

HEWITT TEXAS

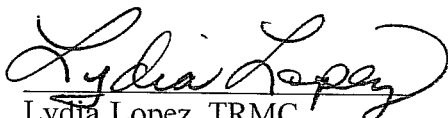
NOTICE OF MEETING OF THE GOVERNING BODY

Notice is hereby given that a **Dinner Workshop** meeting of the governing body of the City of Hewitt will be held on the **5th day of May, 2014 at 5:30 PM in Hewitt City Hall, 105 Tampico Drive**, Hewitt, Texas, at which time the following subjects will be discussed:

1. City Manager's update on municipal business:
 - a. Report from City Engineer including review and discussion of Capital Improvement Projects.
 - b. Briefing and discussion concerning Public Safety operations – Police & Fire.
2. Review regular meeting agenda items.
3. Convene Executive Session pursuant to the Open Meetings Act, Chapter 551, Texas Government Code to discuss the following:
 - Pursuant to § 551.087 – **Deliberation regarding Economic Development Negotiations.**
 - Pursuant to §551.071(1)(A) – **Consultation with Attorney regarding pending or contemplated litigation.**
4. Close Executive Session.
5. Adjourn.

I, the undersigned authority, do hereby certify that the above Notice of Meeting of the governing body of the City of Hewitt, Texas was posted on the Public Notice Board located in front of City Hall at 6:30 AM/PM on May 1, 2014.

CITY OF HEWITT


Lydia Lopez, TRMC
City Secretary

Persons with disabilities who plan to attend this meeting and who may need auxiliary aids or services such as interpreters for persons who are deaf or hearing impaired, readers, large print or Braille, are requested to contact the Hewitt City Secretary at (254) 666-6171 at least 24 hours prior to the meeting, so that appropriate arrangements can be made.

HEWITT TEXAS

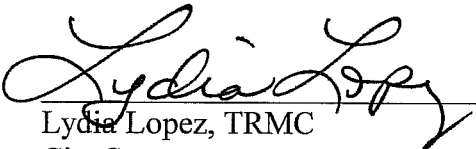
AMENDED NOTICE OF MEETING OF THE GOVERNING BODY

Notice is hereby given that a **Regular** meeting of the governing body of the City of Hewitt will be held on the **5th day of May, 2014 at 7:00 PM in the City Council Room at Hewitt City Hall, 105 Tampico Drive, Hewitt, Texas**, at which time the following subjects will be discussed:

1. Pledge of Allegiance to the U.S. Flag
2. Consider approval of minutes of the Council Dinner Workshop/Regular Meeting of April 21, 2014.
3. Special presentation of proclamation in recognition of "Motorcycle Safety and Awareness Month".
4. Hear visitors on matters pertaining to city business.
5. Consider and act on a resolution revising the deposit fee schedule for City of Hewitt Utility Customers.
6. Consider and act on a resolution denying the rate increase requested by Atmos Energy Corp., Mid-Tex Division's under the Company's 2014 Annual Rate Review Mechanism; requiring the company to reimburse the city's reasonable ratemaking expenses; finding that the meeting at which this resolution is passed is opened to the public as required by law; requiring notice of this resolution to the company and Atmos Cities Steering Committee's ("ACSC") legal counsel.
7. Adjourn.

I, the undersigned authority, do hereby certify that the above Notice of Meeting of the governing body of the City of Hewitt, Texas was posted on the Public Notice Board located in front of City Hall at 11:30 AM/PM on May 2, 2014.

CITY OF HEWITT


Lydia Lopez, TRMC
City Secretary

Persons with disabilities who plan to attend this meeting and who may need auxiliary aids or services such as interpreters for persons who are deaf or hearing impaired, readers, large print or Braille, are requested to contact the Hewitt City Secretary at (254) 666-6171 at least 24 hours prior to the meeting, so that appropriate arrangements can be made.

