably calculated as the number of days customers were inappropriately without service (measured either from cut-off to re-connection or cut-off to the end of the period covered by the stipulations whichever is shorter). Based on that formula, Atmos was in violation for four hundred eighty two (482) days and therefore the calculable penalty for the alleged violation is twenty-four thousand one hundred dollars (\$24,100).

Atmos has suggested in the alternative, however, that it pay thirty thousand dollars (\$30,000) into its Home Energy Conservation Pilot Project as appropriate restitution for its error. Further, Atmos has made every good faith effort to make whole the thirty-three (33) customers harmed by its actions, including refunding any and all re-connection or other such fees or penalties that may have been levied against said customers who had service re-connected. As to the affected customers who did not have service re-connected, the parties agree that no further efforts on Atmos's part are required.

Therefore, the CSD and Atmos agree to settle this matter upon the following acknowledgements and terms, subject to approval by the Directors of the TRA:

1. Atmos Energy Corporation terminated the service of thirty-three (33) customers between the period of November 1, 2005 through March 31, 2006 in contravention of the stipulations approved on November 7, 2005 by the Authority in Docket No. 05-00281. However, the parties agree that any such violation by Atmos was unintentional.
2. Since receiving notice of the issues that are the subject of this Agreement, Atmos Energy Corporation has exhibited good faith in its efforts to make customers whole who were affected by the erroneous termination of service, including crediting any re-connection fee to any customers who may have been charged with such a fee when service was re-connected.

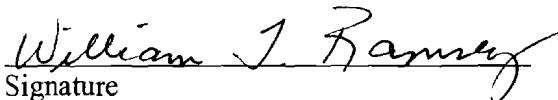
3. Atmos Energy Corporation agrees to add an additional amount of thirty thousand dollars (\$30,000) into its Home Energy Conservation Pilot Project in settlement of these issues within thirty (30) days of the Authority's approval of this Settlement Agreement and agrees to file notice with the TRA when such payment has been made. Upon payment of the amount of thirty thousand dollars (\$30,000) in compliance with the terms and conditions of this Settlement Agreement, Atmos Energy Corporation is excused from further proceedings in this matter.
4. If any clause, provision or section of this Settlement Agreement shall, for any reason, be held illegal, invalid or unenforceable, such illegality, invalidity or unenforceability shall not affect any other clause provision or section of this Settlement Agreement and this Settlement Agreement shall be construed and enforced as if such illegal, invalid or unenforceable clause, section or other provision had not been contained herein.
5. This Settlement Agreement represents the entire agreement between the parties, and there are no representations, agreements, arrangements or understandings, oral or written, between the parties relating to the subject matter of this Settlement Agreement which are not fully expressed herein or attached hereto.
6. Atmos Energy Corporation agrees that a company representative will attend the Authority Conference during which the Directors consider this Settlement Agreement.
7. In the event that Atmos Energy Corporation fails to comply with the terms and conditions of this agreement, the Authority reserves the right to re-open this docket. Atmos Energy Corporation shall pay any and all costs incurred in enforcing the Settlement Agreement.



Carsie D. Mundy
Chief, Consumer Services Division
Tennessee Regulatory Authority

6-13-07

Date



Signature

William T. Ramsey

Print Name

Attorney for Atmos

Print Title

6/13/07

Date