

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION
JEFFERSON CITY
April 20, 2000**

CASE NO: GM-2000-312

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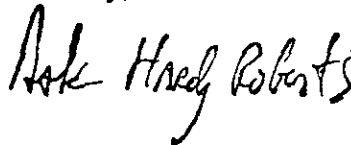
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Enclosed find certified copy of an ORDER in the above-numbered case(s).

Sincerely,



Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

Uncertified Copy:
Thomas M. Byrne
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**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a Session of the Public Service
Commission held at its office
in Jefferson City on the 20th
day of April, 2000.

In the Matter of the Joint Application of)	
Atmos Energy Corporation and Arkansas)	
Western Gas Company, d/b/a Associated)	
Natural Gas Company, for an Order)	
Authorizing the Sale and Transfer of)	
Certain Assets of Associated Natural Gas)	
Company Located in Missouri to Atmos)	<u>Case No. GM-2000-312</u>
Energy Corporation and Either Authorizing)	
the Transfer of Existing Certificates of)	
Public Convenience and Necessity or)	
Granting a New Certificate of Public)	
Convenience and Necessity to Atmos Energy.)	

ORDER APPROVING STIPULATION AND AGREEMENT

On November 2, 1999, Atmos Energy Corporation (Atmos) and Arkansas Western Gas Company, d/b/a Associated Natural Gas Company (ANG) filed a Joint Application asking that the Commission grant ANG the authority to sell and transfer to Atmos all of the assets of ANG located in Missouri. The Commission responded to the Joint Application by issuing an Order and Notice on November 8, inviting interested parties wishing to intervene to file an appropriate application on or before November 29.

Timely applications to intervene were received from the City of Malden, the City of Campbell, the City of Appleton City, Noranda Aluminum, Inc. (Noranda), and from the International Brotherhood of Electrical Workers, Local Union No. 1439 (IBEW). The Commission granted each of those applications to intervene in an order issued on December 1. The December

1st order also scheduled an early prehearing conference and directed the parties to file a proposed procedural schedule. The early prehearing conference was held on December 15, and on December 17, the parties filed a proposed procedural schedule. On December 20, the Commission adopted the proposed procedural schedule and set this matter for evidentiary hearing on April 4 and 5, 2000.

Atmos and ANG filed direct testimony in support of their Joint Application on January 14. On February 14, the cities of Malden, Campbell and Appleton City filed a notice indicating that they were withdrawing their intervention. The Commission granted their request to withdraw by an order issued on February 15. The remaining parties filed rebuttal testimony on March 1.

A prehearing conference was held on March 9, and on March 10, Atmos and ANG filed a Motion for Extension of Time to File Surrebuttal Testimony to allow the parties additional time to pursue settlement negotiations. The Commission granted that motion on March 13 and extended the time for filing surrebuttal testimony from March 15 to March 22. On March 20, Atmos and ANG filed a second Motion for Extension of Time to File Surrebuttal Testimony, again seeking more time to pursue settlement negotiations. The Commission granted the second motion on March 21 and extended the time for filing surrebuttal testimony from March 22 to March 29.

On March 29, Atmos, ANG, Staff, the Office of the Public Counsel (Public Counsel), Noranda and IBEW filed a Unanimous Stipulation and Agreement (Agreement). The Agreement purports to resolve all outstanding issues and asks the Commission to approve the Joint Application effective

May 1, 2000, or as soon as possible thereafter. In response to the filing of the Agreement, the Commission issued an order canceling the hearing scheduled for April 4 and 5.

On April 4, the Commission issued an order directing Staff to file a memorandum explaining its rationale for entering into the Agreement. Staff was directed to file its memorandum no later than April 11. All other parties were allowed until April 17 to submit any response to Staff's memorandum. Staff filed the requested memorandum on April 11. ANG filed a letter on April 12 indicating that it did not intend to file any further response to Staff's memorandum. Atmos and Noranda filed similar letters on April 13. No other party filed a response.

In the Agreement, contingent upon the Commission's acceptance of the Agreement, the parties waived their rights to cross-examine witnesses, to present oral argument or briefs, to have the transcript read by the Commission and to judicial review. The Commission has the legal authority to accept a stipulation and agreement as offered by the parties as a resolution of issues raised in this case, pursuant to Section 536.060, RSMo Supp. 1999.