HEWITT TEXAS

WORKSHOP ITEM #1.a



CITY ENGINEER'S REPORT
April 30, 2014

Note: *All schedules, dates and references to completion dates are approximate and subject to change.*

I-35 Widening - Utility Adjustments:

All substantial construction is complete. The contractor was onsite with some subcontractors April the 30th, to work out all the issues that the city has been struggling with. It appears that part of the problem is electrical. There are other issues that are being worked on. This project is under contract with TXDOT as is the completion timeline.

Water Utility Improvements:

Commerce Park Water Plant:

Elevated Storage Tank; For the most part, we have finished our review of the tank submittals. The contractor was to move on site to start site prep work and is tentatively looking to have the foundation completed by the end of May and the shaft crews to begin work within the first part of June. This project is called to be completed on April 15, 2015.

Ritchie Road Plant and Well Electrical System Improvements:

The electrical engineer is working on his portion of the project and has been contacting us for information. He is sending us his working drawings to start reviewing. We feel sure he is now actively working on the project.

Wastewater Utility Improvements:

Lift Station No. 2 Replacement:

The new lift station is complete and operational, with the exception of a few electrical control bugs that are being worked out. This project should be wrapping up quickly.

Patriot Court – Street, Drainage and Water/Sewer Utilities:

The contractor has finished the concrete paving and Ritchie Road has been fully opened to traffic. The curb and gutter is complete on the asphalt section and the cement stabilized gravel base should be laid within the next few days on Patriot Court. This project is scheduled to be completed mid-May 2014.

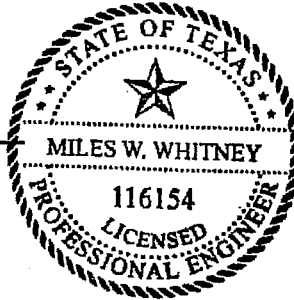
HEWITT TEXAS

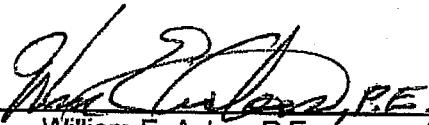
Additional Note:

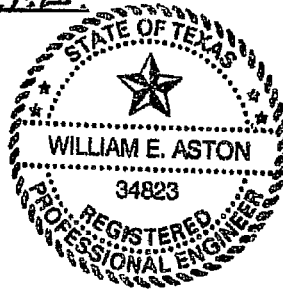
We are currently working with the city staff to renew the City of Hewitt's National Pollutant Discharge Elimination System (NPDES) Permit. The deadline for submittal is in June of 2014.

By:


Miles W. Whitney, P.E.




William E. Aston, P.E.



HEWITT TEXAS

COUNCIL AGENDA ITEM FORM

MEETING DATE: May 5, 2014

AGENDA ITEM #: 2

SUBMITTED BY: Lydia Lopez, City Secretary

ITEM DESCRIPTION:

Consider approval of minutes of the Council Dinner Workshop/Regular Meeting of April 21, 2014.

STAFF RECOMMENDATION/ITEM SUMMARY:

Attached is a draft copy of the meeting minutes. Please review and advise if any corrections are needed.

ATTACHMENTS:

Draft minutes

HEWITT TEXAS

MINUTES OF A CITY COUNCIL DINNER WORKSHOP/MEETING HEWITT CITY HALL – 105 TAMPICO DRIVE April 21, 2014 - 5:30/7:00 PM

Members Present: Mayor Ed Passalugo (presiding), Mayor Pro Tem Wilbert “Walky” Wachtendorf; Council Members Bill Fuller, James Vidrine, Ronnie McNiel, Travis Bailey, and Alex Snider

Staff Present: City Attorney Charlie Buenger, City Engineer Bill Aston, City Engineer Miles Whitney, City Manager Adam Miles, Assistant City Manager James Barton, Police Chief Jim Devlin, Deputy Police Chief Tuck Saunders, Fire Chief Lance Bracco, HR/Civil Service Director Susana Garcia-Gilmore, Utilities Director James Black, Customer Relations Manager Karen Sexton, Finance Director Lee Garcia, Asst. Finance Director Regina Fox, and City Secretary Lydia Lopez

