

**BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

**IN THE MATTER OF THE APPLICATION)
OF ATMOS ENERGY CORPORATION) Docket No.
FOR REVIEW AND ADJUSTMENT OF ITS) 23-ATMG- 359 -RTS
NATURAL GAS RATES)**

DIRECT TESTIMONY OF MICHELLE H. FAULK

SEPTEMBER 9, 2022

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Exhibit MHF-1 – Atmos Energy Cost Allocation Manual

1 **I. INTRODUCTION**

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

3 A. My name is Michelle H. Faulk. My business address is 5430 LBJ Freeway, Suite
4 600, Dallas, Texas, 75240.

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

6 A. I am the Director of Accounting Services and Financial Reporting for Atmos
7 Energy Corporation (“Atmos Energy” or the “Company”), Shared Services
8 (“SSU”).

9 **Q. WHAT IS SSU?**

10 A. SSU is a group of Company employees who collectively serve multiple rate
11 divisions. These employees provide various services including, for example, legal,
12 billing, call center, accounting, information technology, human resources, gas
13 supply, and rates administration. SSU is comprised of two separate parts, “Shared
14 Services - General Office” and “Shared Services - Customer Support.”

15 **Q. WHAT ARE YOUR RESPONSIBILITIES AS DIRECTOR OF**
16 **ACCOUNTING SERVICES AND FINANCIAL REPORTING FOR ATMOS**
17 **ENERGY?**

18 A. I am primarily responsible for directing various accounting and financial reporting
19 activities and policies within the Company. My main duties include the oversight
20 of general accounting, fixed assets accounting, payroll, cost allocations and internal
21 and external financial reporting. I also serve on an internal committee which is
22 responsible for the oversight and monitoring of Sarbanes-Oxley (“SOX”)
23 compliance. In addition, I work with both our internal and external auditors on

1 implementing, testing, maintaining and modifying the Company's accounting
2 controls, as well as interfacing between the auditors and the Company.

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

9 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND**
10 **PROFESSIONAL EXPERIENCE.**

11 A. I earned a Bachelor of Business Administration degree in Accounting from Texas
12 Christian University in 2000. I also earned a Master of Accounting from Texas
13 Christian University in 2001.

14 Before joining Atmos Energy, I worked in public accounting at KPMG LLP
15 ("KPMG") for approximately seven years, serving clients across multiple
16 industries. I joined Atmos Energy in July 2009 as the Manager of Financial
17 Reporting and assumed the role of Director of Financial Reporting in February
18 2017. In November 2020, I assumed my current role of Director of Accounting
19 Services and Financial Reporting. Since assuming the role of the Director of
20 Accounting Services and Financial Reporting, I have worked to maintain the
21 Company's Cost Assignment and Allocation Manual ("CAAM") to ensure it is
22 aligned with Atmos Energy's recordkeeping practices.

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

2 A. Yes. I am licensed by the State of Texas as a Certified Public Accountant (“CPA”).

3 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE KANSAS**
4 **CORPORATION COMMISSION (“KCC” or “COMMISSION”) OR**
5 **OTHER REGULATORY ENTITIES?**

6 A. No, I have not testified before this Commission. I previously submitted testimony
7 to the Kentucky Public Service Commission in Case No. 2021-00214 and am
8 currently involved in Proceeding No. 22AL-0348G before the Colorado Public
9 Utility Commission.

