

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a Session of the Public Service
Commission held at its office
in Jefferson City on the 17th
day of December, 1993.

In the matter of the application of Atmos Energy)
Corporation and Greeley Gas Acquisition)
Corporation for approval of the acquisition of) CASE NO. GM-94-6
all classes of the capital stock of Greeley Gas)
Company and to merge with Greeley Gas Company.)

ORDER APPROVING THE ACQUISITION OF THE CAPITAL STOCK OF
GREELEY GAS COMPANY, AND APPROVING THE MERGER OF GREELEY GAS COMPANY
INTO GREELEY GAS ACQUISITION CORPORATION AND ATMOS ENERGY CORPORATION

On July 9, 1993, Atmos Energy Corporation (Atmos), Greeley Gas Acquisition Corporation (Acquisition Corp), and Greeley Gas Company (Greeley) filed a Joint Application pursuant to Section 393.190, RSMo 1986, seeking authorization of the Commission: (1) approving the acquisition of the capital stock of Greeley by Atmos, and the merger of Greeley into Acquisition Corp; (2) authorizing Atmos, Acquisition Corp, and Greeley to enter into, execute, and perform in accordance with the terms of all other documents reasonably necessary to the performance of the transaction; (3) consenting to and approving the keeping of books and records for Greeley operations at the principal office of Atmos in Dallas, Texas, after the acquisition; and (4) granting such other relief as may be deemed necessary to accomplish the purpose of this application and consummate the merger.

On July 30, 1993, the Commission issued an Order and Notice requiring the Applicants to send notice to each customer of Greeley, requiring the Commission's Information Officer to notify local newspaper publishers and local members of the Missouri General Assembly, and requiring the Commission's Records Department to serve a copy of the Order and Notice upon the County Commission of Bates County. The Order and Notice also set an intervention deadline date.

Since there were no applications to intervene and neither the Staff of the Commission (Staff) nor the Office of the Public Counsel (OPC) requested a hearing, the Commission has allowed the Joint Applicants to submit evidence by verified application and attachments. *State ex rel. Rex Deffenderfer Enterprises, Inc. v. Public Service Commission* 776 S.W.2d 494, 496 (Mo.App. 1989).

Atmos is a public utility involved in the distribution, transportation, and sale of natural gas in portions of Texas, Louisiana, and Kentucky. Atmos is a Texas corporation, with its principal place of business located at Three Lincoln Center, Suite 1800, 5430 LBJ Freeway, Dallas, Texas 75240. Since the filing of the Joint Application, Atmos has received a certificate of authority as a foreign corporation to transact business within the State of Missouri. Acquisition Corp is a Colorado corporation, with its principal place of business located at Three Lincoln Center, Suite 1800, 5430 LBJ Freeway, Dallas, Texas 75240. Acquisition Corp is a wholly-owned subsidiary of Atmos. Since the time of the filing of the Joint Application, Acquisition Corp has received a Certificate of Authority as a foreign corporation to transact business within the State of Missouri. Greeley is a gas corporation and public utility as defined in Section 386.020, RSMo Cum. Supp. 1992, and is engaged in the distribution, transportation, and sale of natural gas in portions of Missouri, Kansas, and Colorado. Greeley is a Delaware corporation, with its principal place of business located at 1301 Pennsylvania, Denver, Colorado 80203. Greeley serves approximately 580 customers in or near the communities of Rich Hill and Hume, Missouri.

Atmos seeks to acquire Greeley through a two-step process. First, Greeley Acquisition Corp will enter into a statutory merger under the applicable laws of the States of Delaware and Colorado, with Acquisition Corp as the surviving corporation. Thereafter, Acquisition Corp, a wholly-owned subsidiary

of Atmos, will merge into Atmos in accordance with the provisions of Article 5.16 of the Texas Business Corporation Act. Following this second, "upstream merger," Atmos intends to operate the Greeley business as a division of Atmos to be headquartered in Denver, Colorado. Pursuant to the merger of Greeley into Acquisition Corp, the outstanding capital stock of Greeley will be converted into the capital stock of Atmos, which owns all the outstanding capital stock of Acquisition Corp. At closing, Greeley stockholders are to deliver to Acquisition Corp the certificates representing shares of Greeley stock, and are to receive in exchange therefor a certificate representing shares of Atmos stock. The Greeley stock is to be converted into a total of 2,329,330 shares of common stock of Atmos, no par value, with each stockholder of Greeley having the right to receive a percentage of Atmos stock equal to the percentage of Greeley stock owned by such stockholder.

