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OF COUNSEL
LARRY W. LINDEEN

March 10, 2014

Docket No. 14-00023

Sharla Dillon, Docket Manager
Tennessee Regulatory Authority
Andrew Jackson State Office Building
Fourth Floor, 500 Deaderick Street
Nashville, TN 37242

VIA HAND DELIVERY

RE: Petition of Atmos Energy Corporation for Approval of Negotiated
Franchise Agreement with the City of Columbia, Tennessee

Dear Ms. Dillon:

Enclosed is a Petition as referenced above, along with the Direct Testimony of Steven Steiger on Behalf of Atmos Energy Corporation. Also enclosed is our firm check in the amount of \$25.00. In accordance with TRA practice, I have enclosed an original and four copies of each document and am also submitting an electronic version of the filing.

Please feel free to contact me if you have any questions.

Best regards.

Sincerely,

A. Scott Ross

ASR:prd

Enclosures

cc: Pat Childers (w/ Enclosures)

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

IN RE:

**PETITION OF ATMOS ENERGY
CORPORATION FOR APPROVAL
OF NEGOTIATED FRANCHISE
AGREEMENT WITH THE CITY OF
COLUMBIA, TENNESSEE**

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Docket No. 14-_____

**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,
Tennessee 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 for the Columbia area of operations which includes Atmos'
operations in the City of Columbia, Tennessee.

Q: Please describe your work history with Atmos.

A: I have been employed by Atmos for 17 years. I began my career as a Marketing
Representative and have held various positions in Atmos with increasing responsibilities.
I have been in my current position for 6 years.

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

1 A: Yes.

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

3 A: I am testifying on behalf of Atmos in support of the petition filed to approve the franchise
4 between Atmos and the City of Columbia.

5 **Q: In your capacity as the Operations Supervisor for the Columbia region of Atmos,**
6 **are you familiar with the natural gas distribution system operated by Atmos in**
7 **Columbia, Tennessee?**

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

10 **Q: Please give the Authority an overall description of the Columbia, Tennessee system**
11 **and the customers served.**

12 A: There are approximately 9,800 customers located within the city limits being served by
13 the natural gas distribution system owned and operated by Atmos. Of that amount,
14 approximately 90% are residential customers and 10% are in other customer classes such
15 as commercial and industrial.

16

17 The Atmos system consists of approximately 425 miles of pipe within the Columbia,
18 Tennessee city limits. This pipe is comprised of distribution mains, transmission mains,
19 and service lines. The majority of this pipe is located within the public rights-of-way of
20 Columbia. Without access to these public rights-of-way, Atmos could not adequately
21 maintain, replace and/or operate its distribution system.

22

1 **Q: Has Atmos operated a natural gas distribution system in Columbia for a number of**
2 **years?**

3 A: Yes. Atmos and its predecessor entity have operated for many years in Columbia under
4 franchise agreements with the City. The franchise agreement Ordinance No. 1171
5 allowed Atmos' predecessor entity to operate a gas system within Columbia and to use
6 the public rights of way of the City for its distribution system and related plant and access
7 thereto for a twenty-five year period. For the past ten years Atmos has operated a gas
8 system within the City under the franchise agreement Ordinance No. 3551 and approved
9 by the TRA in Docket No. 04-00318.

10 **Q: Could you please explain the circumstances that caused a need for a new franchise**
11 **agreement between Atmos and the City of Columbia.**

12 A: Yes. Under § 65-26-101 of the Tennessee Code Annotated, Atmos is required to have
13 the consent of the City of Columbia, in the form of a municipal ordinance, in order to
14 enter onto the streets and alleys of Columbia for the purpose of placing, maintaining, or
15 expanding its natural gas distribution facilities. Atmos and its predecessor entity have
16 been providing natural gas service to the City of Columbia for the last thirty-five years
17 pursuant to the ordinances I have previously mentioned. As the ten year term of
18 Ordinance No. 3551 will expire in July 2014, Atmos and the City have entered into a new
19 franchise agreement, allowing Atmos to continue to serve the City of Columbia into the
20 future.

21
22 **Q: When did Atmos begin pursuing a new franchise arrangement with the City of**
23 **Columbia?**

1 A: The Company and the City began discussions in early 2014 and a proposed new franchise
2 ordinance followed from those discussions.

3 **Q: How does the new franchise agreement compare with the old one?**

4 A: The proposed franchise in substance extends the term of the current franchise for ten
5 years with the possibility of two automatic five-year renewals following the ten-year
6 period. The new franchise agreement provides for the same fee as the old one, equal to
7 5% of Atmos' gross receipts derived from the sale and distribution by Atmos of natural
8 gas within the city limits of Columbia during the preceding calendar year.