10 **II. PURPOSE OF TESTIMONY**

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

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

16 **Q. ARE YOU SPONSORING ANY EXHIBITS IN YOUR TESTIMONY?**

17 A. Yes. I am sponsoring Exhibit MHF-1 which is a copy of Atmos Energy’s current
18 CAM.

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

20 **Q. ARE THE BOOKS AND RECORDS OF THE COMPANY PREPARED**
21 **UNDER YOUR DIRECTION?**

22 A. Yes, for the areas under my direction (which do not include gas accounting or
23 taxation).

1 **Q. HOW DOES ATMOS ENERGY MAINTAIN AND UTILIZE ITS BOOKS**
2 **AND RECORDS IN THE REGULAR COURSE OF BUSINESS?**

3 A. Atmos Energy maintains its books and records in accordance with the Federal
4 Energy Regulatory Commission's ("FERC") Uniform System of Accounts
5 ("USOA") and Generally Accepted Accounting Principles ("GAAP"). The USOA
6 is the prescribed methodology for maintaining utility records in all of the state
7 jurisdictions which regulate the Company's natural gas utility operations, which
8 currently include Colorado, Kansas, Kentucky, Louisiana, Mississippi, Tennessee,
9 Texas and Virginia. Atmos Energy's accounting organization utilizes integrated
10 computerized business systems to efficiently process, record and maintain
11 transactions generated in the regular course of business. Financial transactions are
12 created and entered into the system at or near the time of the transaction by the
13 responsible personnel in various divisions having personal knowledge, or acting in
14 reliance on information transmitted by persons having personal knowledge of the
15 transactions, as well as of the applicable accounting procedures and requirements.
16 Reports are generated by the system in the regular course of business to assist in
17 management's review of the results of operations and to assist in the analysis of the
18 cost data of gas operations.

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

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

1 Controllershship function. The Controller’s organization is staffed with highly
2 qualified accounting managers and staff, with many accounting positions filled by
3 CPAs. The managers in the organization are charged with the responsibility to
4 inspect, review and revise, if appropriate, the work of the accountants they
5 supervise. To fill certain management positions, an individual is required to have
6 an accounting degree as well as significant accounting experience. We have
7 established and maintained controls that ensure the accuracy of our books and
8 records. These controls help identify any necessary adjustments to accounting
9 entries which are then recorded to the original books and records in a timely
10 manner. Additionally, Atmos Energy contracts with KPMG LLP (“KPMG”) for
11 internal audit services. This group periodically performs reviews of those controls.

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

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

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

23 A. As described in the Company’s CAM, a cost center is a designation generally

1 utilized for the assignment of departmental cost responsibility and internal
2 management reporting. Employees with responsibility for these functional areas
3 are delegated a certain level of authority to conduct the business of the Company.

4 **Q. HOW ARE THESE AUTHORITY LEVELS DETERMINED OR**
5 **DELEGATED WITHIN THE COMPANY?**

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

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

14 A. Yes. Most invoices are scanned into an accounts payable processing system called
15 "Markview" when they are received by the Company. Once scanned, an image of
16 the invoice is routed electronically to the appropriate cost center owner. The cost
17 center owner reviews and electronically codes and approves the invoice within the
18 established approval hierarchy. As a part of this process, the cost center owner is
19 responsible for ensuring the cost is valid, just, and reasonable. If the amount of the
20 invoice exceeds the authority limit of the initial approver, it is automatically
21 escalated through the approval hierarchy to a person with the appropriate level of
22 authority. A similar review process is performed at each level within the approval

1 hierarchy. Once final approval has been obtained, the invoice is submitted to the
2 accounts payable department for final payment.

3 **Q. DOES THE COMPANY HAVE IN PLACE ANY PROCESS OR SYSTEM**
4 **FOR THE REVIEW AND VALIDATION OF COSTS THAT ARE NOT**
5 **PROCESSED THROUGH MARKVIEW?**

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

16 **Q. ARE THERE ANY OTHER ACCOUNTING CONTROLS OR PROCESSES**
17 **IN PLACE TO ENSURE THE ACCURACY OF THE COMPANY'S BOOKS**
18 **AND RECORDS?**

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

1 Additionally, the Chief Executive Officer and Chief Financial Officer must
2 certify the Company's annual and quarterly financial statements and must attest to
3 and report on the Company's system of internal control. To facilitate this effort, the
4 Company outsources its internal audit function to KPMG to conduct tests of the
5 Company's system of internal control. These tests are developed to ensure the
6 system of internal control has been designed effectively and that the controls are
7 functioning as designed as of the end of the Company's fiscal year.

8 **Q. PLEASE DESCRIBE THE PROCESS USED TO TEST INTERNAL**
9 **CONTROLS.**

10 A. The Company maintains a SOX steering committee, which is responsible for the
11 oversight and monitoring of Sarbanes-Oxley compliance. This committee is
12 comprised of myself, the Vice President and Controller, the Vice President and
13 Chief Information Officer, the Director of Gas Accounting and Rate
14 Administration, the Director of Information Security, and the Director of IT
15 Engineering and Operations.

16 During the first quarter of the fiscal year, the company meets with the
17 internal auditors to review our listing of key controls to assess whether changes to
18 that list should be made based upon changes in the risk profile or organization of
19 the company. A key control is defined as a control necessary to mitigate the risks
20 and ensure financial reporting is reasonable and materially correct.

