

**IN THE TENNESSEE REGULATORY AUTHORITY  
NASHVILLE, TENNESSEE**

**IN RE: TARIFF FILING TO MODIFY                    )  
AND ADD LANGUAGE REGARDING                    )   TRA Docket No. 07-00020  
TRANSPORTATION SERVICE                    )**

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**SETTLEMENT AGREEMENT  
AMONG ATMOS ENERGY CORPORATION  
ATMOS INTERVENTION GROUP  
AND THE CONSUMER ADVOCATE**

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For the sole purpose of settling this case, Tennessee Regulatory Authority (“TRA”) docket number 07-00020, the Atmos Intervention Group (“AIG”), Robert E. Cooper, Jr., the Tennessee Attorney General and Reporter, through the Consumer Advocate and Protection Division (“Consumer Advocate”), and Atmos Energy Corporation (“Atmos”), who are all of the parties in this case respectfully submit this Settlement Agreement. The settling parties stipulate to and agree to the following:

1. Atmos is incorporated under the laws of the State of Texas and the Commonwealth of Virginia and is engaged in the business of transporting, distributing and selling natural gas in Bedford, Blount, Carter, Greene, Hamblen, Maury, Moore, Obion, Rutherford, Sullivan and Williamson Counties within the State of Tennessee, with its principal Tennessee office and place of business located at 810 Crescent Centre Drive, Suite 600, Franklin, Tennessee 37067-6226.

2. Atmos is a public utility pursuant to the laws of Tennessee, and its public utility operations are subject to the jurisdiction of the TRA.

3. The Atmos Intervention Group is an informal group of customers who purchase gas and/or gas transportation services from Atmos in Tennessee.

5. On January 10, 2007, Atmos filed a petition seeking approval of certain revisions to its Transportation Tariff (Rate Schedule 260).

6. On March 21, 2007, AIG filed a petition to intervene, on June 26, 2007, the Consumer Advocate filed a petition to intervene, and on April 3, 2007 Stand Energy filed a petition to intervene. These petitions to intervene were granted by Order dated October 2, 2007. On April 2, 2007, AIG filed a pleading styled Complaint of Atmos Intervention Group Against Atmos Energy Corporation. Southstar Energy Services, LLC filed a petition to intervene and a complaint on March 26, and April 2, 2007, respectively, but later withdrew its participation in this matter through a Motion to Withdraw as Intervenor, filed on November 26, 2007, which was granted by Order dated December 7, 2007. As a result, Southstar is no longer a party to this docket. On March 12, 2008, Stand Energy filed a Notice of Withdrawal, withdrawing its participation as an intervenor in this matter. This leaves the parties to this Settlement Agreement as the only parties to this case.

7. The parties to this Settlement Agreement have engaged in substantial discovery and have undertaken extensive discussions to resolve all known disputed issues in this case. As a result of the information obtained during discovery and the discussions between the settling parties, and for the purpose of avoiding further litigation and resolving this matter upon acceptable terms, the settling parties have reached this Settlement Agreement. In furtherance of this Settlement Agreement, the parties have agreed to the settlement terms set forth below.

8. Atmos will make certain amendments to the revised Transportation Tariff (Rate Schedule 260) that Atmos originally filed in this docket. These amendments are reflected in the revised tariff that is attached as Exhibit A to this Settlement Agreement and incorporated by reference herein. The agreed amendments can be summarized as follows, but in the event of any perceived discrepancy between the following summary and the terms of the revised Tariff attached as Exhibit A, the provisions of Exhibit A shall control:

- a. Daily Scheduling Fees have been removed;
- b. Pooling will be allowed;

c. The provision regarding Lost and Unaccounted For ("L&U") Gas will revert to the provision that is contained in Atmos's current, approved, tariff. In other words, Atmos will drop its request in this docket to amend the L&U provision;

d. The penalties for failure to abide by an Atmos Operational Flow Order ("OFO Penalties") will be reduced from \$25 to the greater of \$15 or the penalty amount charged by the supplying pipeline.

e. Anything else to the contrary in the foregoing subparagraph notwithstanding, if a transportation customer causes Atmos to incur additional pipeline costs (fees, charges, penalties, overruns, etc.), Atmos may pass those costs along to the transportation customer.

9. Atmos does not intend to call an OFO every time the East Tennessee Natural ("ETN") pipeline calls a Maximum Allowable Daily Deliveries ("MADD") order. Atmos will continue to determine with every MADD whether or not an OFO will need to be called. With cooperation from customers and marketers during MADD's, there should be minimal need to call an Atmos OFO.