The requirement for a hearing is met when the opportunity for hearing has been provided and no proper party has requested the opportunity to present evidence. State ex rel. Rex Deffenderfer Enterprises, Inc. v. Public Service Commission, 776 S.W.2d 494, 496 (Mo. App. 1989). Since no one has requested a hearing in this case, the Commission may grant the relief requested based on the Agreement.

Based on the Agreement of the parties, the Commission finds that the transaction proposed in the Joint Application of Atmos and ANG, as qualified by the conditions set forth in the Agreement, is not detrimental to the ratepayers of Missouri.

IT IS THEREFORE ORDERED:

1. That the Unanimous Stipulation and Agreement filed on March 29, 2000 by Atmos Energy Corporation, Arkansas Western Gas Company, d/b/a Associated Natural Gas Company, the Staff of the Public Service Commission, the Office of the Public Counsel, the International Brotherhood of Electrical Workers, Local 1439, and Noranda Aluminum, Inc., is hereby approved as a resolution of all issues in this case (See Attachment 1).

2. That Atmos Energy Corporation is authorized to acquire the Missouri assets of Arkansas Western Gas Company, d/b/a Associated Natural Gas Company, subject to the terms and conditions contained within the Stipulation and Agreement approved in this order.

3. That Arkansas Western Gas Company, d/b/a Associated Natural Gas Company, is authorized to convey its Missouri assets to Atmos Energy Corporation, subject to the terms and conditions contained within the Stipulation and Agreement approved in this order.

4. That Atmos Energy Corporation is granted a Certificate of Public Convenience and Necessity to provide gas service in the current service areas of Arkansas Western Gas Company, d/b/a Associated Natural Gas Company as a public utility subject to the jurisdiction of the Commission.

5. That Atmos Energy Corporation is authorized to provide gas service in the areas previously served by Arkansas Western Gas Company,

d/b/a Associated Natural Gas Company in accordance with the rules, regulations, rates and tariffs of Arkansas Western Gas Company, d/b/a Associated Natural Gas Company as may be on file with and approved by the Commission on the effective date of the sale.

6. That Arkansas Western Gas Company, d/b/a Associated Natural Gas Company is authorized to terminate its responsibilities as a public utility in Missouri.

7. That this order shall become effective on May 1, 2000.

BY THE COMMISSION



Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

(S E A L)

Lumpe, Ch., Drainer, Murray,
and Schemenauer, CC., concur.
Crumpton, C., absent.

Woodruff, Regulatory Law Judge

BEFORE THE PUBLIC SERVICE COMMISSION

STATE OF MISSOURI

FILED³

MAR 29 2000

**Missouri Public
Service Commission**

In the matter of the Joint Application of Atmos)
Energy Corporation and Arkansas Western Gas)
Company, d/b/a Associated Natural Gas)
Company, for an order authorizing the sale and)
transfer of certain assets of Associated)
Natural Gas Company located in Missouri to)
Atmos Energy Corporation and either)
authorizing the transfer of existing)
Certificates of Public Convenience and)
Necessity or granting a New Certificate of Public)
Convenience and Necessity to Atmos Energy)
Corporation in conjunction with same.)

Case No. GM-2000-312

UNANIMOUS STIPULATION AND AGREEMENT

COME NOW the Staff of the Missouri Public Service Commission ("Staff"), Atmos Energy Corporation ("Atmos" or "Company"), Arkansas Western Gas Company, d/b/a Associated Natural Gas Company ("ANG"), the Office of the Public Counsel ("OPC" or "Public Counsel"), the International Brotherhood of Electrical Workers, Local 1439 ("IBEW"), and Noranda Aluminum, Inc. ("Noranda"), hereinafter collectively referred to as the "parties," and as a result of discussions among the parties to Case No. GM-2000-312, hereby submit to the Public Service Commission ("Commission") for its consideration and approval, the following Unanimous Stipulation and Agreement in connection with the Joint Application of Atmos and ANG ("Joint Applicants") for an order authorizing the sale and transfer of the Missouri assets of ANG to Atmos and other related transactions (the "Sale").

1. **Approval of the Sale**

The parties to this Unanimous Stipulation and Agreement respectfully request that the Commission issue an Order approving the Sale, to be effective May 1, 2000 or as soon as possible thereafter, on the basis that, subject to the conditions and modifications set forth herein, the Sale is not detrimental to the public interest and that this Unanimous Stipulation and Agreement resolves all outstanding issues in this docket.