21 The internal audit group will develop a testing plan based upon these key controls
22 that is reviewed and approved by the SOX steering committee. The key controls
23 are tested throughout the year. If issues arise, they are individually addressed by a

1 steering committee member who has knowledge of the affected areas. The SOX
2 steering committee meets regularly to assess the progress and review the results of
3 the testing. During this process, all findings are discussed and the steering
4 committee will determine whether the finding should be considered a control
5 deficiency, a significant deficiency or a material weakness. A control deficiency
6 exists when the design or operation of a control does not allow management or
7 employees, in the normal course of performing their assigned functions, to prevent
8 or detect misstatements on a timely basis. A significant deficiency is a deficiency,
9 or a combination of deficiencies, in internal control over financial reporting that is
10 less severe than a material weakness, yet important enough to merit attention by
11 those responsible for oversight of the company's financial reporting. A material
12 weakness is a deficiency, or a combination of deficiencies, in internal control over
13 financial reporting, such that there is a reasonable possibility that a material
14 misstatement of the company's annual or interim financial statements will not be
15 prevented or detected on a timely basis.

16 At the end of the fiscal year, the steering committee makes
17 recommendations regarding the effectiveness of the Company's internal control
18 structure to be included in the internal auditor's final report to the audit committee.

19 **Q. PLEASE SUMMARIZE THE RESULTS OF TESTING FOR THE MOST**
20 **RECENTLY COMPLETED FISCAL YEAR.**

21 A. The most recent fiscal year for which results are available is fiscal 2021. A total of
22 237 key controls related to the Company's natural gas distribution operations were
23 tested. Six deficiencies were identified as a result of this testing and all six

1 deficiencies have been remediated. A significant deficiency was identified in fiscal
2 2021 related to a design gap in our system of internal control pertaining to pension
3 and other post-employment benefits plan amendments and that deficiency has been
4 remediated. No material weaknesses were identified.

5 **Q. ARE THE COMPANY'S TESTS OF INTERNAL CONTROL SUBJECT TO**
6 **EXAMINATION BY AN INDEPENDENT REGISTERED PUBLIC**
7 **ACCOUNTING FIRM?**

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

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

14 A. Yes. EY will perform independent tests regarding the design of the Company's
15 internal control function and the effectiveness of the controls as of the end of the
16 fiscal year. They will rely, in part, on the work performed by the internal auditors
17 in completing their audit procedures. Upon completion of their work, EY will issue
18 an audit report summarizing their findings, which is included in the Company's
19 annual report on Form 10-K.

20 **Q. DID EY'S MOST RECENT REPORT DIFFER FROM THE FINDINGS OF**
21 **MANAGEMENT?**

22 A. No. EY issued an unqualified audit report for fiscal 2021 which means that they
23 agreed with management's assertions.

1 **Q. ARE THERE OTHER TYPES OF REGULAR AUDITS AND REVIEWS**
2 **THAT ARE CONDUCTED OF ATMOS ENERGY'S BOOKS AND**
3 **RECORDS?**

4 A. Yes. In addition to the audit of internal control, EY also conducts an annual audit
5 of Atmos Energy's books and records. In addition, EY performs reviews of Atmos
6 Energy's quarterly financial statements. These audits and reviews are conducted in
7 accordance with the standards of the Public Company Accounting Oversight Board
8 (United States).

9 **Q. HOW DOES THE ACCOUNTING SYSTEM ALLOW FOR THE**
10 **SEPARATE RECORDING AND TRACKING OF COSTS FOR ATMOS**
11 **ENERGY'S UTILITY DIVISIONS?**

12 A. Direct costs are charged directly to the natural gas distribution division which has
13 incurred the costs. In addition, technical and support services are provided to the
14 distribution divisions by centralized shared services departments primarily located
15 at the Atmos Energy headquarters in Dallas. These centralized functions include,
16 but are not limited to, accounting, human resources, legal, treasury, risk
17 management, etc. The costs for these shared services are allocated to the operating
18 divisions.

