

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF COLORADO**

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STATE OF COLORADO  
PUBLIC UTILITIES COMM.  
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**IN THE MATTER OF GAS )  
PURCHASE PLANS AND GAS )  
PURCHASE REPORTS FOR )  
ATMOS ENERGY CORPORATION )  
FOR THE GAS PURCHASE YEAR )  
FROM JULY 1, 2003 TO )  
JUNE 30, 2004 )**

**Docket No. 03P-229G**

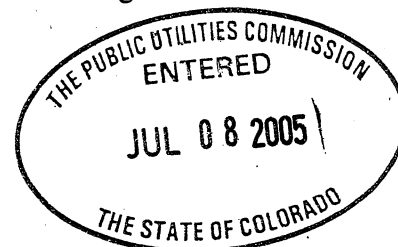
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**STIPULATION AND AGREEMENT**

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This Stipulation and Agreement (“Stipulation” or “Agreement”) is entered into by and between Atmos Energy Corporation (“Atmos”) and the Staff of the Public Utilities Commission of the State of Colorado (“Staff”). Atmos and Staff are referred to herein collectively as the “Parties” and individually as a “Party.” Each Party to this Stipulation pledges its support of this Stipulation and states that each will defend the settlement reached by the Parties as reflected herein.

1. By Decision No. C05-0213, adopted by the Colorado Public Utilities Commission (“Commission”) on February 15, 2005, the Commission established a prudence review proceeding for Atmos to review natural gas purchases for the period July 1, 2003 through June 30, 2004 (the “Review Period”). Commission Decision No. C05-0213 also contained a procedural schedule to govern this proceeding.



2. On or about April 14, 2005, Staff submitted its Entry of Appearance and Notice Pursuant to Rule 9(d) in this matter. No other interventions were received in this docket.

3. On April 20, 2005, Atmos filed direct testimony and exhibits in this proceeding as prepared by its representatives, Joe T. Christian, Victor W. Edwards and Sheri W. Rowe. By this filing, Atmos set forth a variety of information, including a general explanation of the calculation of the Gas Cost Adjustment rates in effect during the Review Period, the natural gas purchases undertaken by Atmos during the Review Period and the procedures employed by Atmos in the selection and acquisition of gas commodity and upstream pipeline services utilized by the Company to provide natural gas service to its customers within the State of Colorado during the Review Period.

4. Thereafter, Staff undertook a comprehensive review of Atmos' direct testimony and exhibits, as well as the applicable Gas Cost Adjustment filings, Gas Purchase Plans and Gas Purchase Report relative to the Review Period.

5. As a result of such review, Staff identified certain areas with regard to which Staff sought additional information, whereupon Staff and the Company engaged in discussions and a sharing of such information.

6. The discussions and sharing of information in this proceeding have resulted in a settlement between the Parties of all issues that were or could have been raised in this docket. In conjunction therewith, and in exchange for the commitments that Atmos has made as set forth in this Agreement, Staff hereby states that it has no objection to a Commission decision accepting as prudent and reasonable the purchased

gas costs (including gas commodity and upstream pipeline purchases) that underlie Atmos' Gas Purchase Plan, Gas Cost Adjustment and Gas Purchase Report filings applicable to the Review Period in this proceeding. Staff further acknowledges that, based on its review of the documents provided to Staff by the Company, the purchase gas costs underlying Atmos' Gas Cost Adjustment rates, including the deferred gas cost account (Account No. 191) in effect during the Review Period, are reflective of the costs recorded in the Company's General Ledger and are supported by appropriate source documentation.

7. During its review in this proceeding, Staff identified two areas of concern, both of which relate to the nature and extent of certain additional information that Staff would like to see Atmos include in subsequent Gas Purchase Report filings with the Commission. In addition, Staff expressed a desire that Atmos submit a status report relative to its development of a revised Gas Transportation GCA rate as such rate is contemplated in the settlement agreement reached by the parties in consolidated Docket Nos. 02S-411G and 02S-442G.

8. As part of the settlement reached by the Parties, Atmos agrees to take certain steps in order to address Staff's concerns as more particularly set forth below.

9. Atmos agrees that it will include within its annual Gas Purchase Reports to the Commission a description of: i) the extent to which Atmos, or its supplier or other third party on Atmos' behalf, entered into arrangements whereby the price of natural gas supplies were fixed; ii) the trigger points at which such fixed supply

arrangements were exercised; iii) the total cost of such fixed price transactions; and iv) the impact (decrease or increase) to gas costs of having entered into such arrangements.

