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February 23, 2006

Ron Jones, Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243-0505

Re: Formal Notice of Violations
Atmos Energy Corporation – Murfreesboro Incident – August 2, 2005
Report of Natural Gas Safety Inspection #05-267
Docket No. 05-00323

Dear Chairman Jones:

In response to the letter from the Chief of the Gas Pipeline Safety Division accompanying the above-referenced Report, Atmos Energy Corporation's requested an informal conference pursuant to TRA Rule 1220-4-5-.47(6)(a)(3). Informal conferences with gas pipeline safety staff were held on January 10 and February 9, 2006. As a result, Atmos Energy proposes the attached Action Plan which has been reviewed by the staff investigative team.

After a very thorough internal investigation of the event subject of the Report, Atmos Energy has taken, as more particularly described in the Action Plan, a number of appropriate actions based upon the findings of the TRA Natural Gas Safety Inspection Report. These actions are designed to monitor and evaluate the effectiveness of our ongoing safety and operation and maintenance policies and procedures, to improve upon them where applicable and to definitively reassert the importance of personal responsibility in executing assigned job duties per established procedures.

Thank you for your consideration in this matter and please do not hesitate to call me at (615) 771-8320 if you have any questions or require additional information. We request that the TRA approve the Action Plan to resolve this matter.

Sincerely,

A handwritten signature in dark ink, appearing to read "Dan L. Lindsey".

Dan L. Lindsey
Vice President, Technical Services
Mid-States Division

cc: ✓ Glynn Blanton
John Paris
Pat Childers
Jay Carnahan
Doug Walther
John Holloway
Jeff Perryman

**ATMOS ENERGY CORPORATION'S
ACTION PLAN (MURFREESBORO INCIDENT)
NATURAL GAS SAFETY INSPECTION #05-267**

On August 2, 2005, at approximately 8:35 A.M., a release of natural gas occurred at 5410 Sherrington Drive in Murfreesboro, Tennessee, on a two-inch polyethylene distribution main owned and operated by Atmos Energy Corporation (the "Company"). Ignition of the natural gas escaping from the main occurred and resulted in burn injuries to a Company employee, requiring hospitalization. The incident was subsequently investigated by the Tennessee Regulatory Authority (TRA) under the authority of Tennessee Code Annotated §65-28-106. The results of the TRA safety staff's investigation and findings are set forth in TRA's Report of Natural Gas Safety Inspection #05-267 (the "Report").

After receiving the Report, the Company requested an informal conference with TRA safety staff pursuant to TRA Rule 1220-4-5-.47(6)(a)(3) to discuss the issues addressed in the Report. Informal conferences with staff occurred on January 10, 2006, and February 9, 2006, which resulted in the Company's preparation and submission of this Action Plan (the "Plan"). The purpose of this Plan is to outline the action items which the Company has taken and will take to mitigate against the re-occurrence of similar incidents subject of the Report as well as hopefully prevent the occurrence of other incidents.

A. *Action Taken Subsequent to the Incident*

After the occurrence of the incident, the Company promptly took the following steps and actions:

1. Conducted an internal review of the circumstances surrounding the incident for purposes of identifying any process, procedure or training failures. Although the Company was unable to ascertain the exact cause of the ignition of the gas, it was determined that the Company's employees involved in the incident had failed to follow proper procedures contrary to the training which they had received. A "lessons learned" was developed as a result of the internal review which will be incorporated into future employee training and communication materials.
2. Communicated to employees the occurrence of the incident through safety team meetings and re-emphasizing the importance, for both the safety of employees and the public, of observing and complying with the required procedures.
3. Took appropriate employee disciplinary measures and reinforced to all employees that failure to comply with required safety and operating and maintenance procedures will not be tolerated.

4. Organized a workgroup to review existing procedures and training materials and to develop specific procedures manuals which will bridge any perceived gaps between the Company's operations and maintenance manual and its operator qualification training materials.
5. Revising the Company's Tennessee emergency plan to include the step-by-step procedures for responding to natural gas emergencies.

B. Further Action to be Taken

The Company intends to take the following additional action:

1. Periodically address the "lessons learned" with employees during future safety meetings and training for purposes of demonstrating and learning the consequences of failure to comply with required safety and operating and maintenance procedures.
2. Beginning with calendar year 2006, perform a comprehensive safety and operations and maintenance compliance audit of the Company's operations in each of the eleven towns in Tennessee served by the Company. The purpose of each audit will be to verify compliance with safety policies and operating and maintenance procedures. At the end of each calendar quarter, the Company will conduct selected employee meetings in Tennessee to discuss the result of the audits performed during the quarter. TRA safety staff will be invited to attend these meetings and discuss the results with Company employees.
3. Beginning with calendar year 2006, a team composed of a division safety representative and a manager or supervisor will conduct at least two unannounced inspections of Company work sites in each town in Tennessee served by the Company to ensure safety protocol and operation and maintenance procedures are being observed. Any Company employees who are found, as a result of any such inspection, to have failed to comply with applicable safety protocols or operation and maintenance procedures will be subject to appropriate disciplinary action.
4. Re-emphasize the importance of daily work execution with all Company personnel through periodic employee staff and safety meetings.
5. Use best efforts to complete the procedures manuals project by January of 2007. These manuals will contain the step-by-step procedures to be observed and followed by Company employees for all tasks addressed in the Company's operations and maintenance manual. The operations and maintenance manual will be cross-referenced to the applicable procedure in the procedures manuals. The procedures manuals will be kept by all operator

qualified employees at Company work locations for immediate reference. The Company ultimately hopes to have all manuals electronically available to employees on laptop computers kept in their service vehicles. In connection with the roll-out of the procedures manuals, the Company will provide training to all employees who perform operations and maintenance procedures with respect to the location, use of and reference to the manuals.

The Company sincerely regrets the occurrence of the incident and the injuries suffered by one of its employees. Fortunately, the Company's employee who was injured in the incident is well on his way to a full recovery. The Company believes that discussing this incident with employees in safety team meetings will be very effective because they will hear about a real life example of what can happen as a result of failing to comply with and observe safety procedures. The Company appreciates the opportunity to work with the TRA safety staff through this matter and believes that this Plan addresses the violations cited in the Report and provides a roadmap to improving compliance. The Company has worked diligently over the past several years to promote safety awareness and safe work practices by its employees through a dynamic safety culture in which employee participation is fervently advocated. The Company views this Plan as a continuation of the Company's commitment to promote and foster a culture of safety.

The Company agrees to pay the assessment recommended in the Report. Upon the TRA's approval of this Plan, the Company will transmit a check in the amount of \$13,000.00 payable to the TRA.