10. The Settling Parties agree to support TRA approval of the revised Transportation Tariff attached as Exhibit A. The Settling Parties agree that they do not, and will not, seek any other relief in this docket. To the extent that the Complaint filed by AIG in this docket (on or about April 2, 2007) asserts any other claims or seeks any other relief, AIG specifically agrees that this Agreement encompasses a compromise and settlement of such claims and requested relief. The Settling Parties further agree that they do not, and will not, support any other relief in this docket.

11. All pre-filed testimony and exhibits submitted by Atmos and AIG shall be introduced into evidence without objection. In light of Stand's withdrawal as a party, all testimony and exhibits submitted by Stand Energy (including without limitation the pre-filed testimony of John Dosker and exhibits thereto) shall *not* be admitted or introduced into evidence, but instead shall be *excluded* from evidence. The Consumer Advocate has not submitted any testimony in this docket. The Settling Parties waive their right to cross-examine Atmos's and AIG's witnesses with respect to all such prefiled testimony and exhibits. If, however, questions

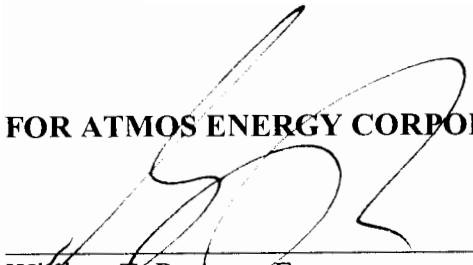
should be asked by any person, including a Director, who is not a party to this stipulation, the parties may present testimony and exhibits to respond to such questions and may cross-examine any witnesses with respect to such testimony and exhibits; provided, however, that such testimony and cross-examination shall be truthful and consistent with this Settlement Agreement. Any such witnesses may appear in person or by telephone.

28. The provisions of this Settlement Agreement are agreements reached in compromise and solely for the purpose of settlement of this matter. They do not necessarily reflect the positions asserted by any party, and no party to this Settlement Agreement waives the right to assert any position in any future proceeding, in this or any other jurisdiction. None of the signatories to this Settlement Agreement shall be deemed to have acquiesced in any ratemaking or procedural principle. This Settlement Agreement shall not have any precedential effect in any future proceeding or be binding on any of the settling parties in this or any other jurisdiction except to the limited extent necessary to implement the provisions hereof.

29. The terms of the Settlement Agreement have resulted from extensive negotiations among the signatories and the terms hereof are interdependent. If the TRA does not accept the settlement in whole, the parties are not bound by any position set forth in this Settlement Agreement. In the event that the TRA does not approve this Settlement Agreement, each of the signatories to this Settlement Agreement will retain the right to terminate this Settlement Agreement. In the event of such action by the TRA, within ten (10) business days, any of the signatories to this Settlement Agreement would be entitled to give notice of exercising its right to terminate this Settlement Agreement; provided, however, that the signatories to this Settlement Agreement could, by unanimous consent, elect to modify this Settlement Agreement to address any modification required by, or issues raised by, the TRA. Should this Settlement Agreement terminate, it would be considered void and have no binding precedential effect, and the signatories to this Settlement Agreement would reserve their rights to fully participate in all relevant proceedings notwithstanding their agreement to the terms of this Settlement Agreement.

**This the 14 day of March, 2008.**

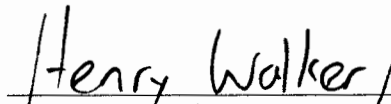
**FOR ATMOS ENERGY CORPORATION**



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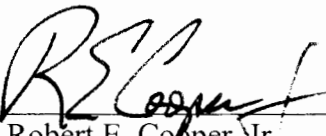
William T. Ramsey, Esq.  
A. Scott Ross, Esq.  
NEAL & HARWELL  
(615) 244-1713

**FOR THE ATMOS INTERVENTION GROUP**



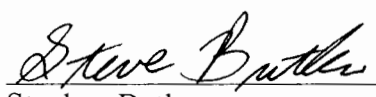
Henry M. Walker, Esq.  
BOULT, CUMMINGS, CONNERS & BERRY  
(615) 252-2363

**FOR THE CONSUMER ADVOCATE AND PROTECTION DIVISION**



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Robert E. Cooper, Jr.  
Attorney General and Reporter



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Stephen Butler  
OFFICE OF THE ATTORNEY GENERAL  
Consumer Advocate and Protection Division  
(615) 741-8722

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# EXHIBIT A

## ATMOS ENERGY CORPORATION

## TRANSPORTATION SERVICE

Schedule 260: All Service AreasA. Availability

This rate schedule provides for the transportation of gas received by the Company from the Connecting Pipeline Company for the Customer's account to that Customer's facilities. Service under this rate schedule is available to commercial and industrial customers using 100,000 Ccf or more per year. This rate schedule is offered as a companion to the customers existing sales rate schedule.