2. **Customer Service**

In order to assist in making determinations regarding the level of service being provided to the customer, Atmos, Staff and OPC have established performance measures to measure some components of customer service for Atmos' post-Sale Missouri customers, including former ANG customers. The measures for Abandoned Call Rate and Average Speed of Answer are similar in nature to the measures agreed to in *Re Western Resources, Inc. and Kansas City Power & Light Company*, Case No. EM-97-515, and in *Re Southern Union and Pennsylvania Enterprises, Inc.*, Case No. GM-2000-49. This is being done to ensure that this Sale will have no adverse effect on the level of customer service to Atmos' post-Sale Missouri customers. This Agreement also contains reporting requirements to enable the Staff and OPC to monitor various other components of customer service following the closing of the Sale.

Atmos shall ensure that the Sale will have no adverse effect on Atmos' efforts to provide high quality service to all of its customers, including customers previously served by ANG. Atmos, through its United Cities Gas ("UCG") operating division, hereby agrees to adhere to the customer service performance measures specified below. In order to provide for a transition period for Atmos to incorporate the ANG properties into its existing call center activities, the

parties agree that these customer service performance measures shall become effective on January 1 following the effective date of the Sale.

a. **Customer Service Performance Measures**

1. Annual Average Abandoned Call Rate ("ACR") is not to exceed a target level of 8.0% with a maximum allowable ACR of 9.0% for the calendar year following the date of closing of the Sale. This deviation is to allow for normal year-to-year changes in the measurements.
2. Average Speed of Answer ("ASA") is not to exceed a target level of 113 seconds plus a 5% variance of six (6) seconds annually (a maximum allowable level of 119 seconds) for the calendar year following the date of closing of the Sale. This deviation is to allow for normal year-to-year changes in the measurements.¹

By December 1 of the first year in which the above-noted ACR and ASA customer service measures are in effect Atmos, Staff and OPC agree to recommend to the Commission, either jointly or individually, any appropriate changes to said measures. The Commission shall resolve any disputes as to the appropriate measures. Any new customer service measures approved by the Commission are anticipated to be effective January 1 of the second year after the Sale is approved, or as soon thereafter as is practicable.

Changes made to the annual ACR rate and/or annual ASA measures will have to be based on valid studies and/or analyses to determine whether such changes will promote economic and effective Company performance. It is anticipated that Atmos, Staff and OPC will have a

¹ These customer service performance measures were based upon the five months of Atmos customer data that was available at the time this document was drafted. ANG does not currently maintain these customer service measures.

minimum of two years of actual performance data from the Atmos call center available for analysis in order to make their recommendation to the Commission by December 1, 2001. The Atmos call center was placed in service on October 1, 1999.

b. Company Response to Customer Service Measures

Atmos shall provide the Staff and OPC quarterly reports (within forty-five (45) days of end of the period) on the Customer Service Measures. Statistics for the measures shall be tracked and recorded monthly, reported to Staff and OPC on a calendar year, quarterly basis and assessed for compliance annually. Within ninety (90) days after the end of the calendar year, Atmos shall submit a draft report to the Staff and OPC which shall include actual performance measures for the year, an explanation of any deviation above the measures, a description of actions to be undertaken to eliminate the deviations above the measures and estimates of the cost of such actions. The Staff and OPC shall provide a response to Atmos' draft report within thirty (30) days. The Company shall file a final report with the Commission 150 days after the end of the calendar year.

If actual performance is unfavorable compared to the established maximum measures for any calendar year, then UCG shall initiate the following responses:

- UCG shall provide the Staff and OPC a written explanation as to why UCG believes these figures have increased.
- UCG shall also provide an estimate of the cost, if any, to improve the applicable measure to the level of the target Service Measure. The Company shall expend the appropriate amount in the next year to improve the Measure to the identified Service Measure level. The determination of the appropriate amount will be examined in the Company's next rate proceeding. The Company will credit to

customers a like amount (annual revenue requirement) during the subsequent year for the year in which the indicator was exceeded. The credit may be booked to a deferred liability account, if the Company, Staff, and OPC agree, until a sufficient amount is accumulated to warrant a credit to customers. This deferred liability account is not to be considered as an Accounting Authority Order. The impact of emergencies, catastrophes, natural disasters, extreme adverse weather, extreme natural gas prices, sabotage, work stoppage or other unforeseen events beyond the Company's control shall be taken into account, in which case no credit or expenditure may be required.

c. **Customer Complaints/Inquiries to Staff**

For purposes of this section, customer complaints/inquiries include contacts the Staff receives from ANG's customers, but are not necessarily the result of ANG's violation of its tariffs or Commission rules.