19 **Q. WERE THE BOOKS AND RECORDS OF THE COMPANY PROVIDED TO**
20 **COMPANY WITNESSES FOR UTILIZATION IN THEIR ANALYSIS FOR**
21 **RATEMAKING PURPOSES?**

22 A. Yes.

1 **IV. COST ALLOCATION MANUAL**

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

3 A. The Cost Allocation Manual (“CAM”), contained in Exhibit MHF-1, describes and
4 documents the process whereby allocations are made within the books and records
5 of the Company. These include allocations of various common expenses which are
6 incurred for the benefit of two or more of the Company’s rate divisions and are
7 therefore allocable to those rate divisions. Additionally, the CAM also describes
8 and documents the processes whereby allocations are made between Atmos Energy
9 and its affiliates and between affiliates.

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

11 A. Although the Company had been utilizing the allocation methodology described in
12 the CAM for many years prior, the CAM was formally documented in response to
13 Kentucky regulation 807 K.A.R. 5:080 and was first filed with the Kentucky Public
14 Service Commission in April of 2001. Atmos Energy is required to update the
15 CAM each year. The Company has used the CAM to document its allocation
16 processes in the regular course of business since it was first filed.

17 **Q. ARE THE ALLOCATIONS DESCRIBED IN THE CAM USED IN EVERY**
18 **JURISDICTION IN WHICH ATMOS ENERGY OPERATES?**

19 A. Yes. The CAM is uniformly applied in all eight states in which Atmos Energy has
20 regulated utility operations, including Kansas, for the allocation of common costs
21 among Atmos Energy’s various operating divisions.

1 **Q. DOES THE CAM DESCRIBE HOW TO ALLOCATE BALANCE SHEET**
2 **AMOUNTS?**

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

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

10 A. Yes, the allocation process described in the CAM operates fairly and reasonably in
11 allocating those costs on a uniform basis, both as between Atmos Energy's various
12 operating divisions and affiliates and between the various regulatory jurisdictions
13 in which the Company operates.

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

15 A. Yes.

VERIFICATION

STATE OF TEXAS)
)
COUNTY OF DALLAS)

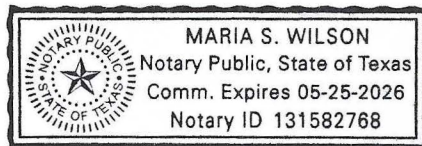
Michelle H. Faulk, being duly sworn upon her oath, deposes and states that she is Director Accounting Services and Financial Reporting for Atmos Energy Corporation; that she has read and is familiar with the foregoing Direct Testimony filed herewith; and that the statements made therein are true to the best of her knowledge, information and belief.


Michelle H. Faulk

Subscribed and sworn before me this 29 day of August, 2022.


Notary Public

My appointment expires: 5/25/26



ATMOS ENERGY CORPORATION
COST ALLOCATION MANUAL
April 1, 2022

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1. Introduction:

a. Corporate Structure

Atmos Energy Corporation (Atmos or the Company) operates its Regulated Operations through seven operating divisions in 8 states. The seven operating divisions and their service areas are:

<u>Division</u>	<u>Service Area</u>
Atmos Energy Colorado-Kansas Division	Colorado, Kansas
Atmos Energy Kentucky/Mid-States Division	Kentucky, 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 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.

Atmos Energy Holdings, Inc. is a wholly owned subsidiary of Atmos. Atmos Energy Holdings and its various wholly owned 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, and 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 reflect 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 below. 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 gross plant in service, average number of customers and direct operation and maintenance expenses for each applicable area.

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' utility operations in Texas, each municipality which it serves has original jurisdiction over rates.

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 and geographic boundaries. 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 8 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.

The following are divisions of Atmos Energy Corporation:

Atmos Energy Colorado-Kansas Division is a regulated operating division that serves approximately 170 communities throughout Colorado and Kansas, including the cities of Olathe, Kansas, a suburb of Kansas City and Greeley, Colorado, located near Denver.

Atmos Energy Kentucky/Mid-States Division is a regulated operating division that operates Kentucky, Tennessee and Virginia. The service areas in these states are primarily rural; however, this division serves Franklin, Tennessee, and other suburban areas of Nashville.

Atmos Energy Louisiana Division is a regulated operating division that serves nearly 300 communities, including the suburban areas of New Orleans, the metropolitan area of Monroe and western Louisiana. Direct sales of natural gas to industrial customers in Louisiana, who use gas for fuel or in manufacturing processes, and sales of natural gas for vehicle fuel are exempt from regulation and are recognized in our Atmos Energy Louisiana Industrial Gas segment.