B. Definitions

For purposes hereof:

- (i) "Connecting Pipeline Company" means a pipeline supplier to the Company whose facilities in the sole judgment of the Company can be utilized to transport gas to the Company for delivery by the Company to the Customer under this rate schedule.
- (ii) "Transportation Imbalance" occurs when more or less gas is received by the Company from the Connecting Pipeline Company for the Customer's account, less the unaccounted for gas adjustment, than is delivered to that customer's facilities for the month.
- (iii) "PGA Rider" means the Company's Purchased Gas Adjustment Rider, as amended and approved by the Tennessee Regulatory Authority from time to time.
- (iv) "Maximum Daily Quantity" (MDQ) means the maximum daily volume of gas, as determined by the Company based on Customer's historical metered volumes, that a Customer under this Rate Schedule will be allowed to nominate and have delivered into the Company's system for the Customer's account.
- (v) **"Operational Flow Order" (OFO) is an order from the Company or the Connecting Pipeline Company that requires transportation customers to hold to their daily allocated volumes or any other pipeline directive or any company directive. The Company or the Connecting Pipeline Company may need to issue an OFO for various reasons.**

C. Terms and Provisions of Service Under This Rate Schedule

- (i) Except as expressly modified by the provisions of this rate schedule, all of the terms, provisions, and conditions of the rate schedule (as made effective by the Tennessee Regulatory Authority from time to time) applicable to Customer shall also apply to service by the Company to Customer under this rate schedule.
- (ii) The Customer must notify the Company on Company's standard form of the quantity of gas to be received by the Company from the Connecting Pipeline Company for the Customer's account during the billing month and the daily rate of delivery. This nomination must be received by the Company by the nomination deadline of the Connecting Pipeline Company for both first of the month nominations and mid-month changes. The quantity of gas received by the Company from the Connecting Pipeline Company for the Customer's account shall be based on the transportation nomination for that month. Adjustments will be made if the Connecting Pipeline Company's allocated volumes vary from the nominated volume. Daily nominations shall not exceed the Customer's Maximum Daily Quantity (MDQ).

C. Terms and Provisions of Service Under This Rate Schedule (Continued)

- (iii) The Customer is responsible for making all arrangements for transporting the gas from its source of supply to the Company's interconnection with the Connecting Pipeline Company unless other arrangements have been made between the Customer and the Company.
- (iv) The Customer shall warrant that they have good and legal title to all gas which Customer causes to be delivered into the Company's facilities and Customer shall hold the Company harmless from any loss or claim in regard to the same.
- (v) The Customer shall have the obligation to balance receipts of transportation gas by the Company at the Company's applicable Receipt Point(s) with deliveries of such gas by the Company to the Customer's Point of Delivery plus retention amounts pursuant to item (vi) below. Cash outs for Positive and Negative imbalances will be levied as described below.
  - (a) Imbalance equals the volume of gas received by the Company from the Connecting Pipeline Company for the Customer's account minus the volume of gas delivered to the Customer's Point of Delivery.
  - (b) Imbalance percentage equals the difference of the volume of gas received by the Company from the Connecting Pipeline Company for the Customer's account minus the volume of gas delivered to the Customer's Point of Delivery divided by the volume of gas received by the Company from the Connecting Pipeline Company for the Customer's account.
  - (c) Cash out of Monthly Imbalances
    - 1. If the volume of gas delivered to the Customer's point of delivery is greater than the volume of gas received by the Company from the Connecting Pipeline Company for the Customer's account (negative imbalance), the Company will sell the difference in gas volumes to the Customer based on the highest index price for the respective Connecting Pipeline Company for any week beginning in the calendar month as published in *Natural Gas Week*, plus applicable pipeline fuel and transportation charges. If the volume of gas delivered to the Customer's point of delivery is less than the volume of gas received by the Company from the Connecting Pipeline Company for the Customer's account (positive imbalance), the Company will buy the difference in gas volumes from the Customer based on a price equal to the lowest index price for the respective Connecting Pipeline Company for any week beginning in the calendar month as published in *Natural Gas Week*, plus applicable pipeline fuel and transportation charges.
    - 2. The monthly cash out bill will be based on the accumulated sum of the results of the formulas listed below such that and until the total monthly imbalance is fully accounted for:

<u>% of Imbalance</u>	<u>Cash out Price</u>	
	<u>for Positive Imbalances</u>	<u>for Negative Imbalances</u>
0% up to 5%	100%	100%
5% up to 10%	85%	115%
10% up to 15%	70%	130%
15% up to 20%	60%	140%
20% and over	50%	150%

~~(d) — Daily Scheduling Fees~~

~~The Company may assess a daily scheduling fee for any daily transportation imbalance in excess of 10% of the Customer's daily confirmed nomination. The fee will be calculated as follows:~~

~~$$(\{\text{annual storage demand charges}/\text{MDWQ}\}/365) + (\text{annual storage capacity charges}/\text{total capacity}) + \text{average injection and withdrawal costs.}$$~~

~~Costs for all storages used in providing for balancing will be included.~~

~~Customers' agents shall be allowed to aggregate their customers' usages and the daily scheduling fee will be applied to the aggregated volume of the pool, pursuant to the Pooling Service in Section E~~

~~(e) — Operational Flow Orders (OFO)~~

1. Company will have the right to issue an Operational Flow Order that will require actions by the Customer to alleviate conditions that, in the sole judgment of the Company, jeopardize the operational integrity of Company's system required to maintain system reliability. Customer shall be responsible for complying with the directives set forth in the OFO.
2. Upon issuance of an OFO, the Company will direct Customer to comply with one of the following conditions:
  - a. Customer must take delivery of an amount of natural gas from the Company that is no more than the hourly or daily amount being received by the Company from the Connecting Pipeline Company for the Customer's account. All volumes delivered to the Customer in excess of volumes received by the Company from the Connecting Pipeline Company for the Customer's account, that are in violation of the above condition, with the exception of a 5% daily tolerance, shall constitute an unauthorized overrun by Customer on the Company's system. Customer shall be charged a penalty of ~~\$25.00~~ **the greater of \$15.00 per dth or the Connecting Pipeline Company's tariff penalty rate**, plus the Gas Daily Index price for the respective Connecting Pipeline Company for such unauthorized overruns during the OFO, or
  - b. Customer must take delivery of an amount of natural gas from the Company that is no less than the hourly or daily amount being received by the Company from the Connecting Pipeline Company for the Customer's account. All volumes delivered to the Customer which are less than volumes received by the Company from the Connecting Pipeline Company for the Customer's account, that are in violation of the above condition, with the exception of a 5% daily tolerance, shall constitute an unauthorized delivery by Customer to Company. Customer shall be charged a penalty of ~~\$25.00 per dth for such unauthorized deliveries to Company's system~~ **the greater of \$15.00 per dth or the Connecting Pipeline Company's tariff penalty rate for such unauthorized delivery during the OFO.**
  - c. ~~Company may increase the penalty for an unauthorized overrun~~

~~or an unauthorized delivery up to the penalty levied by the  
Connecting Pipeline.~~

3. Any penalties charged due to unauthorized overruns or deliveries during an OFO will be in addition to any cash out charges described in Subsection C(v)(c) above.

~~(e) The Company may charge the Customer for any daily or monthly overrun penalties assessed to the company, which are applicable to the Customer, by the Connecting Pipeline Company.~~

(e) Customers' agents shall be allowed to aggregate their customers' usages for the purposes of balancing, pursuant to the Pooling Service in Section E.

- (vi) A percentage adjustment for lost and unaccounted for gas shall be made to the volumes of gas received by the Company from the Connecting Pipeline Company for the Customer's account, and the volumes of gas deliverable to the Customer under this rate schedule shall be reduced by such percentage. Such percentage shall be equal to the percent that unaccounted-for gas bore to total sendout as recorded by the Company during its most recent 12 months ended June.
- (vii) If the rendition of service to Customer under this rate schedule causes the Company to incur additional charges from the Connecting Pipeline Company, Customer shall reimburse Company for all such charges.
- (viii) All volumes transported under the terms of this rate schedule shall be included in the Purchased Gas Adjustment computations and included in the sales volumes of the Purchased Gas Adjustment computations.
- (ix) The Customers served under this Rate Schedule shall be required to pay for the cost of, installation of, replacement of, and maintenance of measurement data collection and verification equipment, including applicable income taxes. Customers shall also be required to pay the cost of installation, maintenance and any monthly usage charges associated with dedicated telephone, power or other utilities or energy sources required for the operation of the data collection and verification equipment, including applicable income taxes. Customers shall also be required to provide adequate space in new or existing facilities for the installation of the data collection equipment.
- (x) Once a customer elects and has qualified for service under this rate schedule, all services will be provided under the terms and conditions of this rate schedule for a term of no less than 12 months. At any time following the first six months of service under this rate schedule, service may be terminated by either party following at least six months written notice to the other party. After termination of this service, Customer may not re-elect for transportation service for a period of no less than 12 months after termination.