Staff Absent: Library Director Waynette Ditto

Workshop – 5:30 PM

1. City Manager presented an update on municipal business:
 - a. Report from City Engineer including review and discussion of Capital Improvement Projects.
 - b. Briefing and discussion concerning VFW Memorial Ceremony, July 4, 2014, 9:00 am.
 - c. Briefing and discussion was held concerning changes in the Utility Billing process.
 - d. Briefing and discussion was held concerning Public Safety Facility including update from K4 Construction.
 - e. Briefing and discussion was held concerning electronic cigarettes or vaporizers.
 - f. Briefing and discussion was held concerning Public Safety operations – Police & Fire.
2. The regular meeting agenda items were reviewed.
3. Adjourn. *A motion was made by Travis Bailey and seconded by Bill Fuller to adjourn the Dinner Workshop at 6:26 pm.*
4. Mayor Passalugo convened the Executive Session at 6:29 pm pursuant to the Open Meetings Act, Chapter 551, Texas Government Code to discuss the following:
 - **Pursuant to § 551.087 – Deliberation regarding Economic Development Negotiations.**

5. Close Executive Session. *A motion was made by Alex Snider and seconded by James Vidrine to adjourn the Executive Session at 6:58 pm.*

REGULAR MEETING – 7:00 PM

1. **PLEDGE OF ALLEGIANCE TO THE U.S. FLAG** – Council Member Bill Fuller led the Pledge of Allegiance.
2. **CONSIDER APPROVAL OF MINUTES OF THE COUNCIL DINNER WORKSHOP/REGULAR MEETING OF APRIL 7, 2014.** *A motion was made by Bill Fuller and seconded by Travis Bailey to approve the minutes as submitted but allow for corrections; all seven in favor, motion passed.*
3. **HEAR VISITORS ON MATTERS PERTAINING TO CITY BUSINESS.** NONE
4. **CONSIDER AND TAKE APPROPRIATE ACTION CONCERNING AWARD OF MUNICIPAL DEPOSITORY SERVICES CONTRACT.** *Motion by Travis Bailey and seconded by Alex Snider to approve the award of municipal depository contract to Independent Bank; all seven in favor, motion passed.*
5. **ADJOURN.** *A motion was made by Bill Fuller and seconded by Ronnie McNiel to adjourn to the meeting at 7:05 p.m., all seven in favor, motion passed.*

Approved: May 5, 2014

Lydia Lopez, City Secretary

Ed Passalugo, Mayor

HEWITT TEXAS

COUNCIL AGENDA ITEM FORM

MEETING DATE: May 5, 2014

AGENDA ITEM #: 3

SUBMITTED BY: Lydia Lopez, City Secretary

ITEM DESCRIPTION:

Special presentation of proclamation in recognition of "Motorcycle Safety and Awareness Month".

STAFF RECOMMENDATION/ITEM SUMMARY:

This proclamation was requested by Steven Cochran (Texas Confederation of Clubs and Independents and the Texas US Defenders. Mr. Cochran will be present to receive proclamation.

ATTACHMENTS:

Proclamation

**OFFICIAL
MAYOR'S PROCLAMATION
CITY OF HEWITT, TEXAS**

- Whereas, motorcycle riding is a popular form of recreation and efficient transportation; and**
- Whereas, more and more residents of McLennan County are taking up this mode of transportation to commute to and from their places of employment; and**
- Whereas, it is the responsibility of all motorists to be aware of motorcyclists and extend to them the same courtesy as any other vehicles on our roadways; and**
- Whereas, motorcycle awareness and safety is a concern to all, it is appropriate to set aside a time to alert motorists to the number of motorcyclists on the roads and to help motorcyclists become more aware of the ways they can promote safety;**
- Therefore, I, Ed Passalugo, by virtue of the authority vested in me as Mayor of the City of Hewitt, hereby proclaim the month of May as "Motorcycle Safety and Awareness Month" for Hewitt and urge citizens both motorcycle riders and automobile drivers to follow the rules of the road so that all citizens will remain safe.**

Signed and sealed this 5th day of May, 2014.