Atmos Energy Mid-Tex Division is a regulated operating division that serves approximately 550 incorporated and unincorporated communities in the north-central, eastern and western parts of Texas, including the Dallas/Fort Worth Metroplex. The governing body of each municipality we serve has original jurisdiction over all gas distribution rates, operations and services within its city limits, except with respect to sales of natural gas for vehicle fuel and agricultural use. The Railroad Commission of Texas (RRC) has exclusive appellate jurisdiction over all rate and regulatory orders and ordinances of the municipalities and exclusive original jurisdiction over rates and services to customers not located within the limits of a municipality.

Atmos Energy Mississippi Division is a regulated operating division that serves about 110 communities throughout the northern half of the state, including the Jackson metropolitan area.

Atmos Energy West Texas Division is a regulated operating division that serves approximately 80 communities in West Texas, including the Amarillo, Lubbock and Midland areas. Like our Mid-Tex Division, each municipality we serve has original jurisdiction over all gas distribution rates, operations and services within its city limits, with the RRC having exclusive appellate jurisdiction over the municipalities and exclusive original jurisdiction over rates and services provided to customers not located within the limits of a municipality.

Atmos Pipeline – Texas Division is one of the largest intrastate pipeline operations in Texas with a heavy concentration in the established natural gas producing areas of central, northern and eastern Texas, extending into or near the major producing areas of the Barnett Shale, the Texas Gulf Coast and the Delaware and Val Verde Basins of West Texas. APT provides transportation and storage services to our Mid-Tex Division, other third party local distribution companies, industrial and electric generation

customers, as well as marketers and producers. As part of its pipeline operations, APT manages five underground storage reservoirs in Texas.

The following are affiliates of Atmos Energy Corporation:

Blueflame Insurance Services, LTD is a wholly-owned subsidiary of Atmos Energy Corporation that was created to provide cost-effective property insurance coverage for Atmos Energy and its subsidiaries. It was chartered in Bermuda effective December 16, 2003, and became operational as of January 1, 2004. It is incorporated under Bermuda's insurance law and regulations and is fully capitalized under the requirements of applicable Bermuda law.

Atmos Energy Services, LLC was established on April 1, 2004 to provide natural gas management services to Atmos Energy's natural gas distribution operations, other than the Mid-Tex Division. These services include aggregating and purchasing gas supply, arranging transportation and storage logistics and ultimately delivering the gas to Atmos Energy's natural gas distribution service areas at competitive prices. AES provided these services through December 31, 2006. Effective January 1, 2007, the gas supply department within shared services began providing these services. However, AES continues to provide limited services to the natural gas distribution operations of Atmos Energy.

Phoenix Gas Gathering Company is a wholly owned subsidiary of Atmos Gathering Company, LLC, and was created to develop, own and operate a non-regulated natural gas gathering system located in Kentucky.

Atmos Gathering Company, LLC is a wholly owned subsidiary of Atmos Pipeline and Storage, LLC and was created to conduct our non-regulated natural gas gathering operations.

Atmos Energy Holdings, Inc. is the parent company of Atmos Energy Corporation's non-utility operations.

Atmos Energy Louisiana Industrial Gas, LLC serves industrial customers in Louisiana who use gas for fuel, manufacturing and other processes.

Atmos Exploration and Production, Inc. holds some insignificant Kentucky production interests which the Company succeeded to when it acquired Western Kentucky Gas Company in 1989. This subsidiary is functionally inactive as the Company does not actively engage in the exploration and production business.

Atmos Pipeline and Storage, LLC owns or has an interest in underground storage fields in Kentucky and Louisiana. The utility divisions of Atmos Energy also use these storage facilities to reduce the need to contract for additional pipeline capacity to meet customer demand during peak periods.

Atmos Power Systems, Inc. constructs gas-fired electric peaking power generating plant and associated facilities and may enter into agreements to either lease or sell these plants. Since 2001, 2 sales-type lease transactions have been executed.

Egasco, LLC was, several years ago, engaged in the marketing and sale of natural gas to large-volume commercial and agricultural customers in West Texas. Egasco no longer serves any customers.

Fort Necessity Gas Storage, LLC is a wholly owned subsidiary of Atmos Pipeline and Storage, LLC, and was created in 2009 to construct and operate a non-regulated salt-cavern gas storage project in Louisiana. In March 2011, we recorded a \$19.3 million charge to substantially write off our investment in Fort Necessity.

Trans Louisiana Gas Storage, Inc. owns a minority interest in a salt dome storage facility in Louisiana. This facility is used to serve utility and non-utility customers.

