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## MEMORANDUM

TO: Atmos Cities Steering Committee Members

FROM: Geoffrey M. Gay  
Georgia Crump  
Eileen McPhee

DATE: April 30, 2012

RE: Denial Resolution For Atmos Mid-Tex's Requested Rate Increase

### **Background on Atmos Mid-Tex Rate Case**

On January 31, 2012, Atmos Energy Corporation, Mid-Tex Division ("Atmos Mid-Tex" or "Company") filed with Atmos Cities Steering Committee ("ACSC") city members that exercise original jurisdiction a request for a rate increase in excess of \$49 million. ACSC members passed resolutions suspending the effective date of the proposed increase to allow ACSC attorneys and consultants to study the request. A summary of the consultants' findings is attached as Exhibit A. The ACSC Settlement Committee has met with Company officials to negotiate a settlement. While ACSC has given the Company a settlement offer, Atmos Mid-Tex does not want to provide a written offer before the expiration of city jurisdiction on June 11, 2012.

### **Timing of City Action**

ACSC members with original jurisdiction suspended the proposed effective date of March 6, 2012, extending city jurisdiction until June 4, 2012. On April 25, 2012, the Company extended its effective date by a week, which similarly extended the June 4, 2012 deadline to June 11, 2012. It does not appear that settlement could be achieved within a time frame that would allow the City to take action prior to June 11, 2012. Thus, ACSC members are encouraged to pass a denial resolution. Atmos Mid-Tex has promised to support the action which does not preclude a subsequent settlement. If settlement is achieved, ACSC will return to member cities with a request for approval of the settlement.

**Recommendation and Explanation of Denial Resolution**

The ACSC Settlement Committee recommends the ACSC cities pass resolutions denying Atmos Mid-Tex's proposed rate increase. The denial resolution will prevent the Company's proposed rate increase from automatically taking effect on June 11, 2012, and allow more time to engage in settlement discussions. Atmos will appeal your denial to the Railroad Commission which will trigger a 185-day time frame for action by the Commission. Settlement will hopefully occur before a hearing takes place. Please contact Geoffrey Gay if you have any questions or concerns.