

**BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

IN RE:)
)
PETITION OF ATMOS ENERGY)
CORPORATION FOR APPROVAL)
OF NEGOTIATED FRANCHISE) **Docket No. 10-00222**
AGREEMENT WITH THE CITY OF)
SPRING HILL, TENNESSEE)

**DIRECT TESTIMONY OF
STEVEN STEIGER
ON BEHALF OF ATMOS ENERGY CORPORATION**

Q: Please state your name and business address.

A: My name is Steven Steiger. My business address is 810 Nashville Highway, Columbia, TN 38401

Q: By whom and in what capacity are you employed?

A: I am employed by Atmos Energy Corporation, Kentucky/Mid-States Division ("Atmos") as Operations Supervisor. My responsibilities include Atmos' operations in the City of Spring Hill, Tennessee.

Q: Please describe your work history with Atmos.

A: I have been employed by Atmos Energy for thirteen years, serving in various roles that have included Industrial Sales, Engineering Technician and Operations Supervisor.

Q: Have you previously offered testimony in any regulatory proceedings?

A: I have not previously offered any testimony.

Q: What is the purpose of your testimony in this case?

A: I am testifying on behalf of Atmos in support of the petition filed to approve a new franchise agreement between Atmos and the City of Spring Hill.

Q: In your capacity as Operations Supervisor, are you familiar with the natural gas distribution system operated by Atmos in Spring Hill, Tennessee?

A: Yes. I am familiar with the operation in Spring Hill, Tennessee, as well as the operations in the other surrounding communities that are served by the Atmos system.

Q: Please give the Authority an overall description of the Spring Hill, Tennessee system and the customers served.

A: There are approximately 5,500 customers located within the city limits being served by the natural gas distribution system owned and operated by Atmos.

The Atmos system consists of approximately 37.5 miles of pipe within the Spring Hill, Tennessee city limits, excluding service lines. The majority of the pipeline in the Atmos system is located within the public rights-of-way of Spring Hill. Without access to these public rights-of-way, Atmos could not adequately maintain, replace and/or operate its distribution system.

Q: Has Atmos operated a natural gas distribution system in Spring Hill for a number of years?

A: Yes. Atmos and its predecessor entity have operated for many years in Spring Hill under franchise agreements with the City. Atmos currently provides natural gas service to the City of Spring Hill pursuant to a franchise agreement incorporated into City Ordinance No. 85-20, dated December 16, 1985.

Q: Could you please explain the circumstances that caused a need for a new franchise agreement between Atmos and the City of Spring Hill.

A: Yes. Under § 65-26-101 of the Tennessee Code Annotated, Atmos is required to have the consent of the City of Spring Hill, in the form of a municipal ordinance, in order to enter onto the streets and alleys of Spring Hill for the purpose of placing, maintaining, or expanding its natural gas distribution facilities. Atmos and its predecessor entity have been providing natural gas service to the City of Spring Hill for many years pursuant to such ordinances. The old (1985) franchise agreement ran for a period of 25 years, with an expiration date of December 17, 2010.

Q: Has the Spring Hill franchise agreement been renewed?

A: Yes. Prior to expiration of the old franchise agreement, and in the ordinary course of the Company's business, Atmos conducted negotiations with the city of Spring Hill for renewal of its franchise authority.

These negotiations ultimately resulted in a franchise agreement acceptable to both the Company and the City. This franchise agreement was incorporated into City Ordinance 10-31 and presented to the City of Spring Hill's Council for approval. That Ordinance, a copy of which is attached hereto as Exhibit 1 and incorporated herein by reference, was

subsequently approved on second reading on December 20, 2010 and subsequently signed by the Mayor of the City of Spring Hill.

Q: Has the old Spring Hill franchise agreement expired?