Ed Passalugo, Mayor

Attest:

Lydia Lopez, City Secretary

HEWITT TEXAS II

ITEM #4 – HEARING OF VISITORS

CITIZEN PARTICIPATION AT MEETINGS

1. All citizens are encouraged to discuss matters of concern with the staff and individual council members prior to placing items on the agenda. Many times this will expedite a resolution or allow proper investigation of the matter for presentation to the entire council.

NO CITIZEN NOR STAFF MEMBER MAY SPEAK NOR OTHERWISE INTERRUPT ANY MEETING UNTIL RECOGNIZED BY THE PRESIDING OFFICER.

2. To maintain decorum at public hearings, the mayor will ask the citizens present if they wish to speak for or against the item on the agenda. If so, they will be given an opportunity to do so at the proper time, when recognized by the chair. If more than five citizens wish to address the council on any single agenda item, those citizens are advised to select spokespersons to present their case.
3. Citizens who wish to bring up a matter that pertains to city business or address an item on the agenda may do so, but only under the agenda item "Hear Visitors." **The council is prohibited by law from discussing or acting on any item that has not been posted on the agenda.**
4. **Citizens addressing the city council on items not on the agenda shall be limited to five minutes each. Total time for presentations on any one item or topic shall be limited to twenty-five minutes. The city council members shall not enter into discussion on any subject not properly placed on the agenda; however, the council members may ask questions for clarification purposes.**
5. As a general rule, citizens may not participate in the discussion of the council workshop session.

HEWITT TEXAS

COUNCIL AGENDA ITEM FORM

MEETING DATE: May 5, 2014

AGENDA ITEM #: 5

SUBMITTED BY: Adam Miles, City Manager

ITEM DESCRIPTION:

Consider and act on a resolution revising the deposit fee schedule for City of Hewitt Utility Customers.

STAFF RECOMMENDATION/ITEM SUMMARY:

As a follow up to the previous discussion concerning utility billing account deposits, staff is recommending revising the deposit schedule to take “soft check” credit scores or credit risk (as determined by a third party) into account when opening new city utility accounts. The proposal includes three tiers for residential accounts as follows:

Experian Score

“Green Light”

(Equifax Beacon Score of 685 to 850)

Minimum Deposit

\$50.00

“Yellow Light”

Equal to the minimum monthly bill plus 10%

(Equifax Beacon Score of 630 to 684)

“Red Light” or NO score

Equal to two times the minimum monthly bill plus 10%

(Equifax Beacon Score of 0 to 629)

For commercial accounts staff recommends adopting a policy of establishing a minimum deposit based on the initial application by a new customer. In essence, the initial deposit for commercial accounts would vary based on the size of the water meter and refuse collection option chosen by the account applicant and be equal to the minimum monthly bill for the chosen services.

If approved, this Deposit Schedule would become effective June 1, 2014.

ATTACHMENTS:

Resolution

Experian Score Translated to Equifax Score

<u>Experian</u> <u>National Risk Score</u>	<u>Equifax</u> <u>Beacon Score</u>
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0 to 10.0%	Green Light =	685-850
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10.1 to 25.0%	Yellow Light =	630-684
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25.1% and up	Red Light =	0-629
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RESOLUTION NO. 2014-05-05-1

WHEREAS in accordance with Chapter 78 – Utilities, Sec. 78.2 Utility deposits, fees, service charges, and penalties set by city council resolution, the City Council shall establish a schedule of deposits for utility customers of the City of Hewitt; and

WHEREAS the City Council finds it is in the best interest of the citizens of Hewitt to establish minimum deposits for water customers based on “soft check” credit scores provided by an independent third party; and

WHEREAS the City Council finds that a tiered deposit schedule based on credit risk and experience with other utilities is in the public interest; and

WHEREAS these rates are effective on June 1, 2014 and subject to be reviewed and amended as deemed necessary.