Calendar Year	Total Complaints/ Inquiries	Number of Customers	Number of Customer Contacts Per 1,000 Customers
1998	110	46,913	2.3
1999	77	47,035	1.6
24 Month Average	94	46,974	2.0

Significant increases in the annual average number of complaints/inquiries of 2.0 per one thousand (1,000) customers will be explained by the Company and/or may prompt an

investigation by the Staff and/or OPC. The impact of events beyond the Company's control will be taken into account in the Company's explanation and in any investigation by the Staff and/or OPC. The Staff shall provide Company and OPC quarterly reports (within forty-five (45) days of period-end) showing monthly information regarding the number and category of customer complaints/inquiries received by the Commission's Consumer Services Department.

d. **Customer Service Operating Procedures**

Atmos agrees that the present practice of UCG in the following areas will be continued, or improved upon, to ensure that customers do not experience a decline in service:

- Company will adhere to Commission rules, and Atmos' and UCG's approved tariffs.
- Prior to any service discontinuance, Company will, consistent with Commission rules, attempt to collect at the customer's premises. If payment is not made to collector, payment can be made at the Company's available public business offices, pay stations or through auto-pay.
- Company will restore service five (5) days a week, subject to exceptions for holidays, consistent with Commission rules, and will at all times make a reasonable effort to restore service on the day requested once the reason for the discontinuance is remedied and the request for service is made. In no event shall service be restored later than the next business day following the date requested by customer.
- Company will use bill test procedures to ensure bill accuracy.

- Company will identify: (1) properly authorized personnel responsible for handling Commission complaints, (2) after- hours contact personnel, and (3) management employee(s) accountable for ensuring UCG employees are trained in and maintain a working knowledge of Missouri customer service rules and regulations. Company will notify Staff and OPC of any changes in these personnel within three (3) business days of the changes.
- Company will continue its participation in the Low Income Heating Assistance Program.
- Company will identify the process and level of authority for discontinuance of service to a registered customer.
- Company will provide the Staff and OPC quarterly reports (within forty-five (45) days of year-end) containing customer service organization charts, customer service staffing, number of estimated bills (including consecutive estimates), list of customer pay station locations, and actual Missouri jurisdictional bad debt write-off by customer class, including the dollar amount written off, number of accounts written off, and revenue by customer class.

Two years after the effective date of natural gas restructuring, in the event that such restructuring occurs, the customer service measures shall be subject to renegotiation by Atmos, Staff and OPC. After a period of three (3) years of reporting, the Company, Staff and OPC may mutually agree to modify or eliminate any of the reporting requirements contained herein.

3. Acquisition Premium

The amount of any asserted acquisition premium (*i.e.*, the amount of the total purchase price above net book value), including transaction costs, paid by Atmos for ANG properties or incurred as a result of the acquisition shall be treated below the line for ratemaking purposes in Missouri and not recovered in rates. Atmos shall not seek either direct or indirect rate recovery or recognition of the acquisition premium, including any and all transaction costs (*e.g.*, legal fees, consulting fees and accounting fees), in any future ratemaking proceeding in Missouri. However, Atmos reserves the right to present evidence regarding any purported Sale-related savings in any rate complaint proceeding initiated by Staff or Public Counsel.

Atmos reserves the right to seek Missouri rate recovery of transition costs (*e.g.* payroll and related costs), also known as "costs to achieve," necessary to achieve cost savings as a result of this transaction. Transition costs shall be treated as a regulatory asset. During the period of time from the transaction closing date until the end of the test year, updated test year, or true-up period in Atmos' next Missouri rate case, the costs deferred under the regulatory asset will be net of any cost savings realized as a result of this transaction. This does not impose a requirement on Atmos to create any savings tracking mechanism. Atmos is free to choose the methodology in which to show the amount of savings in ANG's cost of service. Other parties to this proceeding reserve the right to oppose rate recovery of such costs, regardless of any asserted cost savings. In addition, Atmos shall not seek to recover in Missouri the amount of any asserted acquisition premium in this transaction as being a "stranded cost," regardless of the terms of any legislation permitting the recovery of stranded costs from Missouri ratepayers.

4. **ANG's Construction Budget**

Atmos agrees that the proposed acquisition will have no effect on the budget to complete ANG's service line and main replacement program and will continue to comply with any other waivers or agreements concerning pipeline safety approved by the Commission.