A: The expiration date for the old (1985) franchise agreement was December 17, 2010. Although the new franchise agreement was negotiated and approved on first reading before December 17, the City Council meeting at which the new franchise agreement was to be considered for approval on second reading was not scheduled to occur until a few days later, on December 20. Consideration by the Authority would then follow. Recognizing that the 1985 franchise agreement would expire by its terms before the new agreement could be approved on second reading and considered by the Authority, Atmos and the City of Spring Hill agreed to continue under the terms of the old (1985) franchise agreement pending consideration of the new (2010) agreement by the TRA. The terms of this interim agreement are reflected in a Letter Agreement dated November 22, 2010, between Atmos and the City. A copy is attached as Exhibit 2 to the Petition in this matter, and for convenient reference also attached hereto as Exhibit 2. Atmos and the City entered into this agreement in order to avoid any interruption in gas service.

Q: Has there been any change to the amount of the franchise fee charged by the City of Spring Hill?

A: Yes. The fee structure moves from 3% of gross revenue under the old agreement, to a fee per CCF of gas volume under the new. The new fees are 3.75 cents per CCF for sales volumes, and one-half cent on transportation volumes.

Q: What is the expected effect of this new franchise fee on an average residential customer?

A: The expected total annual franchise fee for an average residential customer in Spring Hill is expected to be \$26 per year, an increase of \$6 per year over the old fee structure. Of course, although Atmos will collect this franchise fee from Spring Hill customers, the fee is simply paid by Atmos to the City of Spring Hill. This is not a source of net revenue for Atmos.

Q: What is the standard to be utilized by the Authority in determining whether to approve Ordinance No. 10-31?

A: Under the statute, the Authority is authorized to approve the ordinance if it finds that it "is necessary and proper for the public convenience and properly serves the public interest."

Q: In your opinion, are the franchise terms set forth in Ordinance No. 10-31 necessary and proper for the public convenience and in the public interest?

A: Yes, on a number of grounds.

First, the new franchise terms reflected in Ordinance No. 10-31 will establish a long-term arrangement through which the current and future residents, business enterprises and governmental facilities located within the City of Spring Hill will be able to receive, under the supervisory jurisdiction of the Authority, the benefits of continuing natural gas service provided by Atmos for an extended period. This arrangement will help ensure the continuing availability of high-quality natural gas service to the City of Spring Hill for the foreseeable future.

Second, the new franchise facilitates the provision of such natural gas service to the City of Spring Hill by an established and proven provider of that service well known to both the City of Spring Hill and this Authority and possessing the requisite expertise, facilities, systems and gas supply and transportation assets necessary to provide such service.

Third, the new franchise arrangement establishes adequate and proper mechanisms for access by the Company to public rights-of-way, new and existing customers, and its distribution facilities. These mechanisms help to ensure that Atmos is able to provide both adequate and efficient service and to comply with the requirements of this Authority to ensure the safety and protection of residents and property within the City of Spring Hill.

Fourth, the various other protective provisions set forth in the new franchise arrangement provide useful and important tools for the City of Spring Hill to ensure that its citizens are benefited and not economically harmed by the activities of Atmos within the City of Spring Hill.

Fifth, the new franchise arrangement provides an incentive for Atmos to invest in infrastructure needed to provide improved and expanded service within the City of Spring Hill by ensuring that Atmos will have the right to provide service within these areas for a sufficient period in order to permit Atmos the opportunity to recover the capital investment in such facilities under the rates approved by the Authority.

Q: Could you please summarize your thoughts on the public convenience issue?

A: Yes. Approval of the new franchise arrangement between Atmos and the City of Spring Hill will ensure that the residents, businesses and governmental entities residing and operating within the City of Spring Hill continue to receive high quality, safe, and reliable natural gas service from a provider with a long and successful history of providing that service to these areas. The franchise ordinance also provides substantial protections to the citizens of the City of Spring Hill while concurrently offering Atmos a positive incentive to provide ongoing and expanded natural gas service to this area. That service will contribute to a stable infrastructure and expanded economic opportunity and will be beneficial to customers by bringing the desirable attributes of natural gas service to the City of Spring Hill for some time into the future.

Q: How will Atmos comply with Tennessee Code Annotated § 65-4-105(e), which requires that the franchise fee, insofar as practicable, be billed pro rata to the utility customers receiving service within the municipality.

A. As required by the statute, Atmos will bill and collect the Spring Hill franchise fees directly from customers located in Spring Hill, as it has done in the past. In this case, the franchise fee of \$0.0375 per CCF of sales volumes and \$0.005 of transportation volumes will be charged directly to Spring Hill customers and in turn passed along to the City of Spring Hill. The franchise fee will appear as a line item on the customer's bill.