Trans Louisiana Gas Pipeline, Inc. owns and operates an intrastate pipeline system in Louisiana. This facility is used to serve utility and non-utility customers.

UCG Storage, Inc. owns certain storage field interests in Kentucky which are used to serve utility customers.

WKG Storage, Inc. owns certain storage field interests in Kentucky which are used to serve utility customers.

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 operating division general office

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, on a pro rata basis

General Ledger Entries: Example Only

<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: center;">SSU BU 010</td></tr> <tr><td style="text-align: center;">Cash</td></tr> <tr><td style="text-align: center;">Acct. 131</td></tr> <tr><td style="text-align: right;">\$1,000 (1)</td></tr> </table>	SSU BU 010	Cash	Acct. 131	\$1,000 (1)	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: center;">SSU BU 010</td></tr> <tr><td style="text-align: center;">Accounts Payable</td></tr> <tr><td style="text-align: center;">Acct. 232</td></tr> <tr><td style="text-align: left;">\$1,000 (1)</td></tr> <tr><td style="text-align: right;">\$1,000 (1)</td></tr> </table>	SSU BU 010	Accounts Payable	Acct. 232	\$1,000 (1)	\$1,000 (1)	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: center;">SSU BU 010</td></tr> <tr><td style="text-align: center;">Office Supply and Expenses</td></tr> <tr><td style="text-align: center;">Acct. 921</td></tr> <tr><td style="text-align: center;">Cost Center XXXX *</td></tr> <tr><td style="text-align: left;">\$1,000 (1)</td></tr> </table>	SSU BU 010	Office Supply and Expenses	Acct. 921	Cost Center XXXX *	\$1,000 (1)	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: center;">SSU BU 010</td></tr> <tr><td style="text-align: center;">Administrative Expenses Transferred</td></tr> <tr><td style="text-align: center;">Acct. 922</td></tr> <tr><td style="text-align: center;">Cost Center XXXX</td></tr> <tr><td style="text-align: left;">\$600 (3)</td></tr> <tr><td style="text-align: right;">\$400 (3a)</td></tr> </table>	SSU BU 010	Administrative Expenses Transferred	Acct. 922	Cost Center XXXX	\$600 (3)	\$400 (3a)		
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* 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
 - (4b) Allocate capitalization credits to business units
- (5) Allocating Shared Services Capitalization Credit to Rate Division Office - 50% Allocation rate for illustration purposes only

Note: Please see the allocation of expenses from General Office to State Regional Office to Rate Division on the following pages:
West Texas - 17, Colorado/Kansas - 19, Louisiana - 23

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

<table border="1" style="width: 100%; border-collapse: collapse; margin-bottom: 10px;"> <tr><td style="text-align: center;">SSU BU 010</td></tr> <tr><td style="text-align: center;">Cash Acct. 131</td></tr> <tr><td style="border-top: 1px solid black; border-bottom: 1px solid black;"> </td></tr> <tr><td style="text-align: right;">\$100 (1)</td></tr> <tr><td style="text-align: right;">\$2 (3a)</td></tr> </table> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: center;">SSU BU 010</td></tr> <tr><td style="text-align: center;">Stores Expense Undistributed Acct. 163</td></tr> <tr><td style="border-top: 1px solid black; border-bottom: 1px solid black;"> </td></tr> <tr><td style="text-align: left;">(3a) \$2</td></tr> <tr><td style="text-align: right;">\$2 (3b)</td></tr> </table>	SSU BU 010	Cash Acct. 131		\$100 (1)	\$2 (3a)	SSU BU 010	Stores Expense Undistributed Acct. 163		(3a) \$2	\$2 (3b)	<table border="1" style="width: 100%; border-collapse: collapse; margin-bottom: 10px;"> <tr><td style="text-align: center;">SSU BU 010</td></tr> <tr><td style="text-align: center;">Inventory Acct. 154</td></tr> <tr><td style="border-top: 1px solid black; border-bottom: 1px solid black;"> </td></tr> <tr><td style="text-align: left;">(1) \$100</td></tr> <tr><td style="text-align: right;">\$100 (2)</td></tr> </table> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: center;">SSU BU 010</td></tr> <tr><td style="text-align: center;">Accounts Payable Acct. 232</td></tr> <tr><td style="border-top: 1px solid black; border-bottom: 1px solid black;"> </td></tr> <tr><td style="text-align: left;">(3a) \$2</td></tr> <tr><td style="text-align: right;">\$2 (3a)</td></tr> </table>	SSU BU 010	Inventory Acct. 154		(1) \$100	\$100 (2)	SSU BU 010	Accounts Payable Acct. 232		(3a) \$2	\$2 (3a)	<table border="1" style="width: 100%; border-collapse: collapse; margin-bottom: 10px;"> <tr><td style="text-align: center;">Rate Div Office Mid States Div 009 **</td></tr> <tr><td style="text-align: center;">Construction Work in Progress Acct. 107</td></tr> <tr><td style="border-top: 1px solid black; border-bottom: 1px solid black;"> </td></tr> <tr><td style="text-align: left;">(2) \$100</td></tr> <tr><td style="text-align: right;">(3b) \$2</td></tr> </table>	Rate Div Office Mid States Div 009 **	Construction Work in Progress Acct. 107		(2) \$100	(3b) \$2
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** 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
- 3a Incurring Inventory Expense
- 3b Apply Inventory Storage Rate
- Assume 2%