9 **Q: Is TRA approval required for this new franchise agreement?**

10 A: Yes. Under § 65-4-107 of Tennessee Code Annotated, the new franchise agreement will
11 not be valid unless and until approved by this Authority.

12 **Q: What is the standard to be utilized by the Authority in determining whether to**
13 **approve the new franchise agreement?**

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

17 **Q: In your opinion, are the Columbia franchise agreement's terms necessary and**
18 **proper for the public convenience and in the public interest?**

19 A: Yes, on a number of grounds.
20

21 First, the new franchise terms reflected in the new agreement will establish a long-term
22 arrangement through which the current and future residents, business enterprises and
23 governmental facilities located within the City of Columbia will be able to receive, under

1 the supervisory jurisdiction of the Authority, the benefits of continuing natural gas
2 service provided by Atmos for an extended period. This arrangement will help ensure the
3 continuing availability of high-quality natural gas service to the City of Columbia for the
4 foreseeable future.

5
6 Second, the new franchise facilitates the provision of such natural gas service to the City
7 of Columbia by an established and proven provider of that service well-known to both the
8 City of Columbia and this Authority and possessing the requisite expertise, facilities,
9 systems and gas supply and transportation assets necessary to provide such service.

10
11 Third, the new franchise arrangement establishes adequate and proper mechanisms for
12 access by the Company to public rights-of-way, new and existing customers, and its
13 distribution facilities. These mechanisms help to ensure that Atmos is able to provide
14 both adequate and efficient service and to comply with the requirements of this Authority
15 to ensure the safety and protection of residents and property within the City of Columbia.

16
17 Fourth, the various other protective provisions set forth in the new franchise arrangement
18 provide useful and important tools for the City of Columbia to ensure that its citizens are
19 benefited and not economically harmed by the activities of Atmos within the City of
20 Columbia.

21
22 Fifth, the new franchise arrangement provides an incentive for Atmos to invest in
23 infrastructure needed to provide improved and expanded service within the City of

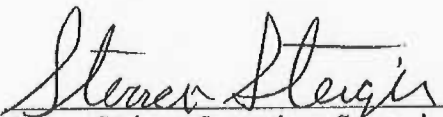
1 Columbia by ensuring that Atmos will have the right to provide service within these areas
2 for a sufficient period in order to permit Atmos the opportunity to recover the capital
3 investment in such facilities under the rates approved by the Authority.

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


5 A: Based on the facts discussed above, we are asking the Authority to approve the new
6 franchise agreement between Atmos and the City of Columbia as reflected in Exhibit A
7 to the Petition in this matter.

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

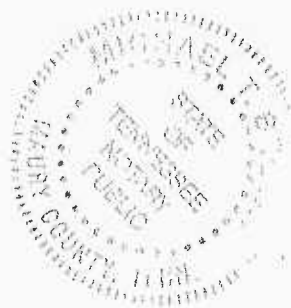
9 A: Not at this time.


Steven Steiger, Operations Supervisor
for the Columbia Area of Operations

Sworn to and subscribed before me
this 10th day of March, 2014


Notary Public

My Commission Expires: 10/20/2014



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

IN RE:

**PETITION OF ATMOS ENERGY
CORPORATION FOR APPROVAL
OF NEGOTIATED FRANCHISE
AGREEMENT WITH THE CITY OF
COLUMBIA, TENNESSEE**

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Docket No. 14-_____

**PETITION FOR APPROVAL OF FRANCHISE
AGREEMENT WITH CITY OF COLUMBIA, TENNESSEE**

Pursuant to Tennessee Code Annotated § 65-4-107, Atmos Energy Corporation ("Atmos" or "Company") respectfully requests that the Tennessee Regulatory Authority approve a negotiated franchise agreement between Atmos and the City of Columbia, Tennessee.

In support of this Petition, Atmos respectfully submits the following:

1. Full name and address of the principal place of business of the company are:

Atmos Energy Corporation
5430 LBJ Freeway S 1800
Dallas, TX 75240

2. All correspondence and communications with respect to this Petition should be sent to the following:

Patricia D. Childers
Vice President, Rates & Regulatory Affairs
KY/Mid-States Division
Atmos Energy Corporation
810 Crescent Centre Drive, Suite 600
Franklin, TN 37067-6226
(615) 771-8301 – Facsimile

A. Scott Ross, Esq.
Neal & Harwell, PLC
2000 One Nashville Place
150 Fourth Avenue, North
Nashville, TN 37219-2498
(615) 726-0573 – Facsimile

Douglas C. Walther, Esq.
Associate General Counsel
Atmos Energy Corporation
P. O. Box 650205
Dallas, TX 75265-0205
(972) 855-3080 – Facsimile

3. Atmos serves approximately 132,000 residential, commercial, and industrial customers in Tennessee. Among the areas served is the City of Columbia, Maury County, Tennessee.

