

Exhibit No.:
Issue: Books and Records
Cost Allocation Manual
Witness: Daniel M. Meziere
Type of Exhibit: Direct Testimony
Sponsoring Party: Atmos Energy Corporation
Case No.: GR-2010-
Date Testimony Prepared: December 7, 2009

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. GR-2010-

DIRECT TESTIMONY

OF

DANIEL M. MEZIERE

ON BEHALF OF

ATMOS ENERGY CORPORATION

DECEMBER, 2009

INDEX TO THE DIRECT TESTIMONY
OF DANIEL M. MEZIERE
WITNESS ON BEHALF OF
ATMOS ENERGY CORPORATION

I.	POSITION AND QUALIFICATIONS.....	2
II.	PURPOSE OF TESTIMONY.....	3
III.	AUTHENTICATION OF BOOKS AND RECORDS.....	4
IV.	COST ALLOCATION MANUAL.....	12
V.	AFFIDAVIT.....	15
VI.	SCHEDULES	
	SCHEDULE DMM-1...COST ALLOCATION MANUAL.....	16

1 **BEFORE THE**
2 **MISSOURI PUBLIC SERVICE COMMISSION**

3 **CASE NO. _____**

4 **PREPARED DIRECT TESTIMONY**

5 **OF**

6 **DANIEL M. MEZIERE**

7 **On Behalf of**

8 **ATMOS ENERGY CORPORATION**

9
10 **I. POSITION AND QUALIFICATIONS**

11 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

12 A. My name is Daniel M. Meziere. My business address is 5430 LBJ Freeway, Suite
13 600, Dallas, Texas 75240.

14
15 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

16 A. I am the Director of Accounting Services for Atmos Energy Corporation
17 ("Atmos" or the "Company").

18
19 **Q. WHAT ARE YOUR JOB RESPONSIBILITIES?**

20 A. I am primarily responsible for directing various accounting activities and policies
21 within the Company. My primary duties include the oversight of general
22 accounting, fixed assets accounting, accounts payable, payroll, and cost
23 allocations. I also serve on an internal committee which is responsible for the

1 oversight and monitoring of Sarbanes-Oxley ("SOX") compliance. In addition, I
2 work with both our internal and external auditors on implementing, testing,
3 maintaining and modifying the Company's accounting controls, as well as
4 interfacing between the auditors and the Company.

5 I am also responsible for ensuring effective financial and internal controls
6 for the Company's accounting processes, system and procedures. I have
7 knowledge of the Company's accounting activities, which include compiling,
8 processing, reporting and analyzing financial information to satisfy the
9 requirements of internal management, internal auditors, external independent
10 auditors and regulatory agencies.

11
12 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND**
13 **PROFESSIONAL EXPERIENCE.**

14 A. I earned a Bachelor of Science degree in Accounting from East Central Oklahoma
15 State University in 1983 and a Masters of Business Administration from the
16 University of Dallas in 1997.

17 I have worked in the energy industry for over 20 years in a variety of accounting
18 and finance positions. I joined Atmos Energy Corporation in 2002 in my current
19 position.

20
21 **Q. ARE YOU A MEMBER OF ANY PROFESSIONAL ORGANIZATIONS?**

22 A. Yes. I am licensed by the State of Oklahoma as a Certified Public Accountant
23 ("CPA").

1 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION**
2 **OR OTHER REGULATORY ENTITIES?**

3 A. Yes, I filed testimony with this Commission in Case No. GR-2006-0387. I have
4 also testified before the Georgia Public Service Commission in Dockets 20298-U
5 and 27163-U, before the Tennessee Regulatory Authority in Dockets 05-00258
6 and 07-00105, the Kentucky Public Service Commission in Case Nos. 2006-
7 00464 and 2009-00354, the Railroad Commission of Texas in Dockets 9676 and
8 9762 and the Kansas Corporation Commission in Docket No. 08-ATMG-280-
9 RTS.

10

11

II. PURPOSE OF TESTIMONY

12 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

13 A. The purpose of my testimony is to authenticate the historical books and records of
14 the Company and demonstrate the integrity of the financial information that has
15 been filed in this case. I am also providing testimony concerning the Company's
16 Cost Allocation Manual ("CAM") which describes the methodology for shared
17 services cost allocations.

18

19 **Q. ARE YOU SPONSORING ANY SCHEDULES TO YOUR TESTIMONY?**

20 A. Yes. I am sponsoring Schedule DMM-1. This exhibit is a true and correct copy
21 of Atmos' current CAM.

22

23

1 **III. AUTHENTICATION OF BOOKS AND RECORDS**

2 **Q. PLEASE SUMMARIZE HOW THE BOOKS AND RECORDS OF ATMOS**
3 **ARE MAINTAINED AND UTILIZED IN THE REGULAR COURSE OF**
4 **BUSINESS.**

5 A. Atmos maintains its books and records in accordance with the Federal Energy
6 Regulatory Commission's ("FERC") Uniform System of Accounts ("USOA") and
7 Generally Accepted Accounting Principles ("GAAP"). The USOA is the
8 prescribed methodology for maintaining records in all of the state jurisdictions
9 which regulate Atmos' natural gas distribution operations, which currently
10 include Colorado, Georgia, Illinois, Iowa, Kansas, Kentucky, Louisiana,
11 Mississippi, Missouri, Tennessee, Texas and Virginia.

12 Atmos' accounting organization utilizes integrated computerized business
13 systems to efficiently process, record and maintain transactions generated in the
14 regular course of business. Financial transactions are created and entered into the
15 system at or near the time of the transaction by personnel having personal
16 knowledge, or acting in reliance on information transmitted by persons having
17 personal knowledge, of the transactions as well as of the applicable accounting
18 procedures and requirements.

19
20 **Q. AS DIRECTOR OF ACCOUNTING SERVICES, HOW DO YOU ASSURE**
21 **YOURSELF THAT TRANSACTIONS ARE RECORDED PROPERLY?**

22 A. As Director of Accounting Services, I have personal knowledge of the
23 organizational business processes and staffing in the Controllershship function. The

1 Controller's organization is staffed with highly qualified accounting managers
2 and staff, with many accounting positions filled by CPAs. The managers in the
3 organization are charged with the responsibility to inspect, review, and revise, if
4 appropriate, the work of the accountants they supervise. We have established and
5 maintained controls that ensure the accuracy of our books and records. These
6 controls help identify any necessary adjustments to accounting entries which are
7 then recorded to the original books and records. Additionally, Atmos Energy
8 contracts with KPMG for internal audit services and this group periodically
9 performs reviews of those controls.

10
11 **Q. ARE THE COSTS RECORDED ON THE COMPANY'S BOOKS AND**
12 **RECORDS SUPPORTED BY UNDERLYING INVOICES OR OTHER**
13 **RECORDS?**

14 **A.** Yes. In order for an item to be recorded in the Company's general ledger, there
15 must be an invoice or other underlying supporting documentation. The former,
16 for example, may be in the form of a billing invoice received from a vendor. The
17 latter, for example, may be in the form of an employee's timesheet. The manager
18 of a specific cost center or project is responsible for reviewing, coding and
19 approving invoices or other underlying supporting documentation that are charged
20 to that particular manager's cost center or project.

1 **Q. WHAT DO YOU MEAN BY COST CENTERS?**

2 A. As described in the Company's CAM, a cost center is a designation generally
3 utilized for the assignment of departmental cost responsibility and internal
4 management reporting. Employees with responsibility for these functional areas
5 are delegated a certain level of authority to conduct the business of the Company.

6

7 **Q. HOW ARE THESE AUTHORITY LEVELS DETERMINED OR**
8 **DELEGATED WITHIN THE COMPANY?**

9 A. The Board of Directors initially delegates authority to the chief executive officer
10 of the Company who then authorizes the controller to further delegate authority to
11 others throughout the Company as necessary. The Controller's approval of
12 authority limits is generally based on a review of the needs and recommendations
13 from those requesting authority limit changes. Approved authority limits are
14 maintained in a secure table within the Company's accounting system.

15

16 **Q. DOES THE COMPANY HAVE IN PLACE ANY PROCESS OR SYSTEM**
17 **FOR THE REVIEW AND VALIDATION OF INVOICES?**

18 A. Yes. Most invoices are scanned into an accounts payable processing system
19 called "Markview" when they are received by the Company. Once scanned, an
20 image of the invoice is routed electronically to the appropriate cost center owner.
21 The cost center owner reviews and electronically codes and approves the invoice
22 within the established approval hierarchy. As a part of this process, the cost
23 center owner is responsible for ensuring the cost is valid, just and reasonable. If

1 the amount of the invoice exceeds the authority limit of the initial approver, it is
2 automatically escalated through the approval hierarchy to a person with the
3 appropriate level of authority. A similar review process is performed at each level
4 within the approval hierarchy. Once final approval has been obtained, the invoice
5 is submitted to the accounts payable department for final payment.

6
7 **Q. DOES THE COMPANY HAVE IN PLACE ANY PROCESS OR SYSTEM**
8 **FOR THE REVIEW AND VALIDATION OF COSTS THAT ARE NOT**
9 **PROCESSED THROUGH MARKVIEW?**

10 A. Yes. Certain invoices and other requests for payment that are not presented as an
11 invoice are processed outside of Markview. Examples of these types of
12 documents include, but are not limited to tax returns, contracts for certain outside
13 services or certain wire transfer requests. The process for the review, coding and
14 approval of these costs is the same, except that the process may be manual in
15 nature rather than electronic. The Company employee in charge of this
16 documentation is responsible for ensuring the cost is valid, just and reasonable.
17 Coding and approvals are performed within the approval hierarchy. Once final
18 approval has been obtained, the documentation is submitted to the accounts
19 payable department for final payment.

20
21 **Q. ARE THERE ANY OTHER ACCOUNTING CONTROLS OR**
22 **PROCESSES IN PLACE TO ENSURE THE ACCURACY OF THE**
23 **COMPANY'S BOOKS AND RECORDS?**

1 A. Yes. The Company executes a series of detective monitoring controls designed to
2 identify and explain material and/or unusual costs that have been recorded in the
3 general ledger. Occasionally, errors are found and they are typically corrected in
4 the following month's reporting period, unless they are material. If material,
5 these errors are corrected in the current month.

6 Additionally, the Chief Executive Officer and Chief Financial Officer
7 must certify the Company's annual and quarterly financial statements and must
8 attest to and report on the Company's system of internal control. To facilitate this
9 effort, the Company outsources its internal audit function to a Big Four
10 accounting firm to conduct tests of the Company's system of internal control.
11 These tests are developed to ensure the system of internal control has been
12 designed effectively and that the controls are functioning as designed as of the
13 end of the Company's fiscal year.

14

15 **Q. PLEASE DESCRIBE THE PROCESS USED TO TEST INTERNAL**
16 **CONTROLS.**

17 A. The Company maintains a SOX steering committee, which is responsible for the
18 oversight and monitoring of Sarbanes-Oxley compliance. This committee is
19 comprised of myself, the Vice President and Controller, the Director of Financial
20 Reporting, the Director of Information Technology and the Senior Vice President
21 of Finance and Administration for the Company's non-regulated activities.

22 During the first quarter of the fiscal year, the Director of Financial
23 Reporting and I meet with the internal auditors to review our listing of key

1 controls to assess whether changes to that list should be made based upon changes
2 in the risk profile or organization of the company. A key control is defined as a
3 control necessary to mitigate the risks and ensure financial reporting is reasonable
4 and materially correct.

5 The internal audit group will develop a testing plan based upon these key
6 controls, which is reviewed and approved by the SOX steering committee. The
7 key controls are tested throughout the year. If issues arise, they are individually
8 addressed by a steering committee member who has knowledge of the affected
9 areas. The SOX steering committee meets regularly to assess the progress and
10 review the results of the testing. During this process, all findings are discussed
11 and the steering committee will determine whether the finding should be
12 considered a control deficiency, a significant deficiency or a material weakness.
13 A control deficiency exists when the design or operation of a control does not
14 allow management or employees to prevent or detect misstatements in financial
15 reporting on a timely basis. A significant deficiency is a control deficiency which
16 adversely affects the Company's ability to report external financial data reliably,
17 with more than a remote likelihood that an inconsequential misstatement of the
18 Company's financial statements will not be prevented or detected. A material
19 weakness is a significant deficiency that results in more than a remote likelihood
20 that a material misstatement of the financial statements will not be prevented or
21 detected.

22 At the end of the fiscal year, the steering committee makes
23 recommendations regarding the effectiveness of the Company's internal control

1 structure to be included in the internal auditor's final report to the audit
2 committee.

3

4 **Q. PLEASE SUMMARIZE THE RESULTS OF TESTING FOR THE MOST**
5 **RECENTLY COMPLETED FISCAL YEAR.**

6 A. The most recent fiscal year available is fiscal 2009. A total of 208 key controls
7 related to the Company's natural gas distribution operations were tested. We
8 identified 2 deficiencies. No significant deficiencies or material weaknesses were
9 identified.

10

11 **Q. ARE THE COMPANY'S TESTS OF INTERNAL CONTROL SUBJECT**
12 **TO EXAMINATION BY AN INDEPENDENT REGISTERED PUBLIC**
13 **ACCOUNTING FIRM?**

14 A. Yes. As a publicly traded company, Atmos is required to have an independent
15 registered public accounting firm audit management's public assertions regarding
16 the Company's system of internal control. Ernst & Young, LLP ("EY") serves as
17 the Company's independent registered public accounting firm.

18

19 **Q. CAN YOU SUMMARIZE THE PROCESS USED BY EY TO PERFORM**
20 **ITS ATTEST FUNCTION?**

21 A. Yes. EY will perform independent tests regarding the design of the Company's
22 internal control function and the effectiveness of the controls as of the end of the
23 fiscal year. They will rely, in part, on the work performed by the internal auditors

1 in completing their audit procedures. Upon completion of their work, EY will
2 issue an audit report summarizing their findings, which is included in the
3 Company's annual report on Form 10-K.

4
5 **Q. DID EY'S MOST RECENT REPORT DIFFER FROM THE FINDINGS OF**
6 **MANAGEMENT?**

7 A. No. EY issued an unqualified audit report for fiscal 2009, which means that they
8 agreed with management's assertions.

9
10 **Q. ARE THERE OTHER TYPES OF REGULAR AUDITS AND REVIEWS**
11 **THAT ARE CONDUCTED OF ATMOS'S BOOKS AND RECORDS?**

12 A. In addition to the audit of internal control, EY also conducts an annual audit of
13 Atmos' books and records. In addition, EY performs reviews of Atmos' quarterly
14 financial statements. These audits and reviews are conducted in accordance with
15 the standards of the Public Company Accounting Oversight Board (United
16 States).

17
18 **Q. HOW DOES THE ACCOUNTING SYSTEM ALLOW FOR THE**
19 **SEPARATE RECORDING AND TRACKING OF COSTS FOR ATMOS**
20 **ENERGY'S UTILITY DIVISIONS?**

21 A. Direct costs are charged directly to the natural gas distribution division which has
22 incurred the costs. In addition, technical and support services are provided to the
23 distribution divisions by centralized shared services departments primarily located

1 at the Atmos headquarters in Dallas. These centralized functions include, but are
2 not limited to, accounting, human resources, legal, treasury, risk management, etc.
3 The costs for these shared services are allocated to the operating divisions.

4
5 **Q. WERE THE BOOKS AND RECORDS OF THE COMPANY PROVIDED**
6 **TO COMPANY WITNESSES FOR UTILIZATION IN THEIR ANALYSIS**
7 **FOR RATEMAKING PURPOSES?**

8 A. Yes.

9
10 **IV. COST ALLOCATION MANUAL**

11 **Q. WHAT IS THE COST ALLOCATION MANUAL?**

12 A. The Cost Allocation Manual ("CAM"), contained in Schedule DMM-1, describes
13 and documents the process whereby allocations are made within the books and
14 records of the Company. These include allocations of various common expenses
15 which are incurred for the benefit of two or more of the Company's rate divisions
16 and are therefore allocable to those rate divisions. Additionally, the CAM
17 describes and documents the processes whereby allocations are made between
18 Atmos and its affiliates and between affiliates.

19
20 **Q. ARE YOU RESPONSIBLE FOR OVERSIGHT OF THE CAM?**

21 A. Yes. I coordinate and oversee the updating of the CAM.

1 **Q. PLEASE DESCRIBE THE HISTORY OF THE CAM.**

2 A. The CAM was first developed in response to Kentucky regulation 807 KAR 5:080
3 and was first filed with the Kentucky Public Service Commission in April of
4 2001. The Company is required to update the CAM each year. Atmos has used
5 the CAM to document its allocation processes in the regular course of business
6 since it was first filed.

7

8 **Q. ARE THE ALLOCATIONS DESCRIBED IN THE CAM USED IN EVERY**
9 **JURISDICTION IN WHICH ATMOS OPERATES?**

10 A. Yes. The CAM is uniformly applied in all twelve states in which Atmos has
11 regulated utility operations for allocation of common costs among Atmos' various
12 operating divisions, including Missouri.

13

14 **Q. DOES THE CAM DESCRIBE ALLOCATIONS OF BALANCE SHEET**
15 **AMOUNTS?**

16 A. No. The CAM describes how to allocate expense items from Atmos' income
17 statement. Investment or balance sheet items are not allocated within Atmos'
18 books and records. Investment amounts are allocated only for ratemaking
19 purposes in the context of a rate filing or certain regulatory reports.

1

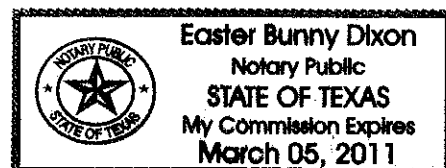
2 **Q. IN YOUR OPINION, DOES THE COMPANY'S ALLOCATION PROCESS**
3 **UNIFORMLY AND CONSISTENTLY ALLOCATE COMMON OR**
4 **SHARED SERVICES COSTS?**

5 **A. Yes, the allocation process described in the CAM operates fairly and reasonably**
6 in allocating those costs on a uniform basis, both as between Atmos' various
7 operating divisions and affiliates and between the various regulatory jurisdictions
8 in which the Company operates.

9

10 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

11 **A. Yes.**



SCHEDULE DMM-1

ATMOS ENERGY CORPORATION
COST ALLOCATION MANUAL
April 1, 2009

TABLE OF CONTENTS

Description

Page No.

2	Introduction
2	a. Corporate Structure
3	b. Accounting
4	c. Glossary of Terms
6	Capitalized overhead (general)
7	Stores overhead
8	Expenses in Shared Services – Customer Support cost centers
9	O&M Expenses in Shared Services – General Office cost centers
11	SSU – Customer Support depreciation and taxes, other than income taxes
12	SSU – General Office depreciation and taxes, other than income taxes
13	West Texas Division operating division general office O&M, depreciation and taxes other than income taxes, to rate division level
15	Colorado-Kansas Division operating division general office expenses to state regional office division levels
16	Colorado-Kansas Division state regional office division level expenses to rate division levels
17	Kentucky/Mid-States Division operating division general office expenses to rate division level
18	Louisiana Division operating division general office expenses to rate divisions.
19	Benefits cost allocation
20	Intercompany labor
21	Intercompany labor – Storage O&M Fee
22	Installing yard lines
23	Adjustments to uncollectible accounts expense
24	Intra-company labor allocation - other than operating division general office labor
25	Other income and interest expense(All below the line accounts)
26	Gas Supply services between operating divisions and affiliate
27	Gas cost between state jurisdictions for contiguous systems
28	Gas storage services between an operating division and an affiliate
29	Working capital funds management
30	Gas storage services provided between affiliates
31	AEM – Salaries and FICA cost allocation
32	AEM – Operations and Maintenance cost allocation
33	Property Insurance
34	AES Retail Services
35	Intercompany Interest on notes payable
36	Appendix A - Organizational Chart

1. Introduction:

a. Corporate Structure

Atmos Energy Corporation (Atmos or the Company) operates its Regulated Operations through seven operating divisions in 12 states. The seven operating divisions and their service areas are:

Division	Service Area
Atmos Energy Colorado-Kansas Division	Colorado, Kansas, SW Missouri
Atmos Energy Kentucky/Mid-States Division	Georgia, Illinois, Iowa, Kentucky, Missouri, Tennessee, Virginia
Atmos Energy Louisiana Division	Louisiana
Atmos Energy Mid-Tex Division	Texas, including the Dallas/Fort Worth metropolitan area
Atmos Energy Mississippi Division	Mississippi
Atmos Energy West Texas Division	West Texas
Atmos Pipeline – Texas Division	Intrastate pipeline business in Texas

These operating divisions are not subsidiaries or separate legal entities. Therefore, by definition, they cannot be considered affiliates of Atmos.

Technical and support services are provided to the operating divisions by centralized shared services departments primarily located at the Atmos headquarters in Dallas. These centralized functions currently include, but are not limited to, accounting, gas supply, human resources, information technology, legal, rates and the customer support. The costs for these shared services are allocated to the operating divisions. In addition, for operating divisions that operate in more than one rate jurisdiction, costs from an operating division's general office are allocated to separate rate divisions within the operating division.

In addition to its regulated businesses, Atmos also has Nonregulated Operations, which are operated through Atmos Energy Holdings, Inc., a wholly-owned subsidiary of Atmos, and its various wholly-owned subsidiaries. These subsidiaries are separate legal entities and are considered affiliates of Atmos.

The Company's current legal entity organization chart is contained in Appendix A.

Note that the descriptions contained herein do not address tariffed services.

b. Accounting:

Atmos' account coding structure enables it to capture the costs for allocable activities. Expenses, assets, and liabilities for Atmos' shared services and other operating division general office divisions are coded to applicable location codes and cost centers as necessary, which are then allocated to the appropriate rate divisions based upon the methodologies described herein. Allocations recorded in the books and records of the Company, are primarily for management control purposes and may not be reflective of the allocation methodology used for rate making purposes.

Atmos' account coding structure is as follows:

XXX.	XXXX.	XXXX.	XXXXX.	XXXXXX.	XXXX.
Company	Cost Center	FERC Account	Sub- Account	Service Area	Future Use
3 digit	4 digit	4 digits	5 digits	6 digits	4 digits

Within the above coding structure, "Company" and "Cost Center" are primarily utilized for internal management responsibility reporting purposes for Atmos' operating divisions. The terms "Company" and "Cost Center" are defined in the glossary beginning on the following page. Utilization of the "Company" or "Cost Center" fields is not suitable for meaningful financial or regulatory reporting purposes.

The FERC account field contains the three-digit FERC USOA account plus one extension digit which in some cases is utilized by the FERC USOA.

The first three digits of the Service Area field are the primary coding utilized for cost allocations within Atmos and is generally referred to as "rate division number". This portion of the field denotes Atmos' various rate divisions as well as the Company's various shared services and operating division general office divisions. These codes are the primary source of information for regulatory reporting and rate activity. The remaining three digits represent "town" location which is utilized only for some accounts. Atmos Pipeline-Texas uses the final three digits of the service area to represent the actual storage or compressor facility; however, this is used for O&M expenses only.

c. Glossary of Terms:

The following terms are defined for purposes of this document only:

Affiliate - One or more of Atmos' subsidiaries.

Below the Line - Amounts which are generally not included in an analysis of costs from which gas service rates are derived.

Company - In general terms, it refers to Atmos Energy Corporation. Within the context of the account coding string, this term represents an operating division, wholly-owned subsidiary or other legal entity controlled by Atmos.

Composite Factor - The Company's general allocation factor which is derived for each applicable area based upon the simple average of the ratio of gross plant in service, average number of customers and direct operation and maintenance expenses for each applicable area to the total for each of these items.

Corporate Headquarters - The headquarters of Atmos Energy Corporation located in Dallas, Texas.

Cost Centers - Account coding which denotes an area of cost responsibility. This coding is used primarily for management purposes.

Customer Factor - The Company's general allocation factor which is derived based on the average number of customers of the Operating Divisions that receive allocable costs for the services provided.

Direct Charges - Those charges which may originate in a shared services department or operating division general office division or a rate division which are booked directly to the applicable rate division.

FERC USOA - The Uniform System of Accounts as prescribed by the Federal Energy Regulatory Commission.

Municipal Jurisdiction - For Atmos' operations in Texas, each municipality which it serves has original jurisdiction over rates.

Nonregulated Operations - Represents the Company's natural gas marketing and nonregulated pipeline, storage and midstream operations controlled by Atmos Energy Holdings, Inc., a wholly-owned subsidiary of Atmos Energy Corporation.

Operating Division - An unincorporated division of Atmos Energy Corporation that contains at least one rate division that is responsible for the management of the Company's Regulated Operations. Operating divisions are not subsidiaries or separate legal entities. As such, they do not have separate equity or debt structures. Additionally, the divisions do not keep separate books and records.

Operating divisions with multiple rate divisions have one operating division general office rate division in addition to rate divisions corresponding to regulatory jurisdictional areas.

Operating Division General Office - Administrative offices that are located outside of shared service offices which serve as the base of operations and central office for each "operating division".

Rate Division – Often referred to as an operating rate division, it denotes Atmos' regulatory jurisdictions that are defined by state boundaries, geographic boundaries within states or municipal boundaries within the State of Texas. The term also denotes Atmos' various shared services and operating division general office divisions. These divisions are the primary source for regulatory reporting and rate activity for an area in which rates have been set by a regulatory authority such as the Colorado Public Utilities Commission. Rate divisions are identifiable in the Company's account coding string. As such, costs are accumulated within the general ledger and represent the sum of direct costs plus costs allocated to the rate division.

Regulated Operations – Represents the Company's six regulated natural gas distribution operating divisions operating in 12 states and the Company's regulated intrastate pipeline operations in the State of Texas.

Service Area - The portion of the Company's account coding structure of which the first three digits denote rate division. The last three digits of this code denote "town" which is used only in certain instances. Atmos Pipeline-Texas uses the final three digits of the service area to represent the actual storage or compressor facility; however, this is used for O&M expenses only.

Shared Services - The Company's functions that serve multiple rate divisions. These services include departments such as legal, billing, call center, accounting, information technology, human resources, gas supply, rates administration among others. Shared Services is comprised of Shared Services – General Office and Shared Services – Customer Support

Shared Services – Customer Support – Shared Services functions that include billing, customer call center functions and customer support related services.

Shared Services – General Office – Shared Services functions that include all other functions not encompassed by Shared Services – Customer Support.

Service: Capitalized overhead (general)

Description: Overhead related to capital expenditures

Current Provider of Service Shared Services
Atmos Pipeline – Texas Division
Louisiana Division operating division general office
Kentucky/Mid-States Division operating division general office
Colorado-Kansas Division operating division general office
Mid-Tex Division
Mississippi Division
West Texas Division

Current Use of Service Rate divisions

Basis for allocation Capitalized overhead costs are accumulated by operating division (and state level for multiple state divisions). Each operating division (and state) sets an application rate at the beginning of the year based on projected expenditures. As expenditures for CWIP and RWIP are recorded overhead is applied at the application rate. Periodically, the application rate is reviewed. Shared services overhead is allocated to operating divisions based on operating division capital expenditures. At the end of each quarter, the amount that has accumulated in the OH project is cleared to all eligible projects that incurred charges during that quarter.

General Ledger Entries: Example Only

<div>SSU BU 010</div> <div>Cash</div> <div>Acct. 131</div> <div>\$1,000 (1)</div>	<div>SSU BU 010</div> <div>Accounts Payable</div> <div>Acct. 232</div> <div>(1) \$1,000 \$1,000 (1)</div>	<div>SSU BU 010</div> <div>Office Supply and Expenses</div> <div>Acct. 921</div> <div>Cost Center XXXX *</div> <div>(1) \$1,000</div>	<div>SSU BU 010</div> <div>Administrative Expenses Transferred</div> <div>Acct. 922</div> <div>Cost Center XXXX</div> <div>\$600 (3)</div> <div>\$400 (3a)</div>
<div>SSU BU 010</div> <div>Administrative Expenses Transferred</div> <div>Acct. 922</div> <div>Cost Center 1910 *</div> <div>(3b) \$20</div> <div>(3b) \$180</div>	<div>SSU BU 010</div> <div>Administrative & General</div> <div>Acct. 920</div> <div>Cost Center 1910</div> <div>\$200 (2)</div>	<div>SSU BU 010</div> <div>Construction Work in Progress</div> <div>Acct. 107</div> <div>(2) \$200</div>	
<div>General Office - Div 009</div> <div>Administrative Expenses Transferred</div> <div>Acct. 922</div> <div>(3) \$600</div> <div>(5) \$10</div> <div>\$150 (4)</div> <div>\$450 (4a)</div> <div>\$20 (3b)</div>	<div>Rate Div Office</div> <div>Mid States Div 009 **</div> <div>Administrative Expenses Transferred</div> <div>Acct. 922</div> <div>(4) \$150</div> <div>\$10 (5)</div>		

* Cap rate = 20%

** Many rate division offices exist within Mid-States in addition to Div 009.

Flow of Activity

- (1) Purchase Office Supplies
- (2) Capitalize Overhead is calculated based on cost center capitalization percentage
- (3) Allocating Shared Services Expenses to General Offices - 60% Allocation rate for illustration purposes only
- (3a) Allocation to remaining general offices
- (3b) Allocate capitalization credits to business units
- (4) Allocating Shared Services Expenses to Rate Division Office - 25% Allocation rate for illustration purposes only
- (4a) Allocation to remaining division offices
- (5) Allocating Shared Services Capitalization Credit to Rate Division Office - 50% Allocation rate for illustration purposes only

Note: Please see page 14 and 15 for Colorado/Kansas allocation of expenses from General Office to State Regional Office to Rate Division.

Service: Stores overhead

Description: Overhead related to inventory warehousing is allocated to materials as issued.

Current Provider of Service: Shared Services
Operating division general office

Current Use of Service: Atmos Pipeline – Texas Division
West Texas Division rate divisions
Louisiana Division rate divisions
Kentucky/Mid-States Division rate divisions
Mid-Tex Division rate division
Colorado-Kansas Division rate divisions
Mississippi Division rate division

Basis for allocation: Overhead costs associated with inventory items, including rent, labor and supervision are accumulated by operating division. Each operating division sets an application rate at the beginning of the year based on projected overhead and materials activity. As materials are issued from the warehouse, the overhead assigned is also allocated to the same account. Periodically, the balance in the undistributed stores overhead account is compared to the materials on hand balance and a new rate is determined. Shared Services stores overhead is allocated monthly to the operating divisions based on number of meters.

General Ledger Entries: Example Only

<div> <div>SSU BU 010</div> <div>Cash</div> <div>Acct. 131</div> <div> <div>\$100 (1)</div> <div>\$2 (3)</div> </div> </div>	<div> <div>SSU BU 010</div> <div>Inventory</div> <div> <div>(1) \$100</div> <div>\$100 (2)</div> </div> </div>	<div> <div>Rate Div Office</div> <div>Mid States Div 009 **</div> <div>Construction Work</div> <div>In Progress</div> <div>Acct. 107</div> <div> <div>(2) \$100</div> <div>(3) \$2</div> </div> </div>
<div> <div>SSU BU 010</div> <div>Stores Expense</div> <div>Undistributed</div> <div>Acct. 163</div> <div> <div>(3) \$2</div> <div>\$2 (3)</div> </div> </div>		

** Many rate division offices exist within Mid-States in addition to Div 009.

Flow of Activity

- 1 Purchase Inventory - Material
- 2 Issue Inventory to Capital Project
- 3 Apply Inventory Storage Rate
Assume 2%

Service: Expenses in Shared Services – Customer Support cost centers

Description: Includes all expenses for Customer Support.

Current
Provider
Of Service Shared Services

Current Use
of Service West Texas Rate Divisions
Mid-Tex Division
Louisiana Rate Divisions
Kentucky/Mid-States Rate Divisions
Colorado-Kansas Rate Divisions
Mississippi Division

Basis for
allocation Costs are allocated to the applicable operating division general
office in total based on the average number of customers in each
operating division as a percentage of the total number of
customers in all of the operating divisions. From the operating
division general office Divisions Customer Support charges are
allocated to rate divisions using the average number of
customers in each rate division.

General Ledger Entries: Example Only

<div>SSU BU 010</div> <div>Cash</div> <div>Acct. 131</div> <div></div> <div>\$1,000 (1)</div>	<div>SSU BU 010</div> <div>Accounts Payable</div> <div>Acct. 232</div> <div>(1)</div> <div>\$1,000</div> <div>\$1,000 (1)</div>	<div>SSU BU 010</div> <div>Office Supply</div> <div>and Expenses *</div> <div>Acct. 921</div> <div>Cost Center XXXX</div> <div>(1)</div> <div>\$1,000</div>
<div>SSU BU 010</div> <div>Administrative</div> <div>Expenses</div> <div>Transferred</div> <div>Acct. 922</div> <div></div> <div>\$ 400 (2)</div> <div>\$ 600 (2a)</div>	<div>General Office</div> <div>Mid States - Div 091</div> <div>Administrative</div> <div>Expenses</div> <div>Transferred</div> <div>Acct. 922</div> <div>(2)</div> <div>\$400</div> <div>\$100 (3)</div> <div>\$300 (3a)</div>	<div>Rate Div Office</div> <div>Mid States Div 009 **</div> <div>Administrative</div> <div>Expenses</div> <div>Transferred</div> <div>Acct. 922</div> <div>(3)</div> <div>\$100</div>

* Many O&M expense accounts exist in addition to 921 that get cleared out of account 922.

** Many rate division offices exist within Mid-States in addition to Div 009.

Flow of Activity

- (1) Purchase Office Supplies - Shared Services
- (2) Allocating Shared Services Expenses to General Offices - 40% Allocation rate for illustration purposes only
- (2a) Allocation to remaining general offices
- (3) Allocating Shared Services Expenses to Rate Division Office - 25% Allocation rate for illustration purposes only
- (3a) Allocation to remaining division offices

Note: Please see page 14 and 15 for Colorado/Kansas allocation of expenses from
General Office to State Regional Office to Rate Division.

Service:	O&M Expenses in Shared Services – General Office cost centers
Description:	Includes O&M expenses in Shared Services – General Office.
Current Provider Of Service	Shared Services
Current Use of Service	Atmos Energy Marketing, LLC Atmos Power Systems, Inc Atmos Pipeline and Storage, LLC Atmos Energy Holdings, LLC West Texas Division Mid-Tex Division Atmos Pipeline – Texas Division Louisiana Division Kentucky/Mid-States Division Colorado-Kansas Division Mississippi Division
Basis for allocation	<p>Costs are allocated to affiliates and operating divisions based on a composite factor applied to the Shared Services departments. Shared Services departments, which provide services to the Company's affiliates, utilize a composite factor. The computation includes the affiliates. (If Mid-Tex and Atmos Pipeline-Texas are provided services by a department, the composite factor will include Mid-Tex and Atmos Pipeline-Texas.) .</p> <p>Shared Service departments that do not provide services to the Company's affiliates, utilize a composite factor that does not include the Company's affiliates (If Mid-Tex and Atmos Pipeline-Texas are provided services by a department, the composite factor will include Mid-Tex and Atmos Pipeline-Texas.).</p> <p>Shared Service departments that provide services only to Mid-Tex, Mid States or Atmos Pipeline-Texas are allocated at a 100% rate to the respective utility division.)</p> <p>In Shared Service departments where appropriate costs are allocated to the applicable utility division level in total based on the average number of customers in each operating division as a percentage of the total number of customers in all of the operating divisions.</p> <p>Other allocation methods used as appropriate include composite not including affiliates or Atmos Pipeline –Texas, composite not including affiliates, Atmos Pipeline-Texas or Mid States, composite using only West Texas, COKS, and MS utility divisions, composite using West Texas, Mid Tex, and Atmos Pipeline-Texas or Overhead rate.</p> <p>From each operating division general office charges are allocated to rate divisions using the composite rate for each rate division.</p>

General Ledger Entries: Example Only

SSU BU 010		
Cash		
Acct. 131		
	\$1,000	(1)

SSU BU 010		
Accounts Payable		
Acct. 232		
(1)	\$1,000	\$1,000 (1)

SSU BU 010		
Office Supply and Expenses *		
Acct. 921		
Cost Center XXXX		
(1)	\$1,000	

SSU BU 010		
Administrative Expenses		
Transferred		
Acct. 922		
	\$ 300	(2)
	\$ 700	(2a)

General Office		
Mid States - Div 091		
Administrative Expenses		
Transferred		
Acct. 922		
(2)	\$300	\$150 (3)
		\$150 (3a)

Rate Div Office		
Mid States Div 009 **		
Administrative Expenses		
Transferred		
Acct. 922		
(3)	\$150	

* Many O&M expense accounts exist in addition to 921 that get cleared out of account 922.

** Many rate division offices exist within Mid-States in addition to Div 009.

Flow of Activity

- (1) Purchase Office Supplies - Shared Services
- (2) Allocating Shared Services Expenses to General Offices - 30% Allocation rate for illustration purposes only
- (2a) Allocation to remaining general offices
- (3) Allocating Shared Services Expenses to Rate Division Office - 50% Allocation rate for illustration purposes only
- (3a) Allocation to remaining division offices

Note: Please see page 14 and 15 for Colorado/Kansas allocation of expenses from General Office to State Regional Office to Rate Division.

Service: SSU – Customer Support depreciation and taxes other than income taxes

Description: Includes all depreciation and taxes other than income tax charged in Shared Services – Customer Support.

Current Provider Of Services: Shared Services

Current Use of Service: West Texas Rate Divisions
Louisiana Rate Divisions
Kentucky/Mid-States Rate Divisions
Mid-Tex Division
Colorado-Kansas Rate Divisions
Mississippi Division

Basis for allocation: Costs are allocated to the applicable rate division level in total based on the average number of customers in each operating division as a percentage of the total number of customers in all of the operating divisions.
If needed number of customers in rate divisions is used to allocated from the operation division general office to rate divisions.

General Ledger Entries: Example Only

<div>SSU BU 010</div> <div>Cash</div> <div>Acct. 131</div> <div>\$1,000 (1)</div>	<div>SSU BU 010</div> <div>Accounts Payable</div> <div>Acct. 232</div> <div>(1) \$1,000 \$1,000 (1)</div>	<div>SSU BU 010</div> <div>Taxes Other than</div> <div>Income Taxes</div> <div>Acct. 408.1</div> <div>(1) \$1,000 \$400 (2) \$600 (2a)</div>
<div>General Office</div> <div>Mid States - Div 091</div> <div>Taxes Other than</div> <div>Income Taxes</div> <div>Acct. 408.1</div> <div>(2) \$400.00 \$100 (3) \$300 (3a)</div>	<div>Rate Div Office</div> <div>Mid States Div 009 **</div> <div>Taxes Other than</div> <div>Income Taxes</div> <div>Acct. 408.1</div> <div>(3) \$ 100</div>	
<div>SSU BU 010</div> <div>Depreciation Exp</div> <div>Acct. 403</div> <div>(4) \$5,000 \$5,000 (5)</div>	<div>SSU BU 010</div> <div>Accumulated Depreciation</div> <div>Acct. 108</div> <div>\$5,000 (4)</div>	<div>Rate Div Office</div> <div>Mid States Div 009 **</div> <div>Depreciation Exp</div> <div>Acct. 403</div> <div>(5) \$200 (5a) \$4,800</div>

** Many rate division offices exist in addition to Div 009.

Flow of Activity

- (1) Taxes Other than Income Taxes incurred
- (2) Allocating Shared Services Expenses to General Office - 40% to Mid States BU - for illustration purposes only
- (2a) Allocation to remaining general offices
- (3) Allocating Shared Services Expenses to Rate Division Office - 25% to Kentucky Rate Division Office - for illustration purposes only
- (3a) Allocation to remaining division offices
- (4) Monthly Depreciation Expense is booked through Powerplant and interfaces with the Oracle general ledger.
- (5) Current Month Depreciation Expense is allocated to the various utility rate divisions using the following allocation factors:
 - a. For SSU division 002 - General - Allocated using the composite factor
 - b. For SSU division 012 - Call Center - Allocated using the customer factor.
- (5a) Allocation to remaining division offices

Note: Please see page 14 and 15 for Colorado/Kansas allocation of expenses from General Office to State Regional Office to Rate Division.

Service:	SSU – General Office depreciation and taxes other than income taxes
Description:	Includes all depreciation and taxes other than income tax charged in Shared Services – General Office.
Current Provider Of Services	Shared Services
Current Use of Service	Atmos Energy Marketing, LLC Atmos Power Systems, Inc. Atmos Pipeline and Storage, LLC Atmos Energy Services, LLC West Texas Division Mid-Tex Division Atmos Pipeline – Texas Division Louisiana Division Kentucky/Mid-States Division Colorado-Kansas Division Mississippi Division
Basis for allocation	<p>Costs are allocated to the applicable operating divisions in total based on the Composite Factor. The Composite Factor is the simple average of three percentages:</p> <p>The percentage of Gross Direct Property Plant and Equipment in each operating division unit as a percentage of the total Direct Property Plant and Equipment in all of the operating divisions.</p> <p>The number of customers in each operating division as a percentage of the total number of customers in all of the operating divisions.</p> <p>The total direct O&M expense in each operating division as a percentage of the total direct O&M expense in all operating divisions.</p> <p>If needed allocation from operating division general offices to rate division uses the composite rate.</p>

See page 11 for General Ledger Entry – Example Only

Service:	West Texas Division operating division general office expenses to rate division levels.
Description:	Allocation of operating division general office expenses to rate division levels
Current Provider of Service	West Texas Division operating division general office
Current Use of Service	West Texas Division rate divisions
Basis for allocation	<p>Costs are allocated to the applicable operating divisions in total based on the Composite Factor. The Composite Factor is the simple average of three percentages:</p> <p>The percentage of Gross Direct Property Plant and Equipment in each division as a percentage of the total Direct Property Plant and Equipment in the West Texas Division rate divisions.</p> <p>The number of customers in each rate division as a percentage of the total number of customers in the West Texas Division rate divisions.</p> <p>The total direct O&M expense in each municipal rate division as a percentage of the total direct O&M expense in the West Texas Division rate divisions.</p>

General Ledger Entries: Example Only

<div>General Office West Texas - Div 010 Cash Acct. 131</div> <div> <div>\$500 (1)</div> <div>\$400 (5)</div> </div>	<div>General Office West Texas - Div 010 Accounts Payable Acct. 232</div> <div> <div>(1) \$500</div> <div>(5) \$400</div> </div>	<div>General Office West Texas - Div 010 Office Supply and Expenses * Acct. 921</div> <div> <div>(1) \$500</div> </div>
<div>General Office West Texas - Div 010 Administrative Expenses Transferred Acct. 922</div> <div> <div>\$200 (2)</div> <div>\$300 (2a)</div> </div>	<div>Rate Div Office West Texas Div 020** Administrative Expenses Transferred Acct. 922</div> <div> <div>(2) \$200</div> </div>	
<div>General Office West Texas - Div 010 Depreciation Exp Acct. 403</div> <div> <div>(3) \$100</div> <div>\$100 (4)</div> </div>	<div>West Texas - Div 010 Accumulated Depreciation Acct. 108</div> <div> <div>\$100 (3)</div> </div>	<div>Rate Div Office West Texas Div 020** Depreciation Exp Acct. 403</div> <div> <div>(4) \$15</div> <div>(4a) \$85</div> </div>
<div>General Office West Texas - Div 010 Taxes Other than Income Taxes Acct. 408.1</div> <div> <div>(5) \$400.00</div> <div>\$100 (6)</div> <div>\$300 (6a)</div> </div>	<div>Rate Div Office West Texas Div 020** Taxes Other than Income Taxes Acct. 408.1</div> <div> <div>(6) \$ 100</div> </div>	

* Many O&M expense accounts exist in addition to 921 that get cleared out of account 922.

** Many rate division offices exist in addition to Div 020.

Flow of Activity

- (1) Purchase Office Supplies - West Texas Division General Office
- (2) Allocating General Office Expenses to Rate Division Office - 40% Allocation rate for illustration purposes only
- (2a) Allocation to remaining division offices
- (3) Monthly Depreciation Expense is booked through Powerplant and interfaces with the Oracle general ledger.
- (4) Allocation from Division 010 - West Texas General Office to West Texas Rate Divisions
- (4a) Allocation to remaining division offices
- (5) Taxes Other than Income Taxes incurred
- (6) Allocating General Office Expenses to Rate Division Office - 25% to West Texas Rate Division Office - for illustration purposes only

Service: Colorado-Kansas Division operating division general office expenses to state regional office division level.

Description: Allocation of division general office expenses to state regional office division levels.

Current Provider of Service Colorado-Kansas Division operating division general office

Current Use of Service Colorado-Kansas Operating Division state office divisions.

Basis for allocation Costs are allocated to the applicable state regional office divisions in total based on the Composite Factor. The Composite Factor is the simple average of three percentages:

The percentage of Gross Direct Property Plant and Equipment in each state as a percentage of the total Direct Property Plant and Equipment in Colorado-Kansas Division.

The number of customers in each state as a percentage of the total number of customers in Colorado-Kansas Division.

The total direct O&M expense in each state as a percentage of the total direct O&M expense in Colorado-Kansas Division.

General Ledger Entries: Example Only

<div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;"> General Office CO/KS BU 060 Div 030 Cash Acct. 131 </div> <div style="border-top: 1px solid black; margin-top: 5px;"> <div style="display: flex; justify-content: space-between;"> \$500 (1) </div> </div>	<div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;"> General Office CO/KS BU 060 Accounts Payable Acct. 232 </div> <div style="border-top: 1px solid black; margin-top: 5px;"> <div style="display: flex; justify-content: space-between;"> (1) \$500 \$500 (1) </div> </div>	<div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;"> General Office CO/KS BU 060 Office Supply and Expenses * Acct. 921 </div> <div style="border-top: 1px solid black; margin-top: 5px;"> <div style="display: flex; justify-content: space-between;"> (1) \$500 </div> </div>
<div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;"> General Office CO/KS BU 060 Administrative Expenses Transferred Acct. 922 </div> <div style="border-top: 1px solid black; margin-top: 5px;"> <div style="display: flex; justify-content: space-between;"> \$250 (2) </div> <div style="display: flex; justify-content: space-between; margin-top: 5px;"> \$200 (2a) </div> <div style="display: flex; justify-content: space-between; margin-top: 5px;"> \$50 (2a) </div> </div>	<div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;"> State Div Office CO/KS Div 031 Administrative Expenses Transferred Acct. 922 </div> <div style="border-top: 1px solid black; margin-top: 5px;"> <div style="display: flex; justify-content: space-between;"> (2) \$250 </div> </div>	<div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;"> State Div Office CO/KS Div 080 Administrative Expenses Transferred Acct. 922 </div> <div style="border-top: 1px solid black; margin-top: 5px;"> <div style="display: flex; justify-content: space-between;"> (2a) \$200 </div> </div>

* Many O&M expense accounts exist in addition to 921 that get cleared out of account 922.

Flow of Activity

- (1) Purchase Office Supplies - Colorado/Kansas Division General Office
- (2) Allocating General Office Expenses to State Division Office - 50% Allocation rate for illustration purposes only
- (2a) Allocation to remaining state offices

Service: Colorado-Kansas Division state regional office division level expenses to rate division levels.

Description: Allocation of state regional office division level expenses to rate division levels.

Current Provider of Service: Colorado-Kansas Division regional division office

Current Use of Service: Colorado-Kansas Division rate divisions

Basis for allocation: Costs are allocated to the applicable rate divisions in total based on the Composite Factor. The Composite Factor is the simple average of three percentages:

The percentage of Gross Direct Property Plant and Equipment in each state rate division as a percentage of the total Direct Property Plant and Equipment in each state.

The number of customers in each state rate division as a percentage of the total number of customers in each state.

The total direct O&M expense in each state rate division as a percentage of the total direct O&M expense in each state.

General Ledger Entries: Example Only

<div>State Div Office CO/KS BU 060 Div 030 Cash Acct. 131</div> <div>\$500 (1)</div>	<div>State Div Office CO/KS BU 060 Accounts Payable Acct. 232</div> <div>(1) \$500 \$500 (1)</div>	<div>State Div Office CO/KS BU 060 Office Supply and Expenses * Acct. 921</div> <div>(1) \$500</div>
<div>State Div Office CO/KS BU 060 Administrative Expenses Transferred Acct. 922</div> <div>\$200 (2) \$300 (2a)</div>	<div>Rate Div Office CO/KS Div 033 ** Administrative Expenses Transferred Acct. 922</div> <div>(2) \$200</div>	

* Many O&M expense accounts exist in addition to 921 that get cleared out of account 922.

** Many rate division offices exist within the state in addition to Div 033.

Flow of Activity

- (1) Purchase Office Supplies - Colorado/Kansas State Division Office
- (2) Allocating State Division Office Expenses to Rate Division Office - 40% Allocation rate for illustration purposes only
- (2a) Allocation to remaining division offices

Service: Kentucky/Mid-States Division operating division general office expenses to rate division level

Description: Allocation of operating division general office expenses to rate division levels

Current Provider Of Service: Kentucky/Mid-States Division operating division general office

Current Use of Service: Kentucky/Mid-States Division rate divisions

Basis for allocation: Costs are allocated to the applicable rate divisions in total based on the Composite Factor. The Composite Factor is the simple average of three percentages:

The percentage of Gross Direct Property Plant and Equipment in each rate division as a percentage of the total Direct Property Plant and Equipment in Kentucky/Mid-States Division.

The number of customers in each rate division as a percentage of the total number of customers in Kentucky/Mid-States Division.

The total direct O&M expense in each rate division as a percentage of the total direct O&M expense in Kentucky/Mid-States Division.

General Ledger Entries: Example Only

<div>General Office Mid States - Div 091 Cash Acct. 131</div> <div>\$500 (1)</div>	<div>General Office Mid States - Div 091 Accounts Payable Acct. 232</div> <div>(1) \$500 \$500 (1)</div>	<div>General Office Mid States - Div 091 Office Supply and Expenses * Acct. 921</div> <div>(1) \$500</div>
<div>General Office Mid States - Div 091 Administrative Expenses Transferred Acct. 922</div> <div>\$200 (2) \$300 (2a)</div>	<div>Rate Div Office Mid States Div 009 ** Administrative Expenses Transferred Acct. 922</div> <div>(2) \$200</div>	
<div>General Office Mid States - Div 091 Depreciation Exp Acct. 403</div> <div>(3) \$100 \$100 (4)</div>	<div>Mid States - Div 091 Accumulated Depreciation Acct. 108</div> <div>\$100 (3)</div>	<div>Rate Div Office Mid States Div 009 ** Depreciation Exp Acct. 403</div> <div>(4) \$15 (4a) \$85</div>

* Many O&M expense accounts exist in addition to 921 that get cleared out of account 922.

** Many rate division offices exist in addition to Div 009.

Flow of Activity

- (1) Purchase Office Supplies - Mid States Division General Office
- (2) Allocating General Office Expenses to Rate Division Office - 40% Allocation rate for illustration purposes only
- (2a) Allocation to remaining division offices
- (3) Monthly Depreciation Expense is booked through Powerplant and interfaces with the Oracle general ledger.
- (4) Allocation from Division 091 - Mid States General Office to Mid States Rate Divisions - Allocated using the composite factor.
- (4a) Allocation to remaining division offices

Service: Louisiana Division operating division general office expenses to rate divisions.

Description: Allocation of operating division general office expenses to rate division levels

Current Provider of Service: Louisiana Division operating division general office

Current Use of Service: Louisiana Division rate divisions

Basis for allocation: Costs are allocated to the applicable rate divisions in total based on the Composite Factor. The Composite Factor is the simple average of three percentages:

The percentage of Gross Direct Property Plant and Equipment in each rate division as a percentage of the total Direct Property Plant and Equipment in Louisiana Division.

The number of customers in each rate division as a percentage of the total number of customers in Louisiana Division.

The total direct O&M expense in each rate division as a percentage of the total direct O&M expense in Louisiana Division.

General Ledger Entries: Example Only

<div>General Office LA - Div 107 Cash Acct. 131</div> <div>\$500 (1)</div>	<div>General Office LA - Div 107 Accounts Payable Acct. 232</div> <div>(1) \$500 \$500 (1)</div>	<div>General Office LA - Div 107 Office Supply and Expenses * Acct. 921</div> <div>(1) \$500</div>
<div>General Office LA - Div 107 Administrative Expenses Transferred Acct. 922</div> <div>\$200 (2) \$300 (2a)</div>	<div>Rate Div Office LA Div 007 ** Administrative Expenses Transferred Acct. 922</div> <div>(2) \$200</div>	
<div>General Office LA - Div 107 Depreciation Exp Acct. 403</div> <div>(3) \$100 \$100 (4)</div>	<div>LA - Div 107 Accumulated Depreciation Acct. 108</div> <div>\$100 (3)</div>	<div>Rate Div Office LA Div 007 ** Depreciation Exp Acct. 403</div> <div>(4) \$15 (4a) \$85</div>

* Many O&M expense accounts exist in addition to 921 that get cleared out of account 922.

** Div 077 exists in addition to Div 007.

Flow of Activity

- (1) Purchase Office Supplies - LA Division General Office
- (2) Allocating General Office Expenses to Rate Division Office - 40% Allocation rate for illustration purposes only
- (2a) Allocation to remaining division offices
- (3) Monthly Depreciation Expense is booked through Powerplant and interfaces with the Oracle general ledger.
- (4) Allocation from Division 107 - LA General Office to LA Rate Divisions - Allocated using the composite factor.
- (4a) Allocation to remaining division offices

Service: Benefits cost allocation

Description: Accumulates fringe benefits (workers compensation, basic life insurance, SFAS/106, medical/dental insurance, long term disability, ESOP, pension cost etc.) and allocates to the rate jurisdictions and/or subsidiaries.

Current Provider of Service Shared Services

Current Use of Service
Atmos Pipeline – Texas Division
Atmos Power Systems, Inc.
UCG Storage, Inc.
Atmos Energy Services, LLC
Atmos Energy Marketing, LLC
West Texas Division
Louisiana Division
Kentucky/Mid-States Division
Mid-Tex Division
Colorado-Kansas Division
Mississippi Division

Basis for allocation Fringe benefits components are accumulated by each operating division general office. Benefit expenses are allocated to rate jurisdictions by multiplying each rate jurisdiction's labor dollars by that particular operating division's benefits load percentage. The load percentage is calculated using total budgeted benefits divided by total labor. An allocation of fringe benefits from Shared Services to the divisions and subsidiaries is calculated based on the ratio of employees for each division or subsidiary to total employees that receive their benefits from Atmos Energy Corporation.

General Ledger Entries: Example Only

<div>SSU BU 010</div> <div>Cash</div> <div>Acct. 131</div> <div></div> <div>\$1,000 (1)</div>	<div>SSU BU 010</div> <div>Clearing Account</div> <div>Acct. 184</div> <div>(1)</div> <div>\$1,000</div> <div>\$1,000 (1)</div>	<div>SSU BU 010</div> <div>Employee Pensions and Benefits *</div> <div>Acct. 926</div> <div>(1)</div> <div>\$1,000</div> <div></div>
<div>SSU BU 010</div> <div>Administrative Expenses Transferred</div> <div>Acct. 922</div> <div></div> <div>\$ 200 (2)</div> <div>\$ 800 (2a)</div>	<div>General Office</div> <div>Mid States - Div 091</div> <div>Administrative Expenses Transferred</div> <div>Acct. 922</div> <div>(2)</div> <div>\$200</div> <div>\$50 (3)</div> <div>\$150 (3a)</div>	<div>Rate Div Office</div> <div>Mid States Div 009 **</div> <div>Administrative Expenses Transferred</div> <div>Acct. 922</div> <div>(3)</div> <div>\$50</div> <div></div>

* Many O&M expense accounts exist in addition to 926 that get cleared out of account 922.

** Many rate division offices exist within the state in addition to Div 009.

Flow of Activity

- (1) Benefit costs incurred
- (2) Allocating Shared Services Expenses to Mid States General Office - 20% Allocation rate for illustration purposes only
- (2a) Allocation to remaining general offices
- (3) Allocating Shared Services Expenses to Rate Division Office - 25% Allocation rate for illustration purposes only
- (3a) Allocation to remaining division offices

Service: Intercompany labor

Description: To the extent operating division employees provide labor services to another affiliate, the labor costs for the services will be charged to the appropriate affiliate.

Current Provider of Service: Atmos Pipeline – Texas Division
Louisiana Division
Colorado-Kansas Division
Kentucky/Mid-States Division
Mid-Tex Division
Mississippi Division

Current Use of Service: UCG Storage, Inc.
Atmos Energy Marketing, LLC
WKG Storage, Inc.
Trans Louisiana Gas Pipeline, Inc.
Trans Louisiana Gas Storage, Inc.

Basis for allocation: Labor charges are captured through direct time sheet entries and transferred to the appropriate subsidiary receiving the labor services.

General Ledger Entries: Example Only

<div>SSU BU 010</div> <div>Cash</div> <div>Acct. 131</div> <div>\$500 (2a)</div>	(2b)	<div>SSU BU 010</div> <div>A/R from Assoc Co.</div> <div>Acct. 146</div> <div>\$500</div>	(2a)	<div>SSU BU 010</div> <div>Accounts Payable</div> <div>Acct. 232</div> <div>\$500 \$500 (2b)</div>
<div>Atmos Energy Services</div> <div>AES BU 301</div> <div>Mains & Services Exp</div> <div>Acct. 8740</div> <div>(1) \$500</div>		<div>Mid States BU 050-Div 002</div> <div>A/R from Assoc Co.</div> <div>Acct. 146</div> <div>\$500 (2b)</div>	(2b)	<div>Mid States BU 050-Div 091</div> <div>Accounts Payable</div> <div>Acct. 232</div> <div>\$500 \$500 (1)</div>

Flow of Activity

- (1) Employee X is a Kentucky Employee. He worked on a special project in March for Atmos subsidiary, AES (Atmos Energy Services). Time is captured through a direct time sheet entry.
- (2a) Salary is paid to employee x
- (2b) JE is made to relieve payable in operating division.
Intercompany Entry generated by Oracle to keep Operating Divisions in sync.

Service: Intercompany labor – Storage O&M Fee

Description: To the extent operating division employees provide services to an affiliate, a fee will be charged to the affiliate.

Current Provider of Service: Kentucky/Mid-States Division
(Kentucky operations only)

Current Use of Service: WKG Storage, Inc.
UCG Storage, Inc.

Basis for allocation: For the operation and maintenance of the East Diamond Storage Facilities, WKG Storage, Inc. shall pay Atmos Energy Corporation a monthly fee as set forth in the Natural Gas Storage Field and Pipeline Operations Agreement dated August 1, 2004.
For the operation and maintenance of the Barnsley Storage Facilities, UCG Storage, Inc. shall pay Atmos Energy Corporation a monthly fee as set forth in the Natural Gas Storage Field and Pipeline Operations Agreement dated July 10, 2006.

General Ledger Entries: Example Only

<div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;"> WKG Storage BU 233 Natural gas storage - Operation labor and expenses Acct. 841 </div> <div style="display: flex; justify-content: space-between; border-top: 1px solid black; padding-top: 5px;"> (1) \$100 </div>	<div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;"> KY/Mid-State BU 050, Div 009 Revenues from merchandising, jobbing and contract work Acct. 415 </div> <div style="display: flex; justify-content: space-between; border-top: 1px solid black; padding-top: 5px;"> \$100 (1) </div>
<div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;"> WKG Storage BU 233, Div 002 A/R from Assoc Co. Acct. 146 </div> <div style="display: flex; justify-content: space-between; border-top: 1px solid black; padding-top: 5px;"> \$100 (2) </div>	<div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;"> KY/Mid-State BU 050, Div 002 A/R from Assoc Co. Acct. 146 </div> <div style="display: flex; justify-content: space-between; border-top: 1px solid black; padding-top: 5px;"> (2) \$100 </div>

Flow of Activity - East Diamond Storage Facility

- (1) Monthly Billing for operation and maintenance of the East Diamond Storage Facility
(2) Intercompany Entry generated by Oracle to keep Operating Divisions in sync

<div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;"> UCG Storage BU 232 Natural gas storage - Operation labor and expenses Acct. 841 </div> <div style="display: flex; justify-content: space-between; border-top: 1px solid black; padding-top: 5px;"> (1) \$100 </div>	<div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;"> KY/Mid-State BU 050, Div 009 Revenues from merchandising, jobbing and contract work Acct. 415 </div> <div style="display: flex; justify-content: space-between; border-top: 1px solid black; padding-top: 5px;"> \$100 (1) </div>
<div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;"> WKG Storage BU 232, Div 002 A/R from Assoc Co. Acct. 146 </div> <div style="display: flex; justify-content: space-between; border-top: 1px solid black; padding-top: 5px;"> \$100 (2) </div>	<div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;"> KY/Mid-State BU 050, Div 002 A/R from Assoc Co. Acct. 146 </div> <div style="display: flex; justify-content: space-between; border-top: 1px solid black; padding-top: 5px;"> (2) \$100 </div>

Flow of Activity - Barnsley Storage Facility

- (1) Monthly Billing for operation and maintenance of the Barnsley Storage Facility
(2) Intercompany Entry generated by Oracle to keep Operating Divisions in sync

Service: Installing yard lines

Description: Includes all costs incurred by the operations within Kentucky of the Kentucky/Mid-States Division to install customer-owned yard lines. In Kentucky, Atmos does not own the yard line and the work it conducts on such yard lines is not regulated for ratemaking purposes.

Current Provider of Service: Kentucky/Mid-States Division

Current Use of Service: Kentucky/Mid-States Division (Kentucky operations only)

Basis for allocation: Materials and labor are charged to other expense below the line. Use of transportation or work equipment is recorded in the same account by journal entry based on actual usage. Revenue generated for these yard line billings are booked directly to other income below the line.

Atmos Energy Corporation, Kentucky Only, Service Area 009
General Ledger Entries: Installing Yard Lines (Example Only)

SSU BU 010 Cash Acct. 131	SSU BU 010 Accounts Payable Acct. 232	
<hr/>	<hr/>	
\$1,000 (1)	\$1,000 (1)	\$1,000 (1)
KY/Mid-State BU 050, Div 009 Cost of Expenses of merchandising merchandising, jobbing and contract work Acct. 416	KY/Mid-State BU 050, Div 009 Revenues from merchandising, jobbing and contract work Acct 415	KY/Mid-State BU 050, Div 009 Customers Accounts Receivable Acct 142
<hr/>	<hr/>	<hr/>
(1) \$1,000	\$500 (2)	(2) \$500

(1) Expenses incurred for yard line installations
(2) Billing from Banner

Service: Adjustments to Uncollectible Accounts Expense

Description: Allocation of additional expense amounts booked to adjust the Provision for Uncollectibles (Account 144)

Current Provider of Service: West Texas Division rate divisions
Louisiana Division rate divisions
Kentucky/Mid-States Division rate divisions
Colorado-Kansas Division rate divisions
Mid-Tex Division rate division
Mississippi Division rate division

Current Use of Service: West Texas Division rate divisions
Louisiana Division rate divisions
Kentucky/Mid-States Division rate divisions
Colorado-Kansas Division rate divisions
Mid-Tex Division rate division
Mississippi Division rate division

Basis of Intra-company Allocations: Costs are allocated to the rate divisions in total based on Sales Revenue.

General Ledger Entries: Example Only

Rate Division *		Rate Division		Rate Division	
Accumulated Provision for Uncollectible Accounts Acct. 144 sub aaaaa		Customer Accounts - Uncollectible Accounts Acct. 904		Cistpmer Accpimts Receivable Acct. 142 sub bbbbbb	
(2) \$ 250	\$ 1,000 (1)	(1) \$ 1,000			\$ 250 (2)

* Each rate division has a different allocation rate.

Flow of Activity

- (1) Monthly allocated costs.
- (2) Write off of uncollectible accounts as needed.

Service: Intra-company labor allocation – other than operating division general office labor

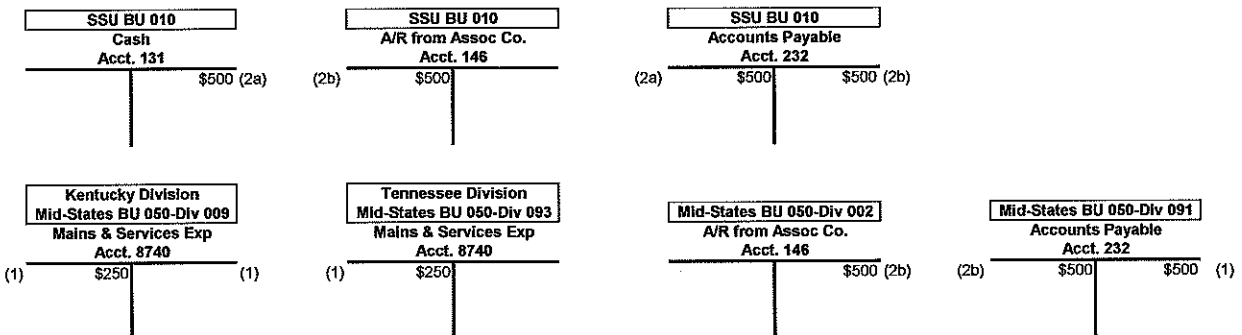
Description: Certain employee activities cross multiple rate divisions within an operating division. The costs associated with such activities include labor, benefits and associated taxes.

Current Provider of Service: Atmos Pipeline – Texas Division
West Texas Division
Louisiana Division
Kentucky/Mid-States Division
Mid-Tex Division
Colorado-Kansas Division
Mississippi Division

Current Use of Service: Atmos Pipeline – Texas Division
West Texas Division
Louisiana Division
Kentucky/Mid-States Division
Mid-Tex Division
Colorado-Kansas Division
Mississippi Division

Basis of Intra-company Allocations: Labor associated with cross-jurisdictional activities is charged to each jurisdiction based on the level of employee activity. The costs are captured either through direct time sheet entries or fixed labor distribution percentages.

General Ledger Entries: Example Only



Flow of Activity

- (1) Employee x lives in Kentucky and works 50% in Kentucky and 50% in Tennessee every month. Time is captured through fixed labor distribution
- (2a) Salary is paid to employee x
- (2b) JE is made to relieve payable in operating division.
Intercompany Entry generated by Oracle to keep Operating Divisions in sync

Service: Other income and interest expense(All below the line accounts)

Description: Allocation of Shared Services' other income and interest expense(All below the line accounts)

Current Provider of Service Shared Services

Current Use of Service West Texas Division
Louisiana Division
Kentucky/Mid-States Division
Mid-Tex Division
Colorado-Kansas Division
Mississippi Division
Atmos Pipeline – Texas Division

Basis for allocation Interest Expense, Interest Income and Other Non-Operating Income in shared services are allocated to each utility division based on the budget allocation percentages. The budget allocation is based on net investment by business unit as of the latest month available when the budget is prepared, with normalizing or averaging adjustments to working capital. Net investment is defined as total assets less, liabilities (excluding long-term debt, notes payable and current maturities.) The allocation factors are the same for the whole year. The allocation stays in the account the charge was originally booked in. Headquarter allocation of below the line accounts to rate divisions follows the same process as described above.

General Ledger Entries: Example Only

<div>SSU BU 010</div> <div>Cash</div> <div>Acct. 131</div> <div>\$1,000</div> <div>(1)</div>	<div>SSU BU 010</div> <div>Accounts Receivable</div> <div>Acct. 232</div> <div>\$1,000</div> <div>\$1,000</div> <div>(1)</div> <div>(1)</div>	<div>SSU BU 010</div> <div>Interest and Dividend Income</div> <div>Acct. 419</div> <div>\$1,000</div> <div>\$20</div> <div>(1)</div> <div>(2)</div>	<div>Div 033</div> <div>Interest and Dividend Income</div> <div>Acct. 419</div> <div>\$</div> <div>20</div> <div>(2)</div>
<div>SSU BU 010</div> <div>Cash</div> <div>Acct. 131</div> <div>\$2,000</div> <div>(3)</div>	<div>SSU BU 010</div> <div>Accounts Receivable</div> <div>Acct. 232</div> <div>\$2,000</div> <div>\$2,000</div> <div>(3)</div> <div>(3)</div>	<div>SSU BU 010</div> <div>Other Deductions *</div> <div>Acct. 426.5</div> <div>\$40</div> <div>\$2,000</div> <div>(3)</div> <div>(4)</div>	<div>Div 033</div> <div>Other Deductions</div> <div>Acct. 426.5</div> <div>\$</div> <div>40</div> <div>(4)</div>
<div>SSU BU 010</div> <div>Cash</div> <div>Acct. 131</div> <div>\$3,000</div> <div>(5)</div>	<div>SSU BU 010</div> <div>Accounts Receivable</div> <div>Acct. 232</div> <div>\$3,000</div> <div>\$3,000</div> <div>(5)</div> <div>(5)</div>	<div>SSU BU 010</div> <div>Interest Expense</div> <div>Acct. 431</div> <div>\$60</div> <div>\$3,000</div> <div>(5)</div> <div>(6)</div>	<div>Div 033</div> <div>Interest Expense</div> <div>Acct. 431</div> <div>\$</div> <div>60</div> <div>(6)</div>

* Includes various accounts but cleared out of account 426.5

Flow of Activity

- (1) Interest and Dividend Income generated
- (2) Allocating Shared Services Income and Dividend Income to Div 33 only - Assume 2% allocation rate
- (3) Other Income and Expenses generated
- (4) Allocating Shared Services Other Deductions to Div 33 only - Assume 2% allocation rate
- (5) Interest Expense generated
- (6) Allocating Shared Services Interest Expense to Div 33 only - Assume 2% allocation rate

Service: Gas supply services between the operating divisions and an affiliate

Description: Atmos Energy Services LLC provides gas supply administrative services to the operating divisions.

Current Provider of Service: Atmos Energy Services, LLC

Current Use of Service: West Texas Division
Louisiana Division
Mid-States Division
Colorado-Kansas Division
Mississippi Division

Basis for allocation: Costs are charged directly to a specific service area in Atmos Energy Services LLC related to each of the operating divisions (i.e. Georgia costs accumulated in Atmos Energy Services LLC are billed directly to the operating division for Georgia). These costs are billed to the operating divisions on a monthly basis at cost with no profit component.

Administrative charges are allocated to each region based on total throughput volumes from the prior fiscal year (October 1 to September 30).

General Ledger Entries: Example Only

<div>AES - BU 301</div> <div>Cash</div> <div>131</div> <div>\$500 (1)</div>	<div>AES - BU 301</div> <div>Accounts Payable</div> <div>Acct. 232</div> <div>\$500 (1)</div>	<div>AES - BU 301</div> <div>Oper Exp</div> <div>Acct. xxxx</div> <div>\$500 (1)</div>	<div>AES - BU 301-Div 002**</div> <div>A/R from Assoc Co.</div> <div>Acct. 146</div> <div>\$100 (2)</div>	<div>AES - BU 301***</div> <div>Misc Service Revenue</div> <div>Acct. 488</div> <div>\$100 (2)</div>
<div>CO/KS BU 060-Div 002</div> <div>A/R from Assoc Co.</div> <div>Acct. 146</div> <div>\$100 (2)</div>	<div>State Div Office</div> <div>CO/KS BU 060-Div 31</div> <div>Outside Services Employed</div> <div>Acct. 923</div> <div>\$100 (2)</div>	<div>State Div Office</div> <div>CO/KS BU 060-Div 31</div> <div>Admin Exp Transferred</div> <div>Acct. 922</div> <div>\$100 (3)</div>	<div>Rate Div Office</div> <div>CO/KS BU 060-Div 33**</div> <div>Admin Exp Transferred</div> <div>Acct. 922</div> <div>\$100 (3)</div>	

** Many rate division offices exist within the state in addition to Div 033.

*** For this example, this amount represents the portion of the billings attributed to the CO/KS division 31 state office

Flow of Activity

- (1) Atmos Energy Services (AES), a subsidiary of Atmos Energy Corporation incurred operating expense
- (2) AES, bills various Atmos operating divisions for their use of gas supply services
- (3) Allocation from division 31 - Colorado Operating Division to Colorado rate divisions - Allocated using the composite factor.

Service: Gas cost between state jurisdictions for contiguous systems.

Description: Gas costs that apply to contiguous systems that cross state jurisdictional boundaries are allocated between those rate jurisdictions.

Current Provider of Service: West Texas Division
Colorado-Kansas Division
Kentucky/Mid-States Division

Current Use of Service: West Texas Division
Colorado-Kansas Division
Kentucky/Mid-States Division

Basis of Allocations: Allocations are based upon throughput for the West Texas Division and the Colorado-Kansas Division's Southeast Colorado/Southwest Kansas operations. For the Colorado-Kansas Division's Kansas/Missouri system and for the Kentucky/Mid-States Division, demand costs are allocated based on peak-day requirements. Commodity costs are allocated based upon throughput.

Atmos Energy Corporation

General Ledger Entries: Gas Costs between state jurisdictions for contiguous systems (Example Only)

<div> <div>SSU BU 010</div> <div>Cash</div> <div>Acct. 131</div> </div>		<div> <div>SSU BU 010</div> <div>Accounts Payable</div> <div>Acct. 232</div> </div>	
<div> <div></div> <div>\$1,000 (1)</div> </div>		<div> <div>(1)</div> <div>\$1,000</div> <div>\$1,000 (2)</div> </div>	
<div> <div>Various BU's & Svc Areas</div> <div>Natural Gas City Gate Purchase</div> <div>Acct. 804</div> </div>			
<div> <div>(2)</div> <div>\$1,000</div> </div>			

(1) Gas cost incurred

(2) Gas cost paid

Service: Gas storage services between an operating division and an affiliate

Description: To the extent an operating division stores gas in a storage field owned by an affiliate, a rental fee for the use of the storage field shall be charged by the affiliate.

Current Provider of Service: UCG Storage, Inc.
WKG Storage, Inc.

Current Use of Service: Kentucky/Mid-States Division

Basis for allocation: The annual demand charge between UCG Storage, Inc. and Atmos Energy Corporation (Tennessee operations only) is calculated based on fiscal year plant in service, gas inventory, actual operational costs incurred, and application of revenue and cost of capital conversion factors based on prior regulatory approval. In the calculation of the demand charge, costs not specifically related to a designated area are allocated to each affiliate based on the percentage of total plant servicing that affiliate.
The annual demand charge between WKG Storage, Inc. and Atmos Energy Corporation (Kentucky operation only) is based on services provided at actual cost, market rate or as otherwise provided under tariff or contract.

General Ledger Entries: Example Only

<div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;"> WKG Storage BU 233 Other Gas Revenues Acct. 495 </div> <div style="display: flex; justify-content: space-between; border-top: 1px solid black; margin-top: 5px;"> \$100 (1) </div>	<div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;"> KY/Mid-State BU 050, Div 009 Transportation to City Gate Acct. 8045 </div> <div style="display: flex; justify-content: space-between; border-top: 1px solid black; margin-top: 5px;"> (1) \$100 </div>
<div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;"> WKG Storage BU 233, Div 002 A/R from Assoc Co. Acct. 146 </div> <div style="display: flex; justify-content: space-between; border-top: 1px solid black; margin-top: 5px;"> (2) \$100 </div>	<div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;"> KY/Mid-State BU 050, Div 002 A/R from Assoc Co. Acct. 146 </div> <div style="display: flex; justify-content: space-between; border-top: 1px solid black; margin-top: 5px;"> \$100 (2) </div>

Flow of Activity - East Diamond Storage Facility

- 1 Monthly demand charge for the East Diamond Storage Facility
- 2 Intercompany Entry generated by Oracle to keep Operating Divisions in sync

<div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;"> UCG Storage BU 232 Other Gas Revenues Acct. 495 </div> <div style="display: flex; justify-content: space-between; border-top: 1px solid black; margin-top: 5px;"> \$100 (1) </div>	<div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;"> KY/Mid-State BU 050, Div 009 Other gas supply expenses Acct. 813 </div> <div style="display: flex; justify-content: space-between; border-top: 1px solid black; margin-top: 5px;"> (1) \$100 </div>
<div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;"> WKG Storage BU 232, Div 002 A/R from Assoc Co. Acct. 146 </div> <div style="display: flex; justify-content: space-between; border-top: 1px solid black; margin-top: 5px;"> (2) \$100 </div>	<div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;"> KY/Mid-State BU 050, Div 002 A/R from Assoc Co. Acct. 146 </div> <div style="display: flex; justify-content: space-between; border-top: 1px solid black; margin-top: 5px;"> \$100 (2) </div>

Flow of Activity - Barnsley Storage Facility

- 1 Monthly demand charge for the Barnsley Storage Facility
- 2 Intercompany Entry generated by Oracle to keep Operating Divisions in sync

Service: Working capital funds management

Description: Funds are invested on behalf of or provided to affiliates based on operations.

Current Provider of Service: Atmos Energy Corporation

Current Use of Service: Atmos Energy Holdings, Inc.
Atmos Energy Marketing, LLC
Atmos Energy Services, LLC
Atmos Power Systems, Inc.
Atmos Pipeline and Storage, LLC
UCG Storage, Inc.
WKG Storage, Inc.
Atmos Exploration & Production, Inc.
Trans Louisiana Gas Storage, Inc.
Trans Louisiana Gas Pipeline, Inc.
Egasco, LLC
Enermart Energy Services Trust
Energas Energy Services Trust
Mississippi Energies, Inc.
Atmos Gathering Company, LLC
Phoenix Gas Gathering Company

Basis for allocation: Interest income or expense is recognized each month at the subsidiaries' level based on the average outstanding balance of each respective inter-company receivable/payable balance and Atmos' average effective rate of short term debt net of commitment fees plus 2.75 basis points.

Atmos Energy Corporation

General Ledger Entries: Working Capital Funds Management (Example Only)

<p>SSU BU 010</p> <p>Interest and Dividend Income</p> <p>Acct. 419</p> <hr/>		
	\$500	(1)
<p>Various Affiliates</p> <p>Interest and Dividend Income</p> <p>Acct. 419</p> <hr/>		
	\$500	(1)
(1)		
<p>Various Affiliates</p> <p>Other Interest Expense</p> <p>Acct. 431</p> <hr/>		
	\$1,000	

(1) Interest Income and/or expense is recognized each month at the subsidiaries' level

Service: Gas storage services provided between affiliates

Description: To the extent an affiliate stores gas in a storage field owned by another affiliate, a fee for the use of the storage field shall be charged.

Current Provider of Service: Trans Louisiana Gas Storage, Inc.

Current Use of Service: Trans Louisiana Gas Pipeline, Inc.

Basis for allocation: The fee to the affiliate utilizing the storage service is based on services provided at actual cost, market rate or as otherwise provided under tariff.

General Ledger Entries: Example Only

BU 234	
A/R from Associated Co.	
Acct. 146	
\$100	

BU 234	
Revenue	
Transportation - Industrial	
Acct. 4896	
	\$100

BU 303	
A/R from Associated Co.	
Acct. 146	
	\$100

BU 303	
Other Gas Supply	
Expenses	
Acct. 417	
\$100	

Service: AEM – Salaries and FICA Cost Allocation

Description: Salaries and FICA cost allocations between affiliates.

Current Provider of Service Atmos Energy Marketing, LLC

Current Use of Service
Atmos Energy Services, LLC
Atmos Energy Marketing, LLC
Trans Louisiana Gas Pipeline, Inc.
Atmos Power Systems, Inc.

Basis for allocation Costs are allocated based on each individual employee's calculated allocation rate between companies. The individual employee's calculated allocation rates are then added up to arrive at a Company-wide allocation rate.

Atmos Energy Corporation
General Ledger Entries: AEM - Salaries & Fica Cost Allocation (Example Only)

	<div>Atmos Energy Marketing, LLC BU 212 Cash Acct. 131</div>		<div>Atmos Energy Marketing, LLC BU 212 Accounts Payable Net Payroll Accrual Acct. 232</div>	
		\$200 (3)	\$200 (2)	
		\$200 (3)	\$600 (4)	\$600 (1)
		\$600 (4)		
	<div>Atmos Energy Marketing, LLC BU 212 A&G-Administrative & general salaries Non-project Labor Acct. 920</div>		<div>Atmos Energy Marketing, LLC BU 212 Clearing Account Employer FICA Clearing Acct. 184</div>	
(1)	\$800	\$800 (6)	\$200	\$200 (5)
Alloc to Var. States (6)	\$500			
Alloc to TLGP (6)	\$100			
Alloc to New Orleans I (6)	\$50			
Alloc to AES (6)	\$50			
	<div>Atmos Energy Marketing, LLC BU 212 Accounts Payable Empr Fica-Accrual Acct. 236</div>		<div>Atmos Energy Marketing, LLC BU 212 Accounts Payable Emp Fica-Accrual Acct. 241</div>	
(3)	\$200	\$200 (2)	\$200	\$200 (2)
	<div>Atmos Energy Marketing, LLC BU 212 Taxes other than Income Taxes Fica Load Acct. 408</div>		<div>BU 303 (TLGP), 221(APS) A&G-Administrative & general salaries Non-project Labor Acct. 920</div>	
(5)	\$200	\$200 (6)	\$100	
Alloc to Var. States (6)	\$40			
Alloc to TLGP (6)	\$40			
Alloc to New Orleans I (6)	\$40			
Alloc to AES (6)	\$40			
			<div>BU 303 (TLGP), 221(APS) Taxes other than Income Taxes Fica Load Acct. 408</div>	
(6)			\$40	

(1) Payroll Accrual
(2) Fica Accrual
(3) Payment of Fica (Employer and Employee)
(4) Payment of Payroll
(5) Employer Fica Tax Load
(6) Allocation of Payroll and Fica

Service: AEM – Operation and Maintenance cost allocation

Description: O&M expense cost allocations between affiliates.

Current Provider of Service: Atmos Energy Marketing, LLC

Current Use of Service: Atmos Energy Services, LLC

Basis for allocation: Costs are allocated based on each individual employee's calculated allocation rate between companies. The individual employee's calculated allocation rates are then added up to arrive at a Company-wide allocation rate.

Atmos Energy Corporation

General Ledger Entries: Affiliates - O&M Expense Allocation (Example Only)

Labor & Benefits

Atmos Energy Marketing, LLC BU 212 Administrative Expenses Transferred - CR Acct. 922		Atmos Energy Holdings, Inc. BU 312 Administrative Expenses Transferred - CR Acct. 922	
	\$1,000 (1)	(1)	\$1,000 (1)
Atmos Energy Services, LLC BU 301 Administrative Expenses Transferred - CR Acct. 922 - Multiple Svc Areas for different state			
(1)	\$1,000		

(1) Labor and Benefits Billing from AEM (212) to AES (301)

Service: Property Insurance

Description: Blueflame Insurance Services, LTD provides a direct property insurance policy. The policy covers the property against all risks of direct physical loss or damage.

Current Provider of Service: Blueflame Insurance Services, LTD

Current Use of Service: Kentucky/Mid-States Division
Colorado-Kansas Division
Shared Services
Louisiana Division
Mississippi Division
Mid-Tex Division
West Texas Division
Atmos Pipeline – Texas Division
Atmos Energy Marketing, LLC
Atmos Exploration & Production, Inc.
Atmos Energy Services, LLC
Atmos Power Systems, Inc.
Trans Louisiana Gas Pipeline, Inc.
Trans Louisiana Gas Storage, Inc.
UCG Storage, Inc.
WKG Storage, Inc.
Atmos Gathering Company
HNNG JV

Basis for allocation: Atmos Energy Corporation is invoiced by Blueflame Insurance Services. Costs are then further allocated based on the property value of each affiliate at a rate division level.

General Ledger Entries: Example Only

<div>SSU BU 010</div> <div>Cash</div> <div>Acct. 131</div> <div>\$100 (1)</div>	<div>SSU BU 010</div> <div>Accounts Payable</div> <div>Acct. 232</div> <div>(1) \$100 \$100 (1)</div>	<div>SSU BU 010</div> <div>Prepayments</div> <div>Acct. 165</div> <div>(1) \$100 \$8 (2)</div>
<div>General Office</div> <div>CO/KS BU 060</div> <div>Property Insurance</div> <div>Acct. 924</div> <div>(3) \$1.60 \$0.80 (4)</div>	<div>State Div Office</div> <div>CO/KS Div 031</div> <div>Property Insurance</div> <div>Acct. 924</div> <div>(4) \$0.80 \$0.08 (5)</div>	<div>Rate Div Office</div> <div>CO/KS Div 033 *</div> <div>Property Insurance</div> <div>Acct. 924</div> <div>(5) \$0.08</div>
<div>State Div Office</div> <div>CO/KS Div 031</div> <div>Property Insurance</div> <div>Acct. 924</div> <div>(6) \$1.00 \$0.10 (7)</div>	<div>Rate Div Office</div> <div>CO/KS Div 033 *</div> <div>Property Insurance</div> <div>Acct. 924</div> <div>(7) \$0.10</div>	
<div>Rate Div Office</div> <div>CO/KS Div 033 *</div> <div>Property Insurance</div> <div>Acct. 924</div> <div>(8) \$0.50</div>		

* Many rate division offices exist within the state in addition to Div 033.

Flow of Activity

- (1) Property Insurance incurred
- (2) Amortized on a monthly basis to General Office
- (3) Allocating Shared Services Expenses to General Office - 20% Allocation rate for illustration purposes only
- (4) Allocating Shared Services Expenses to State Division Office - 50% Allocation rate for illustration purposes only
- (5) Allocating Shared Services Expenses to Rate Division Office - 10% Allocation rate for illustration purposes only
- (6) Amortized on a monthly basis to State Division Office
- (7) Allocating State Division Office to Rate Division Office
- (8) Amortized on a monthly basis to Rate Division Office

Service: AES Retail Services

Description: AES Retail services monthly revenue

Current Provider Of Services: Atmos Energy Services, LLC
Energas Energy Services Trust

Current Use of Service: West Texas Rate Divisions
Kentucky/Mid-States Rate Divisions
Colorado-Kansas Rate Divisions

- Basis for allocation
1. Revenue for retail services is tracked in Atmos Energy Services, LLC and Energas Energy Services Trust by service areas which represent corresponding service areas at the utility level. Some of the revenue is reclassified to utility levels on a one to one basis. I.e. Colorado retail services post to service area 813 within Atmos Energy Services, LLC books and is simply reclassified to Colorado/Kansas Division, service area 030 (Colorado operating division general office).
 2. Revenue balance in Atmos Energy Services, LLC service area 055001 (Retail – AES) is allocated to the above referenced divisions based on the net income of Atmos Energy Services, LLC service areas 811-813 and BU 309 (Energas Energy Services Trust) as a percentage of their combined net income.

General Ledger Entries: Example Only

BU 301 Service areas 811-813 Revenues from Nonutility Operations Acct. 417	BU 309 Service area 814 Revenues from Nonutility Operations Acct. 417	General Office Revenues from Nonutility Operations Acct. 417
(1) \$600 \$600 (1) (1) \$300 \$300 (1) (1) \$100 \$100 (1)	(1) \$500 \$500 (1)	\$600 (1) \$300 (1) \$100 (1) \$500 (1)
BU 301 Service area 055 Revenues from Nonutility Operations Acct. 417	General Office Revenues from Nonutility Operations Acct. 417	
(2) \$2,000 \$2,000 (2)	(2) \$1,000 (2) \$750 (2) \$250	West Texas Colorado Kansas

Flow of Activity

- (1) Revenues from Nonutility Operations incurred and reclassified to General Offices
- (2) Revenues from Nonutility Operations incurred are allocated to General Offices

Service: Intercompany Interest on Notes Payable

Description: Intercompany Interest on Notes Payable

Current Provider Of Services Shared Services

Current Use of Service Atmos Energy Holdings, Inc.

Basis for allocation Interest income or expense is recognized each month at the subsidiaries' level based on the average outstanding balance of each respective inter-company receivable/payable balance and Atmos' average effective rate of short term debt net of commitment fees plus 2.75 basis points.

General Ledger Entries: Example Only

<div style="border: 1px solid black; padding: 5px; text-align: center;"> Shared Services Accounts Receivable from Associated Company Acct. 146 </div> <hr style="width: 100%;"/> <div style="display: flex; justify-content: space-between;"> <div style="border-left: 1px solid black; height: 100px; width: 10px;"></div> <div style="text-align: right;">\$1,000 (1)</div> </div>	<div style="border: 1px solid black; padding: 5px; text-align: center;"> Shared Services Interest on Debt to Associated Companies Acct. 430 </div> <hr style="width: 100%;"/> <div style="display: flex; justify-content: space-between;"> <div style="text-align: left;">(1)</div> <div style="border-right: 1px solid black; height: 100px; width: 10px;"></div> <div style="text-align: left;">\$1,000</div> </div>
<div style="border: 1px solid black; padding: 5px; text-align: center;"> Atmos Energy Holdings, Inc. Accounts Receivable from Associated Company Acct. 146 </div> <hr style="width: 100%;"/> <div style="display: flex; justify-content: space-between;"> <div style="text-align: left;">(1)</div> <div style="border-right: 1px solid black; height: 100px; width: 10px;"></div> <div style="text-align: left;">\$1,000</div> </div>	<div style="border: 1px solid black; padding: 5px; text-align: center;"> Atmos Energy Holdings, Inc. Interest and Dividend Income Acct. 419 </div> <hr style="width: 100%;"/> <div style="display: flex; justify-content: space-between;"> <div style="border-left: 1px solid black; height: 100px; width: 10px;"></div> <div style="text-align: right;">\$1,000 (1)</div> </div>

Flow of Activity

(1) Intercompany Interest on Notes Payable is recognized each month at the subsidiary level.

Appendix A

ATMOS ENERGY CORPORATION - December 31, 2008