Service: O&M Expenses in Shared Services – Customer Support cost centers

Description: Includes all expenses for Customer Support. (Division 012)

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

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* 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 the allocation of expenses from General Office to State Regional Office to Rate Division on the following pages:
West Texas - 17, Colorado/Kansas - 19, Louisiana - 23

Service: O&M Expenses in Shared Services – General Office cost centers

Description: Includes O&M expenses in Shared Services – General Office. (Division 002)

Current Provider Of Service Shared Services

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

Basis for allocation 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 which includes the affiliates.

Shared Service departments that do not provide services to the Company's affiliates utilize a composite factor which does not include the Company's affiliates.

Other allocation methods used as appropriate include, but are not limited to, composite not including affiliates or Atmos Pipeline –Texas and an Overhead rate.

From each operating division general office charges are allocated to rate divisions using the composite rate for each rate division.

See page 12 for General Ledger Entries: Example Only.

General Ledger Entries: Example Only

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\$ 300 (2)																						
\$ 700 (2a)																						
<table border="1" style="width: 100%; border-collapse: collapse; margin-bottom: 10px;"> <tr><td style="text-align: center;">General Office Remaining</td></tr> <tr><td style="text-align: center;">Administrative Expenses Transferred</td></tr> <tr><td style="text-align: center;">Acct. 922</td></tr> <tr><td style="border-top: 1px solid black; border-left: 1px solid black; border-right: 1px solid black;">(2a) \$ 700</td></tr> </table>	General Office Remaining	Administrative Expenses Transferred	Acct. 922	(2a) \$ 700	<table border="1" style="width: 100%; border-collapse: collapse; margin-bottom: 10px;"> <tr><td style="text-align: center;">General Office Mid States - Div 091</td></tr> <tr><td style="text-align: center;">Administrative Expenses Transferred</td></tr> <tr><td style="text-align: center;">Acct. 922</td></tr> <tr><td style="border-top: 1px solid black; border-left: 1px solid black; border-right: 1px solid black;">(2) \$300</td></tr> <tr><td style="border-left: 1px solid black; border-right: 1px solid black;">\$150 (3)</td></tr> <tr><td style="border-left: 1px solid black; border-right: 1px solid black;">\$150 (3a)</td></tr> </table>	General Office Mid States - Div 091	Administrative Expenses Transferred	Acct. 922	(2) \$300	\$150 (3)	\$150 (3a)	<table border="1" style="width: 100%; border-collapse: collapse; margin-bottom: 10px;"> <tr><td style="text-align: center;">Rate Div Office Mid States Div 009 **</td></tr> <tr><td style="text-align: center;">Administrative Expenses Transferred</td></tr> <tr><td style="text-align: center;">Acct. 922</td></tr> <tr><td style="border-top: 1px solid black; border-left: 1px solid black; border-right: 1px solid black;">(3) \$150</td></tr> </table>	Rate Div Office Mid States Div 009 **	Administrative Expenses Transferred	Acct. 922	(3) \$150	<table border="1" style="width: 100%; border-collapse: collapse; margin-bottom: 10px;"> <tr><td style="text-align: center;">Rate Div Office Mid States -Remaining</td></tr> <tr><td style="text-align: center;">Administrative Expenses Transferred</td></tr> <tr><td style="text-align: center;">Acct. 922</td></tr> <tr><td style="border-top: 1px solid black; border-left: 1px solid black; border-right: 1px solid black;">(3a) \$150</td></tr> </table>	Rate Div Office Mid States -Remaining	Administrative Expenses Transferred	Acct. 922	(3a) \$150	
General Office Remaining																						
Administrative Expenses Transferred																						
Acct. 922																						
(2a) \$ 700																						
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																						
Rate Div Office Mid States -Remaining																						
Administrative Expenses Transferred																						
Acct. 922																						
(3a) \$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: Operating Divisions Mississippi, Mid-Tex and Atmos Pipeline – Texas have 1 rate division. There is no allocation to remaining division offices (3a).