Attached to the Joint Application as exhibits, along with a number of other exhibits, are an Agreement and Plan of Reorganization dated July 2, 1993; the resolutions of the boards of directors of Atmos, Acquisition Corp, and Greeley; and the balance sheets and income statements of Atmos and Greeley, with adjustments showing the results of the merger.

The Joint Applicants state in their application that the proposed transactions are not detrimental to the public interest in that Atmos is qualified both financially and managerially to carry on the business of a regulated natural gas corporation, and has considerably greater resources than Greeley and therefore may be able to achieve some economies of scale. Atmos would operate under the existing rates, rules and regulations of Greeley, and the manner of providing natural gas services to Missouri customers would remain largely unchanged. In addition, the mergers would result in an orderly succession plan following the retirement of Greeley's chief executive officer, and no interruption in service would take place as a result of the mergers.

On November 10, 1993, a Stipulation and Agreement was filed with the Commission, signed by Missouri counsel for the Joint Applicants, Staff, and OPC. The Stipulation and Agreement is attached hereto as Appendix 1 and incorporated herein by reference. The agreement of the parties is set forth at length in the Stipulation and Agreement. In brief, the Stipulation and Agreement addresses the following matters: (1) that the records of Greeley will be maintained at the principal office of Atmos in Dallas, Texas, and/or at the division offices in Denver, Colorado, and Commission Rule 4 CSR 240-10.010(3) will be complied with; (2) that an adoption notice in the form of a tariff sheet will be filed by Atmos within ten days after the closing date of the merger, adopting the tariff sheets and rules of Greeley; (3) that Atmos will not seek recovery of any acquisition premium relating to the purchase of the Missouri property in any future ratemaking proceeding; (4) that rates for transportation over the "Commercial Pipeline Facilities" will not be allowed as a "cost of gas" in the development of the Purchased Gas Adjustment (PGA Clause) by Atmos; (5) that Atmos will not seek recovery of a rate for transportation over the "Commercial Pipeline Facilities" as an Actual Cost Adjustment (ACA) "cost of gas" until revenue recovery related to such facilities are removed from "margin rates"; (6) Atmos will be responsible for making refunds to customers based on Greeley's PGA/ACA tariffs; (7) that Atmos will notify the Missouri Public Service Commission of any filing with a public utility regulatory commission requesting the application of a transportation rate to the "Commercial Pipeline Facilities"; and (8) Atmos agrees to abide by the Missouri gas safety rules 4 CSR 240-40.030, et seq.

The parties also waived their rights to present oral arguments or written briefs, and their rights to appeal. In addition, the parties are not deemed to have approved or acquiesced in any ratemaking principal, except for matters addressed in paragraphs 3, 4, and 5 of the Stipulation and Agreement.

Upon review of the verified application and attachments, and the Stipulation and Agreement, the Commission finds that Atmos possesses the expertise to provide appropriate natural gas service to Greeley's current customers; that because of its resources Atmos has a greater likelihood of being able to take advantage of economies of scale; that the rates Atmos seeks to charge will be equivalent to Greeley's current rates; and that the acquisition of Greeley's capital stock and merger of Greeley into Atmos is not detrimental to the public interest. The Commission further finds that the provisions contained within the Stipulation and Agreement are just and reasonable and should be adopted and approved by the Commission. In restating and summarizing the Stipulation and Agreement in this Order, the Commission is not changing the language and terms of the Stipulation and Agreement, but adopts it in full as resolving all issues that were set out therein.

IT IS THEREFORE ORDERED:

1. That the Stipulation and Agreement filed by the parties in this case, attached hereto as Appendix 1 and incorporated herein by reference, be hereby approved and adopted.

2. That Atmos Energy Corporation, Greeley Gas Acquisition Corporation, and Greeley Gas Company are hereby ordered to comply with the provisions of the aforesaid Stipulation and Agreement.

3. That the acquisition of the capital stock of Greeley Gas company by Greeley Gas Acquisition Corporation and Atmos Energy Corporation pursuant to the Agreement and Plan of Reorganization dated July 2, 1993 between Atmos Energy Corporation, Greeley Gas Acquisition Corporation, and Greeley Gas Company, attached as Exhibit G to the Joint Application, be hereby approved.