NOW THEREFORE, BE IT RESOLVED by the City Council of the City of Hewitt the following schedule for City of Hewitt Utility deposits is hereby adopted:

DEPOSIT SCHEDULE

<u>"Soft Check" credit score</u>	<u>Minimum Deposit</u>
700 or higher	\$500
650 or higher	\$1,000
600 or higher	\$2,000
550 or higher	\$3,000
500 or higher	\$4,000
450 or higher	\$5,000
400 or higher	\$6,000
350 or higher	\$7,000
300 or higher	\$8,000
250 or higher	\$9,000
200 or higher	\$10,000
150 or higher	\$11,000
100 or higher	\$12,000
50 or higher	\$13,000
0 or higher	\$14,000

Residential Accounts

“Green”	\$50.00
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(Equifax Beacon Score of 685 to 850)

“Yellow”	Equal to the minimum monthly bill plus 10%
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(Equifax Beacon Score of 630 to 684)

“Red” or NO score	Equal to two times the minimum monthly bill plus 10%
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(Equifax Beacon Score of 0 to 629)

Commercial Accounts

Initial deposit is equal to the minimum bill for one (1) month based on the initial application.

PASSED AND APPROVED this the 5th day of May, 2014.

CITY OF HEWITT

ATTEST:

Ed Passalugo, Mayor

Lydia Lopez, City Secretary



COUNCIL AGENDA ITEM FORM

MEETING DATE: May 5, 2014

AGENDA ITEM #: 6

SUBMITTED BY: Adam Miles, City Manager

ITEM DESCRIPTION:

Consider and act on a resolution denying the rate increase requested by Atmos Energy Corp., Mid-Tex Division's under the Company's 2014 Annual Rate Review Mechanism; requiring the company to reimburse the city's reasonable ratemaking expenses; finding that the meeting at which this resolution is passed is opened to the public as required by law; requiring notice of this resolution to the company and Atmos Cities Steering Committee's ("ACSC") legal counsel.

STAFF RECOMMENDATION/ITEM SUMMARY:

The ACSC Settlement Committee unanimously recommended the ACSC cities pass resolutions denying Atmos Mid-Tex's proposed rate increase. Action must be taken before June 1, 2014. The rates will go into effect on June 1, subject to refund.

ATTACHMENTS:

Model Staff Report
Resolution

MODEL STAFF REPORT

The City, along with approximately 164 other cities served by Atmos Energy Mid-Tex Division (“Atmos Mid-Tex” or “Company”), is a member of the Atmos Cities Steering Committee (“ACSC”). On or about February 28, 2014, Atmos Mid-Tex filed with the City an application to increase natural gas rates pursuant to the Rate Review Mechanism (“RRM”) tariff renewed by the City in 2013 as a continuation and refinement of the previous RRM rate review process. This is the second annual RRM filing under the renewed RRM tariff.

The Atmos Mid-Tex RRM filing sought a \$45.7 million rate increase system-wide based on an alleged test-year cost of service revenue deficiency of \$49 million. Of the total amount requested, almost \$37 million is attributable to the affected cities. The City worked with ACSC to analyze the schedules and evidence offered by Atmos Mid-Tex to support its request to increase rates. Although a good faith attempt was made by ACSC to reach a compromise with Atmos Mid-Tex, an agreement was not reached. In the absence of an agreement, the ACSC Executive Committee and ACSC’s legal counsel have recommended that ACSC members adopt the attached Resolution denying the rate increase request.

The RRM tariff was adopted by the City as an alternative to the Gas Reliability Infrastructure Program (“GRIP”), the statutory provision that allows Atmos to bypass the City’s rate regulatory authority to increase its rates annually to recover capital investments. In past years, cities have been able to reach a compromise with Atmos to reduce the rate impact from the requested RRM increases, and these compromises have also been lower than the rates that Atmos would have been entitled to under the GRIP filing. In this case, the Company would have been entitled to an increase from GRIP of no more than \$31.5 million. The magnitude of the requested increase under the 2014 RRM filing, and the wide differences between it and the ACSC consultants’ recommendations made a compromise much more difficult and ultimately impossible. The Company demanded more than it would be entitled to if it had filed a GRIP case. For this reason, the ACSC Executive Committee and ACSC legal counsel recommend that all ACSC Cities adopt the Resolution denying the requested rate change.