Q: Do you know of any facts that would indicate that the new franchise arrangement reflected in Ordinance No. 10-31 is not in the public interest.

A: No.

Q: What are you asking the Authority to do in this proceeding?

A: Based on the facts discussed above, we are asking the Authority to approve *nunc pro tunc* the franchise agreement between Atmos and the City of Spring Hill as reflected in Ordinance No. 10-31

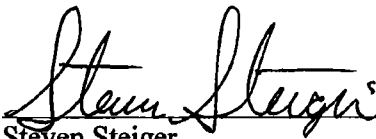
Q: Do you have anything further to add to your testimony?

A: Not at this time.


VERIFICATION

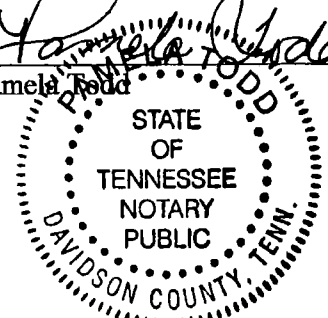
STATE OF TENNESSEE)
)
COUNTY OF WILLIAMSON)

Steven Steiger, being duly sworn, deposes and says that he is Operations Supervisor for the Middle Tennessee region for Atmos Energy Corporation, that as such, he has read the foregoing Petition and knows the contents thereof; that on information and belief the same are true to the best of his knowledge.


Steven Steiger

SWORN to and subscribed before me
this 6th day of January, 2011.


Pamela Todd



My Commission Expires May 8, 2012

ORDINANCE NO. 10-31

AN ORDINANCE GRANTING TO ATMOS ENERGY CORPORATION, ITS SUCCESSORS AND ASSIGNS, A FRANCHISE TO PROVIDE THE CITY OF SPRING HILL, MAURY COUNTY, TENNESSEE, WITH NATURAL GAS SERVICE, AND THE RIGHT TO CONSTRUCT, MAINTAIN, AND OPERATE A SYSTEM OF GAS MAINS AND SERVICE PIPES FOR THE PURPOSE OF TRANSMITTING AND DISTRIBUTING GAS IN, UPON, ACROSS, ALONG AND UNDER THE HIGHWAYS, STREETS, AVENUES, ROADS, ALLEYS, LANES, WAYS, UTILITY EASEMENTS, PARKWAYS AND OTHER PUBLIC GROUNDS OF THE CITY OF SPRING HILL, MAURY COUNTY, TENNESSEE.

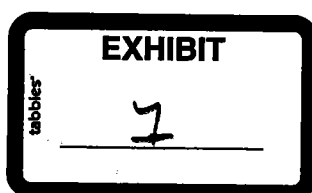
BE IT ORDAINED BY THE BOARD OF MAYOR AND ALDERMAN OF THE CITY OF SPRING HILL, MAURY COUNTY, TENNESSEE:

Article I

DEFINITIONS:

As used in this Agreement, the following words and phrases shall have the following meanings:

- (A) "CCF" is the volumetric measurement of 100 cubic feet of gas.
- (B) "*Commission*" refers to and is the Tennessee Regulatory Authority, the state utility regulatory commission having jurisdiction over the rates, services and operations of Grantee within the State of Tennessee or other administrative or regulatory authority succeeding to the regulatory powers of the Commission.
- (C) "*Franchise*" shall mean the rights and privileges granted by the Grantor to Grantee under the terms and provisions of this franchise ordinance.
- (D) "*Grantee*" shall mean Atmos Energy Corporation, a Texas and Virginia corporation.
- (E) "*Grantor*" shall mean the City of Spring Hill.
- (F) "*Public Right-of-Way*" shall mean the surface, the airspace above the surface and area below the surface of any street, highway, alley, avenue, boulevard, sidewalk, pedestrian/bicycle lane or trail, driveway, bridge, utility easement or any other public ways owned, dedicated by plat, occupied or used by the public and within Grantor's geographical limits or boundaries established by applicable law.
- (G) "*Revenues*" refer to and are those amounts of money which the Grantee receives from its customers within the Grantor's geographical limits or boundaries for the retail sale of gas under rates, temporary or permanent, authorized by the Commission and represents amounts billed under such rates as adjusted for refunds, the net write-off of uncollectible accounts, corrections or other regulatory adjustments.
- (G) "*Sales Volumes*" shall mean volumes of natural gas sold within the Town's corporate limits by the Grantee pursuant to an effective tariff rate schedule for sales service on file with and approved by the Commission.



