

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

February 14, 2011

IN RE:

**PETITION FOR APPROVAL OF
FRANCHISE AGREEMENT WITH
CITY OF SPRING HILL, TENNESSEE**

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**DOCKET NO.
10-00222**

ORDER APPROVING FRANCHISE AGREEMENT

This matter came before Director Eddie Roberson, Director Kenneth C. Hill and Director Sara Kyle of the Tennessee Regulatory Authority (the "Authority" or "TRA"), the voting panel assigned to this Docket, at a Hearing held on January 24, 2011 for consideration of the *Petition for Approval of Franchise Agreement with City of Spring Hill, Tennessee* (the "*Petition*") filed by Atmos Energy Corporation ("Atmos" or "Company") on November 24, 2010. On January 6, 2011, the Company submitted the Pre-Filed Direct Testimony of Steven Steiger, Operations Supervisor, and a copy of Ordinance No. 10-31,¹ which grants a franchise to Atmos to provide service to the City of Spring Hill, Tennessee ("City"), as required by Tenn. Code Ann. § 65-4-107 (2004).²

PETITION

Atmos currently provides natural gas service to the City pursuant to a franchise agreement incorporated in City Ordinance No. 85-20, dated December 16, 1985, which expired

¹ Adopted by the Board of Mayor and Aldermen of the City of Spring Hill, Tennessee, on December 20, 2010.

² Tenn. Code Ann. § 65-4-107 (2004) provides that no grant of a privilege or franchise from the State or a political subdivision of the State to a public utility shall be valid until approved by the Authority. Approval pursuant to Tenn. Code Ann. § 65-4-107 (2004) requires a determination by the Authority, after hearing, that "such privilege or franchise is necessary and proper for the public convenience and properly conserves the public interest."

December 17, 2010.³ The Company and the City have agreed to continue under the terms of the current agreement pending consideration of the new agreement by the Authority.⁴

Pursuant to the new agreement, the Company will pay the City \$0.0375 per CCF of sales volumes and \$0.005 per CCF of transportation volumes on a quarterly basis.⁵ The term of this franchise will be for an initial term of ten years, and it will be extended for two successive periods of five years each unless notice of intent to renegotiate is given by either party six months before the end of the initial term or before the end of the first extended term.⁶ The Company expects the new franchise fee will increase the average residential customer's bill by \$6.00 annually.⁷ Franchise fees are a pass-through charge and are not a source of revenue for Atmos.⁸

REQUIREMENT OF AND STANDARDS FOR AUTHORITY APPROVAL

Tenn. Code Ann. § 65-4-107 (2004) provides that no grant of a privilege or franchise from the State or a political subdivision of the State to a public utility shall be valid until approved by the Authority. Approval pursuant to Tenn. Code Ann. § 65-4-107 (2004) requires a determination by the Authority, after hearing, that "such privilege or franchise is necessary and proper for the public convenience and properly conserves the public interest." Tenn. Code Ann. § 65-4-107 (2004) further provides that in considering such privilege or franchise, the Authority "shall have the power, if it so approves, to impose conditions as to construction, equipment, maintenance, service or operation as the public convenience and interest may reasonably require."

³ *Petition*, p.2

⁴ Steven Steiger, Pre-Filed Direct Testimony, p. 3 (January 6, 2011).

⁵ *Petition*, Exhibit 1, p. 4.

⁶ *Id.* at 2-3.

⁷ Steven Steiger, Pre-Filed Direct Testimony, p. 3 (January 6, 2011).

⁸ *Id.* at 5.

PRE-FILED DIRECT TESTIMONY OF STEVEN STEIGER

In his Pre-Filed Direct Testimony, Mr. Steiger states that the franchise agreement is necessary and proper for the public convenience and properly serves the public interest. Mr. Steiger listed the following five reasons that the new franchise is in the public interest:⁹

1. Maintains availability of high quality natural gas service for the City;
2. Ensures natural gas service by an established and proven provider that possesses the requisite expertise, facilities, gas supply and transportation assets to provide such service;
3. Provides adequate and proper access to public rights-of-way in order to ensure Atmos is able to provide adequate, efficient and safe service;
4. Includes protective provisions to ensure the citizens of Spring Hill are benefited and not economically harmed by the activities of Atmos; and
5. Provides an incentive for Atmos to invest in infrastructure needed to improve and expand service within the City.

FINDINGS AND CONCLUSIONS

The Authority issued a *Notice of Hearing* on January 10, 2011. On January 24, 2011, a Hearing was held before the voting panel at a regularly scheduled Authority Conference. Appearing for the Company were Scott Ross, Esq., and Steven Steiger, Operations Supervisor. Victor Lay, City Manager, appeared for the City. At the Hearing, Mr. Steiger adopted his Pre-Filed Direct Testimony as his testimony before the panel. No person sought intervention prior to or during the Hearing. Thereafter, based upon the testimony and the administrative record as a whole, the panel found that the Franchise Agreement is necessary and proper for the public convenience and conserves the public interest. Based upon this finding, the panel voted

⁹ *Id.* at 4.

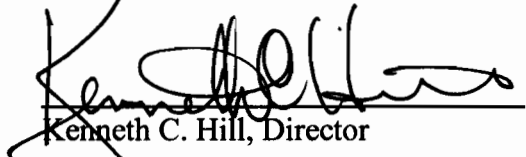
unanimously to approve Atmos' *Petition* to enter into a Franchise Agreement with the City, to be effective immediately.

IT IS THEREFORE ORDERED THAT:

Atmos Energy Corporation's *Petition for Approval of Franchise Agreement with City of Spring Hill, Tennessee* is approved and shall be effective immediately.



Eddie Roberson, Director



Kenneth C. Hill, Director



Sara Kyle, Director