RRM Background:

The RRM tariff was originally approved by ACSC Cities as part of the settlement agreement to resolve the Atmos Mid-Tex 2007 system-wide rate filing at the Railroad Commission. In early 2013, the City adopted a renewed RRM tariff for an additional five years. This is the second RRM filing under the renewed tariff. This filing was made by agreement less than one year after the first filing in order for the RRM rate-setting process to hereafter use a calendar year as the test period.

The RRM tariff and the process implementing that tariff were created collaboratively by ACSC and Atmos Mid-Tex as an alternative to the legislatively-authorized GRIP surcharge process. ACSC has opposed GRIP because it constitutes piecemeal ratemaking, does not allow any review of the reasonableness of Atmos’ expenditures, and does not allow participation by cities or recovery of cities’ rate case expenses. In contrast, the RRM process has allowed for a more comprehensive rate review and annual adjustment as a substitute for GRIP filings.

ACSC's consultants have calculated that had Atmos filed under the GRIP provisions, it would have received additional revenues from ratepayers of approximately \$31.5 million.

Purpose of the Resolution:

Rates cannot change without the adoption of rate ordinances by cities. No related matter is pending at the Railroad Commission. The purpose of the Resolution is to deny the rate increase requested by Atmos. Under the RRM tariff, Atmos may appeal the rate decision of the cities to the Railroad Commission; such appeal must be filed within thirty (30) days of the City action.

The RRM tariff also allows Atmos to implement its requested rates effective June 1 while any appeal at the Commission is pending, subject to refunds based upon the outcome of the appeal. This would represent a monthly increase of approximately \$2.02 for the average residential customer, subject to any refund if the Commission reduces the rates implemented by Atmos. The actual impact will be slightly less than \$2.02 for most residential customers because the Company has indicated it will not appeal and thus concedes several of the issues raised by Cities. The Resolution also authorizes the City to participate as a party to the appeal in conjunction with the ACSC, and requires the Company to reimburse the City for its rate case expenses associated with the City's review of the RRM filing, and with the appeal of the City's denial of the rate increase.

Rate Impact of Appeal by Atmos Effective June 1:

The RRM tariff constrains the annual increase in the residential customer charge to no more than \$0.50. The current \$17.70 customer charge will be increased to \$18.22 per month with the addition of an energy conservation program surcharge of \$0.02. The current \$17.70 customer charge for unincorporated area customers will become \$20.32 per month because all of the increase associated with a GRIP filing, which is applicable to all customers not covered by a RRM tariff, is placed on the customer charge. However, the commodity charge for unincorporated residential service will be less than one-half of the commodity charge for residents of incorporated areas—\$0.04172 per Ccf vs. \$0.08998 per Ccf.

A comparison of rates and rate impact of what Atmos initially proposed in its RRM filing is reflected in the following chart:

Customer Class	Current Bill	New Bill	Difference	New Customer Charge	New Commodity Charge	Base Rate Increase
Residential	48.09	50.11	2.02	\$ 18.22	\$0.08998 Ccf	9.41%
Commercial	254.85	260.91	6.06	\$ 38.85	\$0.07678 Ccf	9.59%
Industrial	4,680.30	4,837.10	156.80	\$675.00	declining block	9.70%
Transportation	2,836.84	2,993.64	156.80	\$675.00	declining block	9.70%

However, Atmos has indicated that it will not appeal all issues raised by Cities and thus the impact should be slightly less than what is reflected in the above chart. A precise impact statement cannot be presented until after the Company's appeal is filed.