Note: Please see the allocation of expenses from General Office to State Regional Office to Rate Division on the following pages:
West Texas - 17, Colorado/Kansas - 19, Louisiana - 23

Service: SSU – Customer Support taxes other than income taxes

Description: Includes all 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 the rate divisions is used to allocate from the operating division general office to the rate divisions.

General Ledger Entries: Example Only

SSU BU 010 Cash Acct. 131 ----- \$1,000 (1)	SSU BU 010 Accounts Payable Acct. 232 ----- \$1,000 (1) \$1,000 (1)	SSU BU 010 Taxes Other than Income Taxes Acct. 408.1 ----- \$1,000 (1) \$400 (2) \$600 (2a)	General Office Remaining Taxes Other than Income Taxes Acct. 408.1 ----- \$600 (2a)
General Office Mid States -Div 091 Taxes Other than Income Taxes Acct. 408.1 ----- \$400 (2) \$100 (3) \$300 (3a)	Rate Div Office Mid States -Div 009** Taxes Other than Income Taxes Acct. 408.1 ----- \$100 (3)	Rate Div Office Mid States - Remaining Taxes Other than Income Taxes Acct. 408.1 ----- \$300 (3a)	

** 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 Offices - 40% to Mid States BU - for illustration purposes
 - (2a) Allocating to remaining division offices
- █ (3) Allocating Shared Services Expenses to Rate Division Office - 25% for Kentucky Rate Division Office - for illustration purposes only
 - (3a) Allocating Shared Services Expenses to remaining Rate Division Offices

Note: Please see the allocation of expenses from General Office to State Regional Office to Rate Division on the following pages:
West Texas - 17, Colorado/Kansas - 19, Louisiana - 23

Service:	SSU – General Office taxes other than income taxes
Description:	Includes all taxes other than income tax charged in Shared Services – General Office.
Current Provider Of Services	Shared Services
Current Use of Service	Atmos Energy Louisiana Industrial Gas, LLC Atmos Power Systems, Inc. WKG Storage, Inc. Trans Louisiana Gas Pipeline, Inc. West Texas Division Mid-Tex Division Atmos Pipeline – Texas Division Louisiana Division Kentucky/Mid-States Division Colorado-Kansas Division Mississippi Division UCG Storage, Inc. Atmos Energy Holdings, Inc.
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 13 for General Ledger Entry – Example Only.

Service: SSU – Customer Support depreciation

Description: Includes all depreciation 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 generally 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 the rate divisions is used to allocate from the operating division general office to the rate divisions. Depreciation associated with the Charles K. Vaughan Center is allocated based upon square footage, number of customers and employee training usage.

General Ledger Entries: Example Only

SSU BU 010 Depreciation Exp Acct. 403	SSU BU 010 Depreciation Exp Acct. 108	Rate Div Office Mid States -Div 009** Depreciation Exp Acct. 403
(1) \$5,000	\$5,000 (1)	(2) \$200
\$200 (2) \$4,800 (2a)		(2a) \$4,800

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

Flow of Activity

- ✓ (1) Monthly Depreciation Expense is booked through Powerplant and interfaces with the Oracle general ledger.
- ✓ (2) Current Month Depreciation Expense is allocated to the various utility rate divisions using the following allocation factors:
 - i. For SSU division 002 - General - Allocated using the composite factor
 - ii. For SSU division 012 - Call Center - Allocated using the customer factor.
- (2a) Allocation to remaining Rate Divisions

Note: Please see the allocation of expenses from General Office to State Regional Office to Rate Division on the following pages:
West Texas - 17, Colorado/Kansas - 19, Louisiana - 23

Service: SSU – General Office depreciation

Description: Includes