5. **State Jurisdictional Issues**

a. Atmos will retain all documentation relative to the analysis of the ANG acquisition. This documentation will include the following information: (a) a list of all Atmos personnel, consultants, legal, financial and accounting advisors involved in the acquisition; (b) the time (in hours) spent by those individuals on work related to the proposed acquisition for any costs deferred for future ratemaking purposes in Missouri; (c) other expenses, costs or expenditures incurred or recognized by Atmos that are related to the proposed acquisition; (d) business entity (corporate, subsidiary, division) where the costs were booked, including account number, account description and amount; (e) description of the nature of the costs incurred.

b. Atmos will maintain its books and records so that all acquisition costs (including this transaction and future Atmos merger and acquisition transactions) are segregated and recorded separately.

c. During UCG's next general rate proceeding, Atmos agrees to work with the Staff and OPC to identify all acquisition-related costs recorded in Atmos' books and records in the appropriate test year. This condition does not restrict Atmos' right to seek rate recovery of merger and acquisition costs related to future transactions. Other parties to this proceeding

reserve the right to oppose recovery of merger and acquisition costs related to future transactions.

d. Atmos will submit to the Commission's accounting department and OPC verified journal entries reflecting the recording of the proposed acquisition in Atmos' books and records within forty-five (45) days of closing.

6. Tariffs

Atmos expressly assumes those rights and obligations of ANG contained in the current tariffs of ANG filed with and approved by the Commission. If authorized by the Commission, Atmos agrees to file for Commission approval an adoption notice applicable to the Missouri ANG properties under the name of Atmos Energy Corporation.

7. Gas Supply Issues

a. ANG Agreements

(1) ANG recognizes that the Sale of its assets in Missouri will not simultaneously bring to a close its participation in cases before the Commission. There are two Actual Cost Adjustment cases still in litigation (GR-96-222 and GR-97-191), there are three ACA cases pending at the Commission (Case Nos. GR-98-399, GR-99-392, and GR-2000-573), and there may be additional ACA cases to cover periods prior to the closing of the Sale. There is also a rate case (GR-97-272) which is presently on appeal. Therefore, because of the continuing nature of such proceedings, it is reasonable for ANG to provide assurances to the Commission and existing and future parties to such cases, to the extent the cases continue to exist after the closing of the Sale, that access to information in the possession of ANG which is relevant to the issues in

those cases will not be denied by ANG on the basis that ANG is no longer subject to the jurisdiction of the Commission or that ANG no longer has a presence in Missouri as a gas corporation. Accordingly, ANG hereby agrees that it will not assert, with regard to a complaint, subpoena, data request, or other lawful request for discovery otherwise permissible under the Commission's rules;

- (a) in any proceeding which relates to time periods in which ANG had gas operations as a public utility in the state of Missouri, or
- (b) in any proceeding after the closing of the Sale which relates to Atmos' utilization of ANG's LNG Plant ("LNG"),

the defense that the request, subpoena, or complaint is invalid or inappropriate because ANG no longer has such operations in Missouri. This specific waiver does not mean, however, that ANG is waiving the right to object on other grounds not waived hereby, or is waiving its right to file a motion to quash or otherwise oppose a subpoena on other grounds not waived hereby, or that ANG is waiving any defense to any future complaint case on other grounds not waived hereby, such right to object or present a defense being specifically retained by ANG.

(2) ANG also hereby provides the additional assurance that it will not assert an objection to the appearance of its then-current officers or employees:

- (a) in any current or future proceeding before the Commission which relates to time periods in which ANG had operations in the state of Missouri, or
- (b) in any proceeding after the closing of the Sale which relates to Atmos' utilization of ANG's LNG plant,

on the basis that the appearance cannot be compelled because ANG no longer has public utility operations in Missouri. This specific waiver does not mean, however, that ANG is waiving the right to object to any question asked or information sought from such employee or ANG on other grounds not waived hereby, or is waiving its right to file a motion to quash or otherwise oppose a subpoena on other grounds not waived hereby, or that ANG is waiving any defense to any future complaint case on other grounds not waived hereby, such right to object or present a defense being specifically retained by ANG. ANG shall not be considered responsible under this agreement to compel the appearance before the Commission of any non-employee.

b. Atmos Agreements

(1) Atmos agrees to conduct thorough, detailed, well documented Request for Proposal bidding processes for all of its long-term gas supply contracts (i.e., contracts of five or more months in duration), not including any gas purchased from ANG's LNG plant.