Reasons Justifying Approval of the Resolution:

Consultants working on behalf of ACSC Cities have investigated the Company's requested rate increase. While the evidence does not support the \$45.7 million increase requested by the Company, ACSC's consultants agree that the Company can justify an increase in revenues of a much lesser amount—namely, an increase of only \$19 million. The Executive Committee authorized a settlement value considerably above the consultants' recommendation but it was insufficient to meet the Company's expectation. The Company and ACSC Cities were too far apart in their positions to reach a compromise, and rather than granting a partial increase that the Company will not accept, the option remaining is to deny the rate increase request in its entirety, and participate in the Company's appeal of this decision at the Railroad Commission.

Explanation of "Be It Resolved" Paragraphs:

1. This paragraph approves all findings in the Resolution.
2. This section denies the requested rate increase, finds the proposed rates to be unreasonable and not in the public interest, and finds the existing rates to be just and reasonable.
3. This section requires the Company to reimburse ACSC Cities for reasonable ratemaking costs associated with reviewing and processing the RRM application.
4. This section authorizes participation by the City in conjunction with ACSC in any appeal filed by the Company at the Railroad Commission, and authorizes ACSC and its counsel to act on behalf of the City. This section also requires the Company to reimburse ACSC Cities for reasonable ratemaking costs associated with any appeal filed by the Company to the City's resolution.
5. This section finds that the meeting was conducted in compliance with the Texas Open Meetings Act, Texas Government Code, Chapter 551.
6. This section is a savings clause, which provides that if any section(s) is later found to be unconstitutional or invalid, that finding shall not affect, impair, or invalidate the remaining provisions of this Resolution. This section further directs that the remaining provisions of the Resolution are to be interpreted as if the offending section or clause never existed.
7. This paragraph directs that a copy of the signed Resolution be sent to a representative of the Company and legal counsel for ACSC.

RESOLUTION NO. 2014-05-05-2

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HEWITT, TEXAS, DENYING THE RATE INCREASE REQUESTED BY ATMOS ENERGY CORP., MID-TEX DIVISION UNDER THE COMPANY'S 2014 ANNUAL RATE REVIEW MECHANISM FILING IN ALL CITIES EXERCISING ORIGINAL JURISDICTION; REQUIRING THE COMPANY TO REIMBURSE CITIES' REASONABLE RATEMAKING EXPENSES PERTAINING TO REVIEW OF THE RRM; AUTHORIZING THE CITY'S PARTICIPATION WITH ATMOS CITIES STEERING COMMITTEE IN ANY APPEAL FILED AT THE RAILROAD COMMISSION OF TEXAS BY THE COMPANY; REQUIRING THE COMPANY TO REIMBURSE CITIES' REASONABLE RATEMAKING EXPENSES IN ANY SUCH APPEAL TO THE RAILROAD COMMISSION; DETERMINING THAT THIS RESOLUTION WAS PASSED IN ACCORDANCE WITH THE REQUIREMENTS OF THE TEXAS OPEN MEETINGS ACT; ADOPTING A SAVINGS CLAUSE; AND REQUIRING DELIVERY OF THIS RESOLUTION TO THE COMPANY AND THE STEERING COMMITTEE'S LEGAL COUNSEL.

WHEREAS, the City of Hewitt, Texas ("City") is a gas utility customer of Atmos Energy Corp., Mid-Tex Division ("Atmos Mid-Tex" or "Company"), and a regulatory authority with an interest in the rates and charges of Atmos Mid-Tex; and

WHEREAS, the City is a member of the Atmos Cities Steering Committee ("ACSC"), a coalition of approximately 164 similarly situated cities served by Atmos Mid-Tex that have joined together to facilitate the review of and response to natural gas issues affecting rates charged in the Atmos Mid-Tex service area; and

WHEREAS, pursuant to the terms of the agreement settling the Company's 2007 Statement of Intent to increase rates, ACSC Cities and the Company worked collaboratively to develop a Rate Review Mechanism ("RRM") tariff that allows for an expedited rate review

process controlled in a three-year experiment by ACSC Cities as a substitute to the current Gas Reliability Infrastructure Program (“GRIP”) process instituted by the Legislature; and