10. Atmos further agrees that it will include within its annual Gas Purchase Reports to the Commission an explanation as to the nature and extent of any imbalance volumes that Atmos may have incurred during the applicable gas purchase year, as well as an explanation as to the cause of any cashout transactions imposed on Atmos by its upstream pipeline service providers.

11. Finally, in conjunction with Atmos' filing of its November 2005 annual Gas Cost Adjustment rate filing, Atmos agrees to submit a report to Staff describing Atmos' derivation of a gas transportation GCA rate as contemplated by the parties' settlement in consolidated Docket Nos. 02S-411G and 02S-442G.

12. This Agreement shall not become effective until the issuance of a final Commission order approving the Agreement, which order does not contain any modification of the terms and conditions of this Agreement that is unacceptable to the Parties hereto. In the event the Commission modifies this Agreement in a manner unacceptable to any Party hereto, that Party shall have the right to withdraw from this Agreement and proceed to hearing on some or all of the issues that may be appropriately raised by that Party in this docket under a new procedural schedule. The withdrawing Party shall notify the Commission, and the other Party to this Agreement, in writing within ten (10) days of the date of the Commission order that the Party is withdrawing from the Agreement (such notice being referred to as the "Notice"). A Party who properly serves a Notice shall have and be entitled to exercise all rights the

Party would have had in the absence of the Party's agreeing to this Agreement. Hearing shall be scheduled on an expedited basis, as soon as practicable.

13. In the event that this Agreement is not approved, or is approved with conditions that are unacceptable to any Party who subsequently withdraws, the negotiations or discussions undertaken in conjunction with the Agreement shall not be admissible into evidence in this or any other proceeding. Moreover, in such an event, except as may be specifically provided for herein, neither anything said, admitted or acknowledged in the negotiations leading up to the execution of this Stipulation, nor the settlement terms and conditions contained herein, nor the Stipulation itself may be used in this or any other administrative or court proceeding by any of the Parties hereto, or otherwise.

14. Approval by the Commission of this Agreement shall constitute a determination that the Agreement represents a just, equitable and reasonable resolution of all issues that were or could have been contested among the Parties in this proceeding, except as otherwise specifically noted in this Agreement. Each Party hereto pledges its support of this Agreement and urges the Commission to approve same, without modification.

15. Except as otherwise specifically agreed upon in this Agreement, nothing contained herein shall be deemed as constituting a settled practice or of precedential value for the purposes of any other proceeding, and by entering into this Agreement, no Party shall be deemed to have agreed to any specific principles of ratemaking.

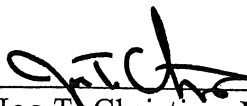
16. This Agreement may be executed in counterparts, all of which when taken together shall constitute the entire Agreement with respect to the issues addressed by this Agreement.

17. The Parties agree to a waiver of compliance with any requirement of the Commission's Rules and Regulations to the extent necessary to permit all provisions of this Agreement to be carried out and effectuated.

Dated this 7th day of July, 2005.

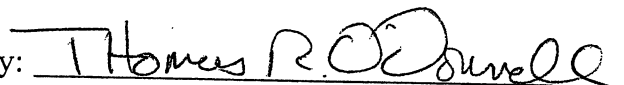
APPROVED:

ATMOS ENERGY CORPORATION

By:   
Joe T. Christian, Vice President  
Rates and Regulatory Affairs  
1301 Pennsylvania Street,  
Suite 800  
Denver, CO 80203  
(303) 831-5667

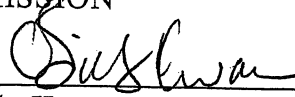
APPROVED AS TO FORM:

HOLLAND & HART LLP

By:   
Thomas R. O'Donnell, Reg. #15188  
555 Seventeenth Street, Suite 3200  
Denver, Colorado 80202-3979  
(303) 295-8291  
ATTORNEYS FOR ATMOS ENERGY  
CORPORATION

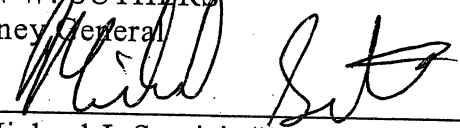
APPROVED:

STAFF OF THE PUBLIC UTILITIES  
COMMISSION

By:   
Billy Kwan  
Energy Analyst  
1580 Logan St., OL2  
Denver, CO 80203  
(303) 894-2000

APPROVED AS TO FORM:

JOHN W. SUTHERS  
Attorney General

By:   
Michael J. Santisi, #29673  
Assistant Attorney General  
1525 Sherman St., 5<sup>th</sup> Floor  
Denver, CO 80203  
(303) 866-3764  
ATTORNEY FOR STAFF OF THE  
PUBLIC UTILITIES COMMISSION OF  
THE STATE OF COLORADO