4. That the merger of Greeley Gas Company into Greeley Gas Acquisition Corporation pursuant to the aforesaid Agreement and Plan of Reorganization be hereby approved.

5. That the upstream merger of Greeley Gas Acquisition Corporation into Atmos Energy Corporation pursuant to the aforesaid Agreement and Plan of Reorganization be hereby approved.

6. That Atmos Energy Corporation, Greeley Gas Acquisition Corporation, and Greeley Gas Company be authorized hereby to enter into, execute, and perform in accordance with all other documents reasonably necessary to effectuate the transactions contemplated by the Joint Application and this Order.

7. That Atmos Energy Corporation, Greeley Gas Acquisition Corporation, and Greeley Gas Company be hereby authorized to take any and all other actions necessary to effectuate the transactions contemplated by the Joint Application and this Order.

8. That after the acquisition and upstream merger of Greeley Gas Company into Atmos Energy Corporation, the books and records for Greeley operations may be kept at the principal office of Atmos in Dallas, Texas, and/or at the division offices in Denver, Colorado.

9. That Atmos Energy Corporation shall be responsible for making any refunds found to be necessary pursuant to any Commission ruling in an Actual Cost Adjustment proceeding involving what is currently Greeley's PGA/ACA tariff provisions.

10. That Atmos Energy Corporation shall file a pleading with the Commission notifying the Commission of the closing date of the acquisition of capital stock and merger within ten (10) days after the completion of the transactions.

11. That Atmos Energy Corporation shall file an adoption notice providing that Atmos shall adopt in its entirety the tariff of Greeley which is currently on file with and approved by the Commission, within ten (10) days of the closing date of the acquisition of capital stock and merger.

12. That concurrent with the effective date of the adoption notice to be submitted by Atmos Energy Corporation as ordered herein, Atmos Energy Corporation be granted a certificate of convenience and necessity to provide natural gas service in and around the communities of Rich Hill and Hume, Missouri, in what was formerly the service territory of Greeley Gas Company.

13. That the mergers of Greeley Gas Company into Greeley Gas Acquisition Corporation and Atmos Energy Corporation shall be effective as of the effective date of the adoption notice to be submitted by Atmos Energy Corporation as ordered herein.

14. That Atmos Energy Corporation be hereby directed to submit quarterly surveillance reports to the manager of the Commission's Financial Analysis Department after the effective date of the adoption notice to be submitted by Atmos Energy Corporation as ordered herein.

15. That except as provided in numbered paragraphs 3, 4, and 5 of the Stipulation and Agreement adopted and approved herein, nothing in this Order shall be considered a finding by the Commission of the value for ratemaking purposes of the properties herein involved, or as an acquiescence in the value placed upon said properties by Greeley Gas Company, Greeley Gas Acquisition Corporation, or Atmos Energy Corporation. Furthermore, the Commission reserves the right to consider the ratemaking treatment to be afforded these transactions in any later proceeding.

16. That this Order shall become effective on December 20, 1993.

BY THE COMMISSION

(S E A L)



David L. Rauch
Executive Secretary

Mueller, Chm., McClure, Perkins,
Kincheloe and Crumpton, CC., Concur.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the matter of the)
application of Atmos Energy)
Corporation and Greeley Gas)
Acquisition Corporation for)
approval of the acquisition)
of all classes of the capital)
stock of Greeley Gas Company)
and to merge with Greeley Gas)
Company.)

Case No. GM-94-6

STIPULATION AND AGREEMENT

COME NOW the Staff of the Missouri Public Service Commission ("the Staff"), the Office of the Public Counsel ("Public Counsel"), Atmos Energy Corporation ("Atmos"), Greeley Gas Acquisition Corporation ("Acquisition Corporation") and Greeley Gas Company ("Greeley") and state as follows:

On July 9, 1993, Atmos, Acquisition Corporation, and Greeley filed a Joint Application pursuant to Section 393.190, RSMo 1986, seeking an order of the Commission: (1) approving the acquisition of the capital stock of Greeley by Acquisition Corporation, and the merger of Greeley into Acquisition Corporation; (2) authorizing Atmos, Acquisition Corporation, and Greeley to enter into, execute, and perform in accordance with the terms of all other documents reasonably necessary to the performance of the merger transaction; and (3) consenting to and approving the keeping of books and records for Greeley operations at the principal office of Atmos in Dallas, Texas after the acquisition.