4. Atmos currently provides natural gas service to the City of Columbia pursuant to a franchise agreement incorporated into City Ordinance No. 3551, dated May 20, 2004.

5. That franchise agreement will expire by its terms on July 18, 2014.

6. In anticipation of the expiration of the existing franchise agreement, the Company began negotiations with the City of Columbia for renewal of the franchise authority in the beginning of 2014. These negotiations recently concluded and a new franchise agreement will be submitted for first reading on April 10, 2014 and will be incorporated as an Ordinance. A true and correct copy of this franchise agreement which will be incorporated as an Ordinance is attached hereto as Exhibit 1.

7. The Ordinance incorporating the new franchise agreement will go to first reading by the Mayor and Aldermen of the City of Columbia on April 10, 2014. Final approval by the City of Columbia will require passage on second reading. A public hearing and consideration of the Ordinance on second reading is scheduled to occur on May 8, 2014. In accordance with the

terms of the Ordinance, specifically Article III(B), the new franchise agreement will become effective upon final approval by the Board of Mayor and Aldermen of the City of Columbia, acceptance by Atmos, and final approval by the Tennessee Regulatory Authority.

8. The new franchise agreement with the City of Columbia is necessary and proper for the public convenience and properly conserves the public interest. Pursuant to Tennessee Code Annotated § 65-4-105(e), the franchise fee will, insofar as practicable, be billed pro rata to the utility customers receiving service within the municipality.

WHEREFORE, Atmos respectfully requests that the Authority approve the new franchise agreement with the City of Columbia attached hereto as Exhibit 1 pursuant to Tennessee Code Annotated § 65-4-107.

Respectfully submitted,

NEAL & HARWELL, PLC

By: 

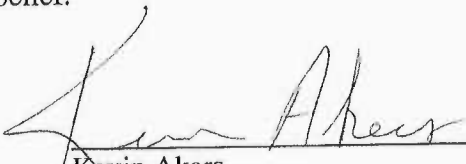
A. Scott Ross, #15634
2000 One Nashville Place
150 Fourth Avenue, North
Nashville, TN 37219-2498
(615) 244-1713 – Telephone
(615) 726-0573 – Facsimile

Counsel for Atmos Energy Corporation

VERIFICATION

STATE OF TENNESSEE)
)
COUNTY OF WILLIAMSON)

I, Kevin Akers, being duly sworn state that I am the President of the Kentucky/Mid-States Division of Atmos Energy Corporation, the Petitioner in the subject proceeding; that I am authorized to make this verification of behalf of Atmos Energy Corporation; that I have read the foregoing Petition and Exhibits and know the content thereof; that the same are true and correct to the best of my knowledge, information and belief.



Kevin Akers

SWORN to and subscribed before me
this 7th day of MARCH, 2014.



Notary Public



My Commission Expires:

MAY 3, 2016

EXHIBIT 1

ORDINANCE NO. _____

AN ORDINANCE GRANTING A FRANCHISE TO ATMOS ENERGY CORPORATION, ITS SUCCESSORS AND ASSIGNS, TO ERECT, CONSTRUCT, RECONSTRUCT, MAINTAIN AND OPERATE A NATURAL GAS PLANT OR PLANTS FOR THE MANUFACTURING AND PROCESSING OF ANY AND ALL KINDS OF GAS AND FOR THE DISTRIBUTION OF NATURAL GAS AND FOR THE INSTALLATION AND MAINTENANCE OF MAINS, PIPES, PIPELINES, DISTRIBUTION LINES, AND OTHER EQUIPMENT NECESSARY OR INCIDENTAL TO DISTRIBUTION OF SAID GAS UPON, ACROSS, ALONG AND UNDER THE HIGHWAYS, STREETS, AVENUES, ROADS, ALLEYS, LANES AND OTHER PUBLIC GROUNDS OF THE CITY OF COLUMBIA, MAURY COUNTY, TENNESSEE.

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF COLUMBIA, MAURY COUNTY, TENNESSEE:

Article I

DEFINITIONS:

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

- (A) "Agency" refers to and is the Tennessee Regulatory Authority, the state utility regulatory agency 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 Agency.
- (B) "Council" or "City Council" refers to and is the governing body of the Town of Columbia.
- (C) "City" refers to and is the City of Columbia, Maury County, Tennessee, and includes all territory as currently is or may in the future be included within the boundaries of the Town of Columbia.
- (D) "Force Majeure" shall mean any and all causes beyond the control and without the fault or negligence of Grantee. Such causes shall include but not be limited to acts of God, acts of a public enemy, insurrections, terrorism, riots, labor disputes, boycotts, labor and material shortages, fires, explosions, flood, breakdowns of or damage to equipment of facilities, interruptions to transportation, embargoes, acts of military authorities, or other causes of a similar nature whether or not foreseen or foreseeable which wholly or partly prevent Grantee from performing one or more of its obligations hereunder.
- (E) "Franchise" shall mean the rights and privileges granted by the Grantor to Grantee under the terms and provisions of this franchise ordinance.