(H) "System" shall mean the system of works, pipes, pipelines, facilities, fixtures, apparatus, lines, machinery, equipment, structures, appliances, appurtenances or other infrastructure reasonably necessary for the storage, transportation, distribution or sale of natural, artificial or mixed gas to residential and commercial customers and the public generally, within the geographical limits or boundaries of the Grantor.

(I) "*Transportation Volumes*" shall mean volumes of natural gas delivered within the Town's corporate limits by the Grantee pursuant to the Grantee's tariff Rate Schedule 260 (or successor rate schedule) on file with and approved by the Commission from time to time.

Article II

GRANT OF FRANCHISE:

(A) There is hereby created and granted unto Grantee a non-exclusive franchise to enter upon, acquire, construct, operate, maintain and repair in the Public Right-of-Way the System, subject to the provisions of this Agreement. The franchise granted hereunder shall be extended to territories that are annexed by Grantor upon the same terms and conditions herein, subject to the approval of the Commission, if any such approval is required.

(B) The franchise granted to Grantee by the Grantor shall not be exclusive and the Grantor reserves the right to grant a similar franchise to any other person or entity at any time. In the event the Grantor shall grant to another person or entity during the term hereof a franchise for a gas distribution system within the geographical boundaries or limits of Grantor similar to the one herein granted to Grantee, it is agreed that the terms of any such franchise agreement shall be no more favorable to such new additional grantee than those terms contained herein. Additionally, it is agreed that any such new/additional grantee shall have no right to use any portion of the System without Grantee's written consent.

Article III

TERM, EFFECTIVE DATE, AND ACCEPTANCE OF FRANCHISE:

(A) The term of this franchise shall be for an initial term of ten (10) years from and after its passage and approval; provided, this franchise and all rights and privileges herein provided shall be extended for two (2) successive periods of five (5) years each unless the notice of intent to renegotiate is given in

writing by either party at least six (6) months before the end of such initial term, or before the end of the first extended term, as the case may be.

(B) The franchise created hereby shall become effective upon its final passage and approval by the Town, in accordance with applicable laws and regulations, and upon acceptance by the Grantee by written instrument within sixty (60) days of passage by the governing body, and filed with the Clerk of the Grantor. If the Grantee does not, within sixty (60) days following passage of this Ordinance, express in writing its objections to any terms or provisions contained therein, or reject this Ordinance in its entirety, the Grantee shall be deemed to have accepted this Ordinance and all of its terms and conditions.

(C) The terms and conditions of Ordinance 85-20 are superseded by the terms and conditions hereof.

Article IV

GRANTEE'S RIGHTS IN AND TO PUBLIC RIGHT-OF-WAY:

The Grantee shall have the right and privilege of constructing, erecting, laying, operating, maintaining, replacing, removing and/or repairing a gas distribution system through, along, across and under the public right-of-way within the geographical boundaries or limits of the Grantor as it now exists or may hereafter be constructed or extended, subject to the inherent police powers conferred upon or reserved unto the Grantor and the provisions of this Agreement.

Article V

OPERATION OF SYSTEM; EXCAVATION OF PUBLIC RIGHT-OF-WAY:

(A) The System shall at all times be installed, operated and maintained in good working condition as will enable the Grantee to furnish adequate and continuous service to all of its residential, commercial and industrial customers. The System shall be designed, installed, constructed and replaced in locations and at depths which comply with all applicable federal and state laws and regulations regarding minimum safety standards for design, construction, maintenance and operation of gas distribution systems.

(B) Grantee shall have the right to disturb, break, and excavate in the Public Right-of-Way as may be reasonable and necessary to provide the service authorized hereby.