(2) Atmos agrees that the Commission may access and require without subpoena the production of all accounts, books, contracts, records, documents, memoranda, and papers of Atmos with regard to (1) any open ACA cases involving ANG at the time of the completion of the Sale, and (2) any joint agreements and/or contracts between Atmos and ANG (including any agreements and/or contracts relating to the LNG facility being retained by ANG and/or the assets of ANG which are purchased by Atmos) which remain in effect after the Sale. This specific waiver does not mean, however, that Atmos is waiving the right to object on other grounds not waived hereby, or is waiving its right to file a motion to quash or otherwise oppose a subpoena on other grounds not waived hereby, or that Atmos is waiving any defense to any future

complaint case on other grounds not waived hereby, such right to object or present a defense being specifically retained by Atmos.

(3) Atmos agrees that the Commission may require of Atmos answers, and/or the appearance of officers or employees without subpoena to provide answers, to questions upon which the Commission may need information respecting (1) any open ACA cases involving ANG at the time of the completion of the Sale, and (2) any joint agreements and/or contracts between Atmos and ANG (including any agreements and/or contracts relating to the LNG facility being retained by ANG and/or the assets of ANG which are purchased by Atmos) which remain in effect after the Sale. This specific waiver does not mean, however, that Atmos is waiving the right to object to any questions asked or information sought from such employee or Atmos on other grounds not waived hereby, or is waiving its right to file a motion to quash or otherwise oppose a subpoena on other grounds not waived hereby, or that Atmos is waiving any defense to any future complaint case on other grounds not waived hereby, such right to object or present a defense being specifically retained by Atmos. Atmos shall not be considered responsible under this agreement to compel the appearance before the Commission of any non-employee.

(4) Atmos agrees that it will not increase rates to Missouri customers through the PGA/ACA process by charging any type of gas supply demand charge, gas supply commodity premium, agency fee, transportation charges, or any other cost or rate designed to recover the costs associated with the LNG plant, unless there is, as a result of Atmos' next general rate case, an offsetting decrease in the non-gas rates to reflect the removal of such LNG costs from the rate case process.

(5) Atmos agrees to conduct a thorough, detailed, well-documented peak day study, to be completed by December 31, 2000, with regard to the SEMO, Kirksville and Butler systems/districts and contracts, which it purchased from ANG.

(6) Atmos agrees to ensure that (1) existing overall ANG Missouri peak day firm gas supply sources, firm transportation capacity, and firm storage capacity (including supplies withdrawn and/or capacity used from the LNG plant) are maintained at essentially the same overall firm ANG Missouri levels at the time of the closing of the Sale, and (2) any changes made by Atmos at the time the Sale is completed with regard to ANG's current overall firm peak day supply and/or transportation levels and firm peak day supply and/or transportation mix do not increase costs to Missouri ratepayers. Provided, however, that this agreement shall not prohibit Atmos from making changes to its Missouri peak day firm gas supply sources, firm transportation capacity, and firm storage capacity or its transportation mix, if necessary, to prudently serve its Missouri customers in the future. These changes may affect the Company's gas supply costs.

(7) Atmos acknowledges that the Commission Staff and/or Public Counsel may propose adjustments in future proceedings (1) to avoid possible detriment associated with changes to and/or the reallocation of gas supply, transportation, and storage contracts; and (2) to reflect any detriment associated with reallocation of common transmission mains, use of Atmos transmission mains by ANG, or other common plant facilities. Atmos reserves the right to take a position on any such adjustment proposed by Commission Staff and/or Public Counsel in any future proceeding.

8. Rate Base Deductions

Atmos agrees to use an additional offset to rate base in any Atmos filing for a general increase in non-gas rates in Missouri completed in the next ten (10) years to compensate for rate base deductions that have been eliminated by this transaction. The amount of the offset for the first year shall be \$2,500,000, which will be amortized monthly over a period of ten (10) years, beginning on the date of closing.

9. Pensions

The parties agree that the amount of pension assets to be transferred from the Southwestern Energy Corporation ("SWEN") pension plan to the Atmos pension plan will be equal to the projected benefit obligation ("PBO") (as defined by Financial Accounting Standards No. 87) of the transferred employees, pursuant to the terms of the Sale contract, plus an additional amount of \$350,000. The additional \$350,000 to be transferred by the trustee at the closing of the Sale represents a compromise amount to recognize that the market value of the SWEN pension plan assets currently exceeds the PBO.

10. Other Postretirement Benefits Plan ("OPEB")

Atmos agrees to obtain from ANG and provide to the parties to Atmos' next Missouri rate case, any and all documentation necessary to fully account for the disposition of the funds in ANG's OPEB plan as of the closing date of this transaction. This documentation shall include, but shall not be limited to, a reconciliation of the OPEB fund assets contributed in rates by both the Arkansas and Missouri jurisdictions, the employer contributions to the OPEB fund, distributions from the fund, the market valuation of assets before the split between Arkansas and Missouri, the method used for the allocation of the assets, and the reason(s) that such allocation

method was the most appropriate method available. The Staff and OPC shall conduct and complete an investigation within ninety (90) days of the closing date of the Sale, to form an opinion regarding the allocation and transfer of ANG's OPEB liability and fund assets to Atmos. The Joint Applicants agree to provide to Staff and OPC, within thirty (30) days of the closing date, all documentation and support necessary for the conduct and completion of such investigation. The parties reserve the right to challenge the allocation of OPEB funds between the Arkansas and Missouri jurisdictions in any future Atmos rate proceeding.

11. IBEW Local No. 1439

Atmos agrees to recognize the International Brotherhood of Electrical Workers, Local 1439, as the bargaining unit for former ANG employees who were members of Local 1439 at the time of the closing of the Sale, and to bargain in good faith with IBEW Local No. 1439 regarding union contract matters in the future. Atmos also agrees that it will not reduce its work force or lay-off any employees, including IBEW Local Union 1439 members, for a period of twelve (12) months following the closing of the Sale. Provided, however, that this agreement does not prohibit termination of individual employees for cause, nor require that Atmos hire new employees to fill positions vacated through normal attrition.

12. Noranda Agreements

a. Atmos agrees to accept assignment of and otherwise honor the existing Interruptible Gas Transportation Service Contract between Associated Natural Gas Company and Noranda Aluminum, Inc. dated September 1, 1998 ("ANG/Noranda Contract"). In conjunction therewith, Atmos agrees to continue to interpret and follow such contract in accordance with the past practices of ANG and Noranda.

b. Within one year of the closing of the Sale, Atmos agrees to complete a directly-assignable cost of service study to estimate the directly-assignable cost of providing transportation service to Noranda. Atmos agrees to work cooperatively with Noranda's consultant to develop the methodology to be used in the directly-assignable cost of service study. Upon successful completion of said cost of service study, Atmos and Noranda agree to negotiate as to the possible extension or modification of the ANG/Noranda Contract based upon completion of such study. However, Atmos and Noranda recognize that other factors may also affect the rates that may be ultimately agreed to in a future Atmos/Noranda contract. None of the other signatories to this Unanimous Stipulation and Agreement will be deemed, in any subsequent rate proceeding before this Commission, to have acquiesced in or agreed with the results of any such cost of service study.

c. At the option of Noranda, Atmos agrees to provide Noranda with a) calibration of meter services; and b) cathodic protection services; at mutually agreeable rates.

13. The Staff's Rights

The Staff shall have the right to file suggestions or prepared testimony in support of this Unanimous Stipulation and Agreement, and the other parties shall have the right to file responsive suggestions or prepared testimony.

If requested by the Commission, the Staff shall have the right to submit to the Commission a memorandum explaining its rationale for entering into this Unanimous Stipulation and Agreement. Each party of record shall be served with a copy of any memorandum and shall be entitled to submit to the Commission within five (5) days of receipt of the Staff's memorandum, a responsive memorandum, which shall also be served on the parties. All

memoranda submitted by the parties shall be considered privileged in the same manner as are settlement discussions under the Commission's rules, shall be maintained on a confidential basis by all parties, and shall not become a part of the record of this proceeding, or bind or prejudice the party submitting such memorandum in any future proceeding, or in this proceeding, whether or not the Commission approves this Unanimous Stipulation and Agreement. The contents of any memorandum provided by any party are its own and are not acquiesced in or otherwise adopted by the other signatories of this Unanimous Stipulation and Agreement, whether or not the Commission approves and adopts this Unanimous Stipulation and Agreement.

The Staff also shall have the right to provide, at any agenda meeting at which this Unanimous Stipulation and Agreement is noticed, to be considered by the Commission, whatever oral explanation the Commission requests, provided that the Staff shall, to the extent reasonably practicable, provide the other parties with advance notice of when the Staff shall respond to the Commission's request for such explanation once such explanation is requested from the Staff. The Staff's oral explanation shall be subject to public disclosure, except to the extent it refers to matters that are privileged or protected from disclosure pursuant to any Protective Order issued in this case.

14. No Acquiescence

Except as expressly provided otherwise in paragraphs 2, 3, and 5 herein, none of the signatories to this Unanimous Stipulation and Agreement shall be deemed to have approved or acquiesced in any question of Commission authority, accounting authority order principle, cost of capital methodology, capital structure, ratemaking principle, valuation methodology, cost of service methodology or determination, depreciation principle or method, rate design

methodology, cost allocation, cost recovery, or prudence, that may underlie this Unanimous Stipulation and Agreement, or for which provision is made in this Unanimous Stipulation and Agreement.

15. Negotiated Settlement

This Unanimous Stipulation and Agreement represents a negotiated settlement. Except as specified herein, the signatories to this Unanimous Stipulation and Agreement shall not be prejudiced, bound by, or in any way affected by the terms of this Unanimous Stipulation and Agreement: (a) in any future proceeding; (b) in any proceeding currently pending under a separate docket; and/or (c) in this proceeding should the Commission decide not to approve this Unanimous Stipulation and Agreement in the instant proceeding; or in any way condition its approval of the same, except as stated herein; or should the proposed Sale and transfer not be consummated.

16. Provisions are Interdependent

The provisions of this Unanimous Stipulation and Agreement have resulted from negotiations among the signatories and are interdependent. In the event that the Commission does not approve and adopt the terms of this Unanimous Stipulation and Agreement in total, it shall be void and no party hereto shall be bound, prejudiced, or in any way affected by any of the agreements or provisions thereof.

17. Waiver of Rights to Cross-Examination, etc.

In the event the Commission accepts the specific terms of this Unanimous Stipulation and Agreement, the signatories waive, with respect to the above-discussed settled issues, their respective rights to cross-examine witnesses; their respective rights to present oral argument and

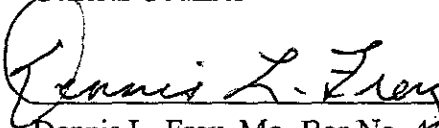
written briefs pursuant to Section 536.080.1, RSMo 1994;² their respective rights to the reading of the transcript by the Commission pursuant to Section 536.080.2; and their respective rights to judicial review pursuant to Section 386.510. This waiver applies only to a Commission Report and Order respecting this Unanimous Stipulation and Agreement issued in this proceeding and does not apply to any matters raised in any subsequent Commission proceeding, or any matters not explicitly addressed by this Unanimous Stipulation and Agreement.

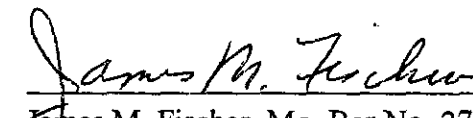
WHEREFORE, the parties respectfully request that the Commission issue an Order approving this Unanimous Stipulation and Agreement, to be effective May 1, 2000 or as soon as possible thereafter, and allowing Atmos to acquire the Missouri properties of ANG, as requested in the Joint Application filed with the Commission on November 2, 1999, subject to the terms and conditions contained within this Unanimous Stipulation and Agreement.

Respectfully Submitted,

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² All statutory references are to Revised Statutes of Missouri 1994, unless otherwise noted.

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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 29th day of March 2000.

Annex L. Frey

**Service List for
Case No. GM-2000-312
March 29, 2000**

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Al/Sec'y: Woodruff/Boyce
Date Circulated 4-17 CM-2000-312
CASE NO.
Lumpe, Chair JS
Crumpton, Commissioner Woodruff
Murray, Commissioner CM
Schenenauer, Commissioner JS
Draimer, Vice-Chair Ad
Agenda Date 4-20
Action taken: 4-045
Must Vote Not Later Than _____

STATE OF MISSOURI
OFFICE OF THE PUBLIC SERVICE COMMISSION

I have compared the preceding copy with the original on file in this office and

I do hereby certify the same to be a true copy therefrom and the whole thereof.

WITNESS my hand and seal of the Public Service Commission, at Jefferson City,
Missouri, this 20th day of April 2000.

Dale Hardy Roberts

Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