(F) *"Grantee"* shall mean Atmos Energy Corporation.

(G) *"Grantor"* shall mean Columbia, Tennessee.

(H) *"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.

(I) *"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 Agency and represents amounts billed under such rates as adjusted for refunds, the net write-off of uncollectible accounts, corrections or other regulatory adjustments. Revenues do not include miscellaneous service charges, including but not limited to turn ons, meter sets, non sufficient funds, late fees and interest, which are related to but are not a part of the actual retail sale of gas.

(J) *"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.

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 Grantor by notice given to the Grantee by Ordinance duly enacted and approved at least six (6) months before the end of such initial term, or before the end of each of the extended terms, as the case may be, shall declare such termination effective.

(B) The franchise created hereby shall become effective upon its final passage and approval by the City, in accordance with applicable laws and regulations, upon approval by the Agency, 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 3551 are superseded by the terms and conditions hereof.

(D) On the expiration of this franchise, in the event the same is not renewed, or on the termination of any renewal of said franchise, or on termination of said franchise for any other reason, the plant and facilities of the Grantee installed, constructed and operated hereunder shall, at the option of the City become the property of the City, upon payment to the Grantee, its successors and/or assigns, of a fair valuation thereof, such fair valuation to be determined by agreement between the City and the Grantee, its successors and/or assigns. Grantor agrees that, at the time of such transfer of facilities, it shall assume Grantee's contractual and regulatory obligations maintained in connection with the system. If the City does not exercise the option hereunder, then Grantee may exercise its rights under Article X (B).

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) Grantee 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) In the event that Grantor or any other entity acting on behalf of Grantor requests or demands that Grantee remove, move, modify, relocate, reconstruct or adjust any part of the system from their then-current locations within the streets, alleys, and public places of Grantor in connection with a public project or improvement, then Grantee shall relocate, at its expense, the system facilities affected by such project or improvement. Grantee's obligations under this paragraph shall apply without regard to whether Grantee has acquired, or claims to have acquired, an easement or other property right with respect to such system facilities and shall not

affect the amounts paid or to be paid to Grantee under the provisions of this Ordinance. Notwithstanding the foregoing provisions of this paragraph, Grantee shall not be obligated to relocate, at its expense, any of the following: (i) system facilities that are located on private property at the time relocation is requested or demanded; (ii) system facilities that are relocated in connection with sidewalk improvements (unless such sidewalk improvements are related to or associated with road widening's, the creation of new turn lanes, or the addition of acceleration/deceleration lanes); (iii) streetscape projects or other projects undertaken primarily for aesthetic purposes; or (iv) system facilities that are converted from an overhead configuration or installation to an underground configuration or installation.

(B) Grantor and Grantee recognize that both parties benefit from economic development within the boundaries of Grantor. Accordingly, when it is necessary to relocate any of Grantee's facilities within the boundaries of Grantor, Grantor and Grantee shall work cooperatively to minimize costs, delays, and inconvenience to both parties while ensuring compliance with applicable laws and regulations. In addition, Grantor and Grantee shall communicate in a timely fashion to coordinate projects included in Grantor's five-year capital improvement plan, Grantor's short-term work program, or Grantor's annual budget in an effort to minimize relocation of Grantee's facilities. Such communication may include, but is not limited to, (i) both parties' participation in a local utility's coordinating council (or any successor organization) and (ii) both parties' use of the National Joint Utility Notification System (or any alternative comparable systems or successor to such system mutually acceptable to both parties).

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 five percent (5%) of its Revenues. 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, and the Grantee shall furnish to the Grantor quarterly a statement of Grantee's Revenues.

(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 and electric 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 City.

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 prior to Grantor delivering an Annexation Notice to Grantee in accordance with the terms hereof.

Article IX

BREACH OF FRANCHISE; REMEDIES:

In the event of a 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 thirty (30) 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 X

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 a 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) Subject to the City's option under Article III (D), 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.

IN TESTIMONY WHEREOF, witness the signatures of the parties on this the day and date first above written.

CITY OF COLUMBIA, TENNESSEE

BY: _____
Mayor

ATTEST:

City Clerk

ATMOS ENERGY CORPORATION

BY: _____
John Kevin Akers, President
Kentucky/Mid-States Division

City's Mailing Address and Phone Number:

