FRANCHISE AGREEMENT

THIS **FRANCHISE AGREEMENT** is made and executed this 6th day of March, 2017 by and between the City of Mortons Gap, Kentucky (sometimes referred to herein as the "City") and Atmos Energy Corporation (referred to herein as "Franchisee").

Article I

DEFINITIONS:

As used in this Agreement, the following words and phrases shall have the following meanings:

(A) *"City"* refers to and is the City of Mortons Gap, Hopkins County, Kentucky, and includes such territory as currently is or may in the future be included within the boundaries of the City of Mortons Gap.

(B) *"City Council"* refers to and is the governing body of the City of Mortons Gap.

(C) *"Commission"* refers to and is the Kentucky Public Service Commission, the state utility regulatory Commission having jurisdiction over the rates, services and operations of Franchisee within the State of Kentucky or other administrative or regulatory authority succeeding to the regulatory powers of the Commission.

(D) *"Franchise"* shall mean the rights and privileges granted by the City to Franchisee under the terms and provisions of this franchise ordinance.

(E) *"Franchisee"* shall mean Atmos Energy Corporation.

(G) *"Public Right-of-Way"* shall mean the surface, the airspace above the surface and area below the surface of any street, highway, alley, avenue, boulevard, sidewalk, pedestrian/bicycle lane or trail, driveway, bridge, utility easement or any other public ways owned, dedicated by plat, occupied or used by the public and within City's geographical limits or boundaries established by applicable law.

(H) *"Revenues"* refer to and are those amounts of money which the Franchisee receives from its customers within the City's geographical limits or boundaries for the retail sale of gas under rates, temporary or permanent, authorized by the City Council and represents amounts billed under such rates as adjusted for refunds, the net write-off of uncollectible accounts, corrections or other regulatory adjustments. Revenues do not include miscellaneous service charges, including but not limited to turn ons, meter sets, non sufficient funds, late fees and interest, which are related to but are not a part of the actual retail sale of gas.

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(I) *"System"* shall mean the system of works, pipes, pipelines, facilities, fixtures, apparatus, lines, machinery, equipment, structures, appliances, appurtenances or other infrastructure reasonably necessary for the storage, transportation, distribution or sale of natural, artificial or mixed gas to residential and commercial customers and the public generally, within the geographical limits or boundaries of the City.

Article II

GRANT OF FRANCHISE:

(A) There is hereby created and granted unto Franchisee a non-exclusive franchise to enter upon, acquire, construct, operate, maintain and repair in the Public Right-of-Way the System, subject to the provisions of this Agreement. The franchise granted hereunder shall be extended to territories that are annexed by City upon the same terms and conditions herein, subject to the approval of the Commission, if any such approval is required.

(B) The franchise granted to Franchisee by the City shall not be exclusive and the City reserves the right to grant a similar franchise to any other person or entity at any time. In the event the City shall grant to another person or entity during the term hereof a franchise for a gas distribution system within the geographical boundaries or limits of City similar to the one herein granted to Franchisee, it is agreed that the terms of any such franchise agreement shall be no more favorable to such new additional Franchisee than those terms contained herein. Additionally, it is agreed that any such new/additional Franchisee shall have no right to use any portion of the System without Franchisee's written consent.

Article III

TERM, EFFECTIVE DATE, AND ACCEPTANCE OF FRANCHISE:

(A) The term of this Franchise shall be for a term of twenty (20) years.

(B) The franchise created hereby shall become effective upon its final passage and approval by the City, in accordance with applicable laws and regulations, and upon acceptance by the Franchisee by written instrument within sixty (60) days of passage by the governing body, and filed with the Clerk of the City. If the Franchisee does not, within sixty (60) days following passage of this Ordinance, express in writing its objections to any terms or provisions contained therein, or reject this Ordinance in its entirety, the Franchisee shall be deemed to have accepted this Ordinance and all of its terms and conditions.

(C) The terms and conditions of Ordinance No. 30 are superseded by the terms and conditions hereof.

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(D) On the expiration of this franchise, in the event the same is not renewed, or on the termination of any renewal of said franchise, or on termination of said franchise for any other reason, the plant and facilities of the Franchisee installed, constructed and operated hereunder shall, at the option of the City become the property of the City, upon payment to the Franchisee, its successors and/or assigns, of a fair valuation thereof, such fair valuation to be determined by agreement between the City and the Franchisee, its successors and/or assigns. City agrees that, at the time of such transfer of facilities, it shall assume Franchisee's contractual and regulatory obligations maintained in connection with the system. If the City does not exercise the option hereunder, then Franchisee may exercise its rights under Article XI (B).

Article IV

FRANCHISEE'S RIGHTS IN AND TO PUBLIC RIGHT-OF-WAY:

The Franchisee shall have the right and privilege of constructing, erecting, laying, operating, maintaining, replacing, removing and/or repairing a gas distribution system through, along, across and under the public right-of-way within the geographical boundaries or limits of the City as it now exists or may hereafter be constructed or extended, subject to the inherent police powers conferred upon or reserved unto the City and the provisions of this Agreement.

Article V

OPERATION OF SYSTEM; EXCAVATION OF PUBLIC RIGHT-OF-WAY:

(A) The System shall at all times be installed, operated and maintained in good working condition as will enable the Franchisee to furnish adequate and continuous service to all of its residential, commercial and industrial customers. The System shall be designed, installed, constructed and replaced in locations and at depths which comply with all applicable federal and state laws and regulations regarding minimum safety standards for design, construction, maintenance and operation of gas distribution systems.

(B) Franchisee shall have the right to disturb, break, and excavate in the Public Right-of-Way as may be reasonable and necessary to provide the service authorized hereby.

(C) Franchisee will repair any damage caused solely by Franchisee to any part of the Public Right-of-Way and will restore, as nearly as practicable, such property to substantially its condition immediately prior to such damage.

(D) Franchisee shall use reasonable care in conducting its work and activities in order to prevent injury to any person and unnecessary damage to any real or personal property.

(E) Franchisee shall, when reasonably practicable, install all pipelines underground

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at such depth and in such manner so as not to interfere with the existing pavement, curbs, gutters, underground wires or cables or water or sewer pipes owned or controlled by the City.

Article VI

DEGRADATION/RESTORATION OF PUBLIC RIGHT-OF-WAY:

(A) In the event that City or any other entity acting on behalf of City requests or demands that Franchisee remove, move, modify, relocate, reconstruct or adjust any part of the system from their then-current locations within the streets, alleys, and public places of City in connection with a public project or improvement, then Franchisee shall relocate, at its expense, the system facilities affected by such project or improvement. Franchisee's obligations under this paragraph shall apply without regard to whether Franchisee has acquired, or claims to have acquired, an easement or other property right with respect to such system facilities and shall not affect the amounts paid or to be paid to Franchisee under the provisions of this Ordinance. Notwithstanding the foregoing provisions of this paragraph, Franchisee shall not be obligated to relocate, at its expense, any of the following: (i) system facilities that are located on private property at the time relocation is requested or demanded; (ii) system facilities that are relocated in connection with sidewalk improvements (unless such sidewalk improvements are related to or associated with road widenings, the creation of new turn lanes, or the addition of acceleration/deceleration lanes); (iii) streetscape projects or other projects undertaken primarily for aesthetic purposes; or (iv) system facilities that are converted from an overhead configuration or installation to an underground configuration or installation.

(B) City and Franchisee recognize that both parties benefit from economic development within the boundaries of City. Accordingly, when it is necessary to relocate any of Franchisee's facilities within the boundaries of City, City and Franchisee shall work cooperatively to minimize costs, delays, and inconvenience to both parties while ensuring compliance with applicable laws and regulations. In addition, City and Franchisee shall communicate in a timely fashion to coordinate projects included in City's five-year capital improvement plan, City's short-term work program, or City's annual budget in an effort to minimize relocation of Franchisee's facilities. Such communication may include, but is not limited to, (i) both parties' participation in a local utility's coordinating council (or any successor organization) and (ii) both parties' use of the National Joint Utility Notification System (or any alternative comparable systems or successor to such system mutually acceptable to both parties).

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Article VII

COMPENSATION FOR USE OF PUBLIC RIGHT-OF-WAY AND CONSIDERATION FOR FRANCHISE:

(A) In consideration for the granting and exercise of the rights and privileges created hereunder, and in further consideration of the grant to the Franchisee of the right to make use of public right-of-way within the City, Franchisee shall pay to the City, a one (1) time fee equal to two thousand, four hundred thirty-two dollars and no cents ($2,432.00). The franchise fee will be due and payable upon the acceptance of this bid by the City and the awarding of the franchise to Franchisee.

(B) The franchise fee provided herein, together with any charges of the City for water, sewage and garbage services provided by the City to Franchisee, and any applicable occupational license fees or sales, ad valorem or other taxes payable to the City by the Franchisee under applicable law, shall constitute the only amounts for which Franchisee shall be obligated to pay to the City and shall be in lieu of any and all other costs, levies, assessments, fees or other amounts, of any kind whatsoever, that the City, currently or in the future, may charge Franchisee or assess against Franchisee's property. The franchise fee herein contemplated shall be uniformly and equally applied to all natural gas and electric utilities, of like services or any other natural gas service that compete with the Franchisee, such that Franchisee will be excused from collecting and paying franchise fees and/or taxes if Franchisee's competitors are not also required to do so.

Article VIII

SERVICE TO NEW AREAS

If during the term of this franchise the boundaries of the City are expanded, the City will promptly notify Franchisee in writing of any geographic areas annexed by the City during the term hereof ("Annexation Notice"). Any such Annexation Notice shall be sent to Franchisee by certified mail, return receipt requested, and shall contain the effective date of the annexation, maps showing the annexed area and such other information as Franchisee may reasonably require in ascertaining whether there exist any customers of Franchisee receiving natural gas service in said annexed area.

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Article IX

BREACH OF FRANCHISE; REMEDIES:

In the event of a breach by Franchisee of any material provision hereof, the City may terminate the franchise and rights granted to Franchisee hereunder, provided, however, that such termination shall not be effective unless and until the procedures described below have been followed:

(A) City must deliver to Franchisee, by certified or registered mail, a written notice signed by the mayor or other duly authorized member of City's governing body, attested by the City's secretary, and sealed with the official seal of the City. Such notice must (i) fairly and fully set forth in detail each of the alleged acts or omissions of Franchisee that the City contends constitutes a substantial breach of any material provision hereof, (ii) designate which of the terms and conditions hereof the City contends Franchisee breached, and (iii) specify the date, time, and place at which a public hearing will be held by the governing body of the City for the purpose of determining whether the allegations contained in the notice did in fact occur, provided, however, that the date of such hearing may not be less than thirty (30) days after the date of such notice.

(B) Within thirty (30) days following the adjournment of the publics hearing described in Subsection (A) above, the City must deliver to Franchisee, by certified or registered mail, a written notice signed by the mayor or other duly authorized member of City's governing body, attested by the City's secretary, and sealed with the official seal of the City, setting forth (i) the acts and omissions of Franchisee described in the first notice that the governing body of the City determines to have in fact occurred and (ii) the specific terms and conditions hereof listed in the first notice that the governing body of the City determines to have in fact been breached by such acts or omissions of Franchisee.

(C) The City must permit Franchisee the opportunity to substantially correct all of the breaches hereof set forth in the written notice described in Subsection (B) above within sixty (60) days after Franchisee's receipt of such notice.

Article X

FORCE MAJEURE

Notwithstanding anything expressly or impliedly to the contrary contained herein, in the event Franchisee is prevented, wholly or partially, from complying with any obligation or undertaking contained herein by reason of any event of force majeure, then, while so prevented, compliance with such obligations or undertakings shall be suspended, and the time during which Franchisee

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is so prevented shall not be counted against it for any reason. The term "force majeure", as used herein, shall mean any cause not reasonably within Franchisee's control and includes, but is not limited to, acts of God, strikes, lockouts, wars, terrorism, riots, orders or decrees of any lawfully constituted federal, state or local body, contagions or contaminations hazardous to human life or health, fires, storms, floods, wash-outs, explosions, breakages or accidents to machinery or lines of pipe, inability to obtain or the delay in obtaining rights-of-way, materials, supplies, or labor permits, temporary failures of gas supply, or necessary repair, maintenance, or replacement of facilities used in the performance of the obligations contained in this Agreement.

Article XI

ADDITIONAL REQUIREMENTS; MISCELLANEOUS PROVISIONS

(A) Franchisee shall at all times indemnify and hold harmless the City from and against any and all lawful claims for injury to any person or property by reason of Franchisee's or its employees' failure to exercise reasonable care in installing, maintaining and operating the System. Provided, however, that none of the provisions of this paragraph shall be applicable to the extent the City, its officials, officers, employees, contractors, or agents, were negligent and such negligence was the sole or contributing factor in bringing about injury to any person or property. In such event, any liability shall be apportioned between the City and the Franchisee based upon the percentage of fault assigned to each by a court of competent jurisdiction.

(B) Subject to the City's option under Article III (D), Franchisee may remove all or any part of its System upon the expiration or termination of the franchise and rights granted hereby.

(C) Franchisee may transfer or assign the franchise created by this agreement to any other person, proprietorship, partnership, firm or corporation with written notification to the City.

(D) If any section, subsection or provision of this ordinance or any part thereof is for any reason found or held to be in conflict with any applicable statute or rule of law, or is otherwise held to be unenforceable, the invalidity of any such section, subsection or provision shall not affect any or all other remaining sections and provisions of this ordinance, which shall remain in full force and effect.

(E) This agreement shall extend to, be binding upon, and inure to the benefit of, the parties hereto, and their respective successors and assigns.

(F) To the extent that any other ordinances of the City or portions thereof are in conflict or inconsistent with any of the terms or provisions hereof, then the terms of this Ordinance shall control.

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IN TESTIMONY WHEREOF, witness the signatures of the parties on this the day and date first above written.

CITY OF MORTONS GAP, KENTUCKY

BY: _____
Mayor

ATTEST:

Vickie Marsh
City Clerk

ATMOS ENERGY CORPORATION

BY: Kevin Akers
President, Kentucky Mid-States Division

City's Mailing Address and Phone Number:

P.O. Box 367
Mortons Gap Ky 42440

270-258-5362

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