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MISSOURI
PUBLIC SERVICE COMMISSION

On July 30, 1993, the Commission issued its Order and Notice which, among other things, directed the Commission Secretary to send notice of the proposed sale to the publisher of each newspaper located within Bates County, as well as notice to the Bates County Commission. Previously, Greeley had sent notice of the proposed merger to its customers. The Commission also established August 25, 1993, as the date by which any interested party wishing to intervene in this matter should do so. To date, no Applications to Intervene have been filed in this matter.

For purposes of this Stipulation and Agreement, "Atmos and/or Acquisition Corporation" shall mean whichever of the two entities owns and controls the common stock of Greeley Gas Company at the relevant time.

The transactions involved in the transfer of Greeley's stock are collectively referred to as a "pooling of interests." Acquisition Corporation is a wholly-owned subsidiary of Atmos. Pursuant to an "Agreement and Plan Reorganization" between Atmos, Acquisition Corporation and Greeley (Joint Application, Exhibit G), Greeley will be merged initially with and into Acquisition Corporation. Immediately upon consummation of Greeley's merger with and into Acquisition Corporation, it is the intention of Atmos to merge Acquisition Corporation into Atmos in accordance with the provisions of the Texas Business Corporation Act.

STIPULATION

The signatories stipulate and agree as follows:

1. That Greeley shall transfer and Atmos and/or Acquisition Corporation shall retain all books and records of Greeley's gas operations (including individual customer monthly billing records, showing usage and costs, and plant account records) for the past five (5) years. That Atmos and/or Acquisition Corporation will maintain these records at the principal office of Atmos in Dallas, Texas, and/or at the division offices in Denver, Colorado, and, accordingly, agrees to abide by Commission rule 4 CSR 240-10.010(3). Immediately after the closing of the merger, Atmos and/or Acquisition Corporation shall commence providing quarterly surveillance reports to the manager of the Commission's Financial Analysis Department. Attachment A shows the format to be used for the quarterly surveillance reports.

2. Atmos shall file within ten (10) days after the closing date of the merger, an adoption notice in the form of a tariff sheet. The merger shall be deemed approved on the effective date of the adoption notice. The adoption notice shall provide that Atmos adopts, ratifies, and makes its own, in every respect as if the same had been originally filed by it, all tariff sheets, schedules, rules, notices, contracts, authorities or other instruments whatsoever, filed with the Missouri Public Service Commission, by the Greeley Gas Company. It is the intention of Atmos and Acquisition Corporation to close the upstream merger on the same day that the merger of Greeley into Acquisition Corporation occurs.

3. Atmos and/or Acquisition Corporation agrees that it shall not seek recovery of any acquisition premium relating to the purchase of the Missouri property in a future ratemaking proceeding.

4. Atmos and/or Acquisition Corporation agrees that a rate for transportation over any portion of the "Commercial Pipeline Facilities" will not be allowed as a "cost of gas" in the development of its Purchased Gas Adjustment (PGA) Clause. "Commercial Pipeline Facilities" are any facilities located in the State of Kansas that have transported or currently transport gas to any Missouri operations and are to be owned by Atmos and/or Acquisition Corporation as a result of this merger.

5. Atmos and/or Acquisition Corporation agrees that it will not seek recovery of a rate for transportation over any portion of the "Commercial Pipeline Facilities" as an Actual Cost Adjustment (ACA) "cost of gas" until such time as it has a Missouri PSC determination which removes revenue recovery related to such facilities from "margin rates". "Margin rates" are rates that reflect the recovery of costs outside the PGA mechanism.

6. Atmos and/or Acquisition Corporation agrees to assume responsibility for making refunds to customers pursuant to Greeley's PGA/ACA tariffs. Atmos and/or Acquisition Corporation further agree to assume responsibility for supporting the purchase practices of Greeley for ACA periods open at the time of the closing of the mergers.

7. Atmos and/or Acquisition Corporation agrees that at such time as it may file with any public utility regulatory commission

a request to apply a transportation rate to the "Commercial Pipeline Facilities", Atmos and/or Acquisition Corporation shall notify the Missouri Public Service Commission of such filing.