D. Rate

Customer Charge

A monthly customer charge of \$310.00 per meter is payable regardless of the usage of gas.

### Monthly Demand Charge

The Customers eligible to receive service under companion Rate Schedule 240 shall be billed the applicable Monthly Demand Charge.

### Monthly Rate

The Customer shall be billed for the quantity of gas delivered under this rate schedule at the monthly rate of the companion rate schedule, plus any applicable taxes or fees.

### Minimum Bill

The minimum monthly bill shall be the Customer Charge plus the Monthly Demand Charge, if any, as described above.

## E. Pooling Service

- (i) For the purpose of this section, A Pool Manager is defined as an entity which has been appointed by a customer or group of customers served under this rate schedule to perform the functions and responsibilities of requesting information, nominating supply, and other related duties. The Pool Manager shall have all of the rights under this Transportation Service as does a Customer transporting gas supply directly under this Transportation Service.
- (ii) The Pool Manager will be responsible for arranging for volumes of transportation gas to meet the daily and monthly requirements of customers in the pool. The cash out provisions ~~and daily scheduling provisions~~ of Subsection C (v) shall be applied against the aggregate volume of all customers in a specific pool. The Pool Manager will be responsible for the payment of any monthly cash out payments, scheduling fees and any penalties incurred by a specific pool as a result of monthly, daily, or hourly imbalances.
- (iii) The Company, at the Company's sole discretion, shall establish pooling areas by Connecting Pipeline, Pipeline zone, Company receipt point, geographic area, operational area, administrative or other appropriate parameters.
- (iv) No customer shall participate in a Pool that does not individually meet the availability conditions of this rate schedule, and no customer shall participate in more than one pool concurrently.
- (v) To receive service hereunder, the Pool Manager shall enter into a Pool Management Agreement with Company and shall submit an Agency Authorization Form for each member of the pool, signed by both Customer and its Pool Manager.
- (vi) The Pool Manager shall submit a signed Pool Management Agreement and an Agency Authorization Form for each member of the pool at least 30 days prior to the beginning of a billing period when service under this rate schedule shall commence. A customer who terminates service under this rate schedule or who desires to change Pool Managers shall likewise provide Company with a written notice at least 30 days prior to the end of a billing period.
- (vii) The Pool Manager shall upon request of the Company agree to maintain a cash deposit, a surety bond, an irrevocable letter of credit, or such other financial instrument satisfactory to Company in order to assure the Pool Manager's performance of its obligations under the Pool Management Agreement. In determining the level of the deposit, bond, or other surety to be

required of the Pool Manager, the Company shall consider such factors, including , but not limited to, the following: the volume of natural gas to be transported on behalf of the Pool members, the general credit worthiness of the Pool Manager, and the Pool Managers prior credit record with the Company, if any. In the event that the Pool Manager defaults on its obligations under this rate schedule or the Pool Management Agreement, the company shall have the right to use such cash deposit, or proceeds from such bond, irrevocable letter of credit, or other financial instrument to satisfy the Pool Manager's obligation hereunder. Specific terms and conditions regarding credit requirements shall be included in the Pool Management Agreement. Such credit requirements shall be administered by the Company in a non-discriminatory manner, and such credit requirements may change as the requirements of the pool change.

- (viii) The Pool Manager shall notify the Company in writing of any changes in the composition of the pool at least 30 days prior to the beginning of the first billing period that would apply to the modified pool.
- (ix) The Pool Management Agreement will be terminated by the Company upon 30 days written notice if a Pool Manager fails to meet any condition of this rate schedule. The Pool Management Agreement will also be terminated by the Company upon 30 days written notice if the Pool Manager has payments in arrears. Written notice of termination of the Pool Management Agreement shall be provided both to the Pool Manager and to the individual members of the pool by the Company.
- (x) Company shall directly bill the Pool Manager for the monthly cash out charges, penalties, or other payments contained in this rate schedule. The monthly bill will be due and payable on the date it is issued. A charge of five percent (5%) may be added to the amount of any bill remaining unpaid at the close of the first business day after fifteen (15) days following such date of issue.
- (xi) Company shall directly bill the individual customers in the pool for all Customer Charges, Demand Charges, and Commodity Charges as provided for in either this rate schedule or its companion rate schedule.