WHEREAS, the City took action in 2008 to approve a Settlement Agreement with Atmos Mid-Tex resolving the Company’s 2007 rate case and authorizing the RRM tariff; and

WHEREAS, in 2013, ACSC and the Company negotiated a renewal of the RRM tariff process for an additional five years; and

WHEREAS, the City passed an ordinance renewing the RRM tariff process for the City for an additional five years; and

WHEREAS, the RRM renewal tariff contemplates reimbursement of ACSC Cities’ reasonable expenses associated with RRM applications; and

WHEREAS, on or about February 28, 2014, the Company filed with the City its second annual RRM filing under the renewed RRM tariff, requesting to increase natural gas base rates by \$45.7 million; and

WHEREAS, ACSC coordinated its review of Atmos Mid-Tex’s RRM filing through its Executive Committee, assisted by ACSC attorneys and consultants, to investigate issues identified by ACSC in the Company’s RRM filing; and

WHEREAS, ACSC attorneys and consultants have concluded that the Company is unable to justify a rate increase of the magnitude requested in the RRM filing; and

WHEREAS, ACSC’s consultants determined the Company is only entitled to a \$19 million increase, approximately 42% of the Company’s request under the 2014 RRM filing; and

WHEREAS, the Company would only be entitled to approximately \$31 million if it had a GRIP case; and

WHEREAS, the Company's levels of operating and maintenance expense have dramatically risen without sufficient justification; and

WHEREAS, the Company has awarded its executives and upper management increasing and unreasonable levels of incentives and bonuses, expenses which should be borne by shareholders who received a 23% total return on investment in 2013; and

WHEREAS, the Company requested a drastically high level of medical expense that is unreasonable and speculatively based upon estimates; and

WHEREAS, ACSC and the Company were unable to reach a compromise on the amount of additional revenues that the Company should recover under the 2014 RRM filing; and

WHEREAS, the ACSC Executive Committee, as well as ACSC's counsel and consultants, recommend that ACSC Cities deny the requested rate increase; and

WHEREAS, the Company's current rates are determined to be just, reasonable, and in the public interest.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF HEWITT, TEXAS:

Section 1. That the findings set forth in this Resolution are hereby in all things approved.

Section 2. That the City Council finds that Atmos Mid-Tex was unable to justify the appropriateness or the need for the increased revenues requested in the 2014 RRM filing, and that existing rates for natural gas service provided by Atmos Mid-Tex are just and reasonable.

Section 3. That Atmos Mid-Tex shall reimburse the reasonable ratemaking expenses of the ACSC Cities in processing the Company's RRM application.

Section 4. That in the event the Company files an appeal of this denial of rate increase to the Railroad Commission of Texas, the City is hereby authorized to intervene in such appeal, and

shall participate in such appeal in conjunction with the ACSC membership. Further, in such event Atmos Mid-Tex shall reimburse the reasonable expenses of the ACSC Cities in participating in the appeal of this and other ACSC City rate actions resulting from the 2014 RRM filing.

Section 5. That the meeting at which this Resolution was approved was in all things conducted in strict compliance with the Texas Open Meetings Act, Texas Government Code, Chapter 551.

Section 6. That if any one or more sections or clauses of this Resolution is adjudged to be unconstitutional or invalid, such judgment shall not affect, impair, or invalidate the remaining provisions of this Resolution and the remaining provisions of the Resolution shall be interpreted as if the offending section or clause never existed.

Section 7. That a copy of this Resolution shall be sent to Atmos Mid-Tex, care of Chris Felan, Manager of Rates and Regulatory Affairs, at Atmos Energy Corporation, 5420 LBJ Freeway, Suite 1862, Dallas, Texas 75240, and to Geoffrey Gay, General Counsel to ACSC, at Lloyd Gosselink Rochelle & Townsend, P.C., P.O. Box 1725, Austin, Texas 78767-1725.

RESOLVED this _____ day of _____, 2014.

Ed Passalugo, Mayor

ATTEST:

APPROVED AS TO FORM:

Lydia Lopez, City Secretary

O. Charlie Buenger, City Attorney