8. Atmos and/or Acquisition Corporation agree to abide by the Missouri gas safety rules, pursuant to 4 CSR 240-40.030, et seq.

9. In the event the Commission accepts the specific terms of this Stipulation and Agreement, the signatories waive their respective rights to present oral arguments or written briefs pursuant to Section 536.080.1 RSMo 1986; and their respective rights to appeal pursuant to Section 386.510 RSMo 1986.

10. None of the signatories to this Stipulation and Agreement shall be deemed to have approved or acquiesced in any ratemaking principle or any method of cost determination or cost allocation underlying or allegedly underlying this Stipulation and Agreement except for the ratemaking matters addressed by paragraphs 3, 4, and 5 of this Stipulation and Agreement.

11. This Stipulation and Agreement has resulted from extensive negotiations among the signatories and the terms hereof are interdependent. In the event the Commission does not approve and adopt this Stipulation and Agreement in total, the Stipulation and Agreement shall be void and no signatory shall be bound by any of the agreements or provisions hereof.

12. The Staff shall have the right to submit to the Commission a memorandum explaining its rationale for entering into this Stipulation and Agreement and to provide to the Commission whatever further explanation the Commission requests regarding any

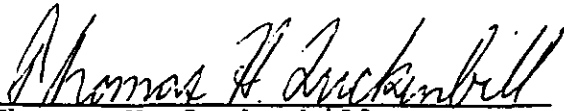
issue arising in this case. The Staff's memorandum shall not become a part of the record of this proceeding. If the Commission does not approve this Stipulation and Agreement, the memorandum shall not bind or prejudice the Staff in this proceeding. Regardless of whether the Commission approves this Stipulation and Agreement, the memorandum shall not bind or prejudice the Staff in any future proceeding. The contents of any explanation provided by the Staff are its own and are not acquiesced in or otherwise adopted by the other signatories to the Stipulation and Agreement.

WHEREFORE, the signatories respectfully request that the Commission issue an Order: (1) finding that the proposed merger is not detrimental to the public interest; (2) approving this Stipulation and Agreement; (3) approving the acquisition of the capital stock of Greeley by Acquisition Corporation, and the merger of Greeley into Acquisition Corporation; (4) authorizing the upstream merger of Acquisition Corporation into Atmos immediately after the merger of Greeley with Acquisition Corporation pursuant to the provisions of Article 5.16 of the Texas Business Act; (5) authorizing Atmos, Acquisition Corporation, and Greeley to enter into, execute, and perform in accordance with the terms of all other documents reasonably necessary to the performance of the merger transaction; (6) consenting to and approving the keeping of books and records for Greeley operations at the principal office of Atmos in Dallas, Texas and/or at the division offices in Denver, Colorado, after the acquisition; (7) stating that Atmos and/or Acquisition Corporation will be responsible to make any refunds found to be necessary pursuant to any future Commission ruling in

an ACA proceeding involving what is currently Greeley's PGA/ACA tariff provisions; (8) directing Atmos and/or Acquisition Corporation to file a pleading notifying the Commission of the closing date of the acquisition of capital stock and merger no later than ten (10) days after completion of the transactions; (9) stating that the Commission will transfer the certificate of convenience and necessity for the provision of natural gas to customers in and around the communities of Rich Hill and Hume, Missouri from Greeley to Atmos to take effect on the effective date of the adoption notice; (10) directing Atmos and/or Acquisition Corporation to submit quarterly surveillance reports to the Manager of the Commission's Financial Analysis Department; (11) directing Atmos to file within ten (10) days after the closing date of the merger, an adoption notice providing that Atmos shall adopt in its entirety, the tariff of Greeley which is currently on file with and approved by the Commission; and (12) stating that the merger will be effective as of the effective date of the adoption notice to be filed in compliance with the Commission's order.

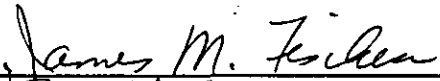
Dated this 10th day of November, 1993.

MISSOURI PUBLIC SERVICE
COMMISSION STAFF

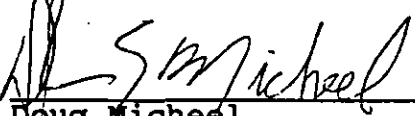

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Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed or hand-delivered to all counsel of record as shown on the attached service list this 10th day of November, 1993.



SERVICE LIST
Case No. GM-94-6

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