(C) Grantee will repair any damage caused solely by Grantee to any part of the Public Right-of-Way and will restore, as nearly as practicable, such property to substantially its condition immediately prior to such damage.

(D) Grantee shall use reasonable care in conducting its work and activities in order to prevent

injury to any person and unnecessary damage to any real or personal property.

(E) Franchisee shall, when reasonably practicable, install all pipelines underground at such depth and in such manner so as not to interfere with the existing pavement, curbs, gutters, underground wires or cables or water or sewer pipes owned or controlled by the Grantor.

Article VI

DEGRADATION/RESTORATION OF PUBLIC RIGHT-OF-WAY:

(A) Grantee shall, upon request by the Grantor, remove, move, modify, relocate, reconstruct or adjust any part of the System located within Public Right-of-Way, at its own expense, if the Grantor, in its sole discretion, constructs, reconstructs, widens, alters, excavates, repairs, changes or improves any public right-of-way as part of any public improvement project.

(B) If the Grantor requires the Grantee to adapt or conform the System or to in any way construct, reconstruct, remove, alter, relocate, adjust or change its System to enable any other person, firm, corporation or entity, whether public or private, other than the Grantor, to utilize Public Right-of-Way, Grantee shall be reimbursed for all costs reasonably incurred by Grantee from the person, firm, Franchisee, corporation or entity requesting or required by the Grantor to perform such change, construction, removal, repair, maintenance, alteration or relocation.

Article VII

COMPENSATION FOR USE OF PUBLIC RIGHT-OF-WAY AND CONSIDERATION FOR FRANCHISE:

(A) In consideration for the granting and exercise of the rights and privileges created hereunder, and in further consideration of the grant to the Franchisee of the right to make use of Public Right-of-Way, Grantee shall pay to the Grantor, during the entire life of the franchise, a sum equal to \$.0375 (3.75 cents) per CCF of Sales Volumes and \$0.005 (one half cent) per CCF of Transportation Volumes. The fee prescribed herein shall be paid to the Grantor quarterly on or before the 30th day after the end of each calendar quarter after the effective date hereof, the first payment due hereunder being on or before April 30, 2011 for the quarterly period January 1 through March 31, 2011.

(B) Grantee may add a line-item surcharge to the monthly bills of each of its customers located within the geographical boundaries or limits of Grantor, which surcharge may be designated as a franchise fee, in an amount that is sufficient to recover the portion of the franchise fee paid by the Grantee to the Grantor that is attributable to the Revenue derived by Grantee from such customer.

(C) The franchise fee provided herein, together with any charges of the Grantor for water, sewage and garbage services provided by the Grantor to Grantee, and any applicable occupational license fees or sales, ad valorem or other taxes payable to the Grantor by the Grantee under applicable law, shall constitute the only amounts for which Grantee shall be obligated to pay to the Grantor and shall be in lieu of any and all other costs, levies, assessments, fees or other amounts, of any kind whatsoever, that the Grantor, currently or in the future, may charge Grantee or assess against Grantee's property. The franchise fee herein contemplated shall be uniformly and equally applied to all natural gas utilities, of like services or any other natural gas service that compete with the Grantee, such that Grantee will be excused from collecting and paying franchise fees and/or taxes if Grantee's competitors are not also required to do so.

(D) The Grantor, through its duly authorized representative and at all times reasonable, shall have access to, and the right to inspect Grantee's books and records that are necessary to confirm the accuracy of the amount of franchise fee being paid to the Town.

Article VIII

SERVICE TO NEW AREAS.

If during the term of this franchise the boundaries of the Grantor are expanded, the Grantor will promptly notify Grantee in writing of any geographic areas annexed by the Grantor during the term hereof ("Annexation Notice"). Any such Annexation Notice shall be sent to Grantee by certified mail, return receipt requested, and shall contain the effective date of the annexation, maps showing the annexed area and such other information as Grantee may reasonably require in ascertaining whether there exist any customers of Grantee receiving natural gas service in said annexed area. To the extent there are such customers therein, then the revenue of Grantee derived from the retail sale of natural gas to such customers shall become subject to the franchise fee provisions hereof effective on the first day of Grantee's billing cycle immediately following Franchisee's receipt of the Annexation Notice. The failure by the Grantor to advise Grantee in writing through proper Annexation Notice of any geographic areas which are annexed by the Grantor shall relieve Grantee from any obligation to remit any franchise fees to Grantor based upon revenues derived by Grantee from the retail sale of natural gas to customers within the annexed area until Grantor delivers an Annexation Notice to Grantee in accordance with the terms hereof.

Article IX

VOLUNTARY SALE AND RIGHT OF FIRST REFUSAL

If at any time during the term of this Agreement, the Grantee shall receive a bona fide offer to purchase the system or any portion thereof it shall grant to the Grantor the right of first refusal to purchase the system on the same terms, which right must be exercised within ten (10) days of written notice to the Grantor.

Article X

BREACH OF FRANCHISE; REMEDIES:

In the event of a substantial breach by Grantee of any material provision hereof, the Grantor may terminate the franchise and rights granted to Grantee hereunder, provided, however, that such termination shall not be effective unless and until the procedures described below have been followed:

(A) Grantor must deliver to Grantee, by certified or registered mail, a written notice signed by the mayor or other duly authorized member of Grantor's governing body, attested by the Grantor's secretary, and sealed with the official seal of the Grantor. Such notice must (i) fairly and fully set forth in detail each of the alleged acts or omissions of Grantee that the Grantor contends constitutes a substantial breach of any material provision hereof, (ii) designate which of the terms and conditions hereof the Grantor contends Grantee breached, and (iii) specify the date, time, and place at which a public hearing will be held by the governing body of the Grantor for the purpose of determining whether the allegations contained in the notice did in fact occur, provided, however, that the date of such hearing may not be less than thirty (30) days after the date of such notice.

(B) Within ten (10) days following the adjournment of the public hearing described in Subsection (A) above, the Grantor must deliver to Grantee, by certified or registered mail, a written notice signed by the mayor or other duly authorized member of Grantor's governing body, attested by the Grantor's secretary, and sealed with the official seal of the Grantor, setting forth (i) the acts and omissions of Grantee described in the first notice that the governing body of the Grantor determines to have in fact occurred and (ii) the specific terms and conditions hereof listed in the first notice that the governing body of the Grantor determines to have in fact been breached by such acts or omissions of Grantee.

(C) The Grantor must permit Grantee the opportunity to substantially correct all of the breaches hereof set forth in the written notice described in Subsection (B) above within sixty (60) days after Grantee's receipt of such notice.

Article XI

FORCE MAJEURE

Notwithstanding anything expressly or impliedly to the contrary contained herein, in the event Franchisee is prevented, wholly or partially, from complying with any obligation or undertaking contained herein by reason of any event of force majeure, then, while so prevented, compliance with such obligations or undertakings shall be suspended, and the time during which Franchisee is so prevented shall not be counted against it for any reason. The term "force majeure", as used herein, shall mean any cause not reasonably within Franchisee's control and includes, but is not limited to, acts of God, strikes, lockouts, wars, terrorism, riots, orders or decrees of any lawfully constituted federal, state or local body, contagions or contaminations hazardous to human life or health, fires, storms, floods, wash-outs, explosions, breakages or accidents to machinery or lines of pipe, inability to obtain or the delay in obtaining rights-of-way, materials, supplies, or labor permits, temporary failures of gas supply, or necessary repair, maintenance, or replacement of facilities used in the performance of the obligations contained in this Agreement.

Article XII

ADDITIONAL REQUIREMENTS; MISCELLANEOUS PROVISIONS

(A) Grantee shall at all times indemnify and hold harmless the Grantor from and against any and all lawful claims for injury to any person or property by reason of Grantee's or its employees' failure to exercise reasonable care in installing, maintaining and operating the System. Provided, however, that none of the provisions of this paragraph shall be applicable to the extent the Grantor, its officials, officers, employees, contractors, or agents, were negligent and such negligence was the sole or contributing factor in bringing about injury to any person or property. In such event, any liability shall be apportioned between the Grantor and the Grantee based upon the percentage of fault assigned to each by a court of competent jurisdiction.

(B) Grantee may remove all or any part of its System upon the expiration or termination of the franchise and rights granted hereby.

(C) Grantee may transfer or assign the franchise created by this agreement to any other person, proprietorship, partnership, firm or corporation with written notification to the Grantor.

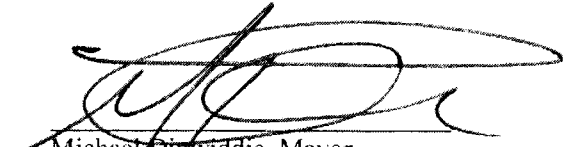
(D) If any section, subsection or provision of this ordinance or any part thereof is for any reason found or held to be in conflict with any applicable statute or rule of law, or is otherwise held to be unenforceable, the invalidity of any such section, subsection or provision shall not affect any or all other remaining sections and provisions of this ordinance, which shall remain in full force and effect.

(E) This agreement shall extend to, be binding upon, and inure to the benefit of, the parties

hereto, and their respective successors and assigns.

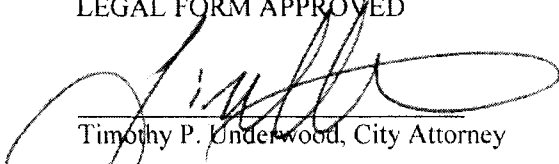
(F) To the extent that any other ordinances of the Grantor or portions thereof are in conflict or inconsistent with any of the terms or provisions hereof, then the terms of this Ordinance shall control.

Adopted by the Board of Mayor and Alderman of the City of Spring Hill, Tennessee, this 20th day of
December, 2010.




Michael Dinwiddie, Mayor

LEGAL FORM APPROVED



Timothy P. Underwood, City Attorney

ATTEST:



April Goad, City Recorder
(SEAL)

Passed on First Reading: November 15, 2010

Passed on Second Reading: December 20, 2010

City of Spring Hill
P.O. Box 789
Spring Hill, TN 37174
931.486.2252:

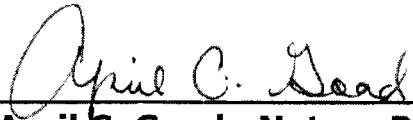
CERTIFICATION

**State of Tennessee
Maury County
City of Spring Hill**

I hereby certify that this is a true copy of the original document.

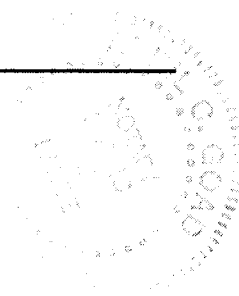
Description: Ordinance 10-31, Natural Gas Franchise Agreement

This, the 20th day of December, 2010.



**April C. Goad, Notary Public
City Recorder, City of Spring Hill, Tennessee**

My Commission Expires: June 19, 2012





November 22, 2010

Victor Lay
City Administrator
199 Town Center Parkway
P.O. Box 789
Spring Hill, TN 37174

RE: Atmos Energy Corporation Natural Gas Franchise Interim Operation

Dear Mr. Lay:

The current natural gas franchise agreement between Atmos Energy Corporation ("Atmos") and the City of Spring Hill ("City"), Ordinance 85-20, will be expiring on or about December 17, 2010. Atmos and the City have reached agreement on a new franchise, Ordinance 10-31, that passed on first reading on November 15, 2010. The City will have a second and final reading on December 20, 2010.

Recognizing that the current franchise agreement otherwise will expire by its terms prior to final consideration and approval by the Tennessee Regulatory Authority ("Authority") of the new franchise agreement, Atmos and the City have agreed to continue to operate under the terms of Ordinance 85-20 pending consideration of Ordinance 10-31 by the TRA.

The term of the existing franchise agreement between the City and the Company shall be extended and the City and the Company shall continue to operate under the terms of the existing franchise agreement until Ordinance 10-31 has been approved by the Authority.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven Steiger".

Steven Steiger, Operations Supervisor
Atmos Energy Corporation
Kentucky/Mid-States Division

CITY OF SPRING HILL, TENNESSEE:

By: A handwritten signature in black ink, appearing to read "Victor Lay".
Victor Lay, City Administrator

Date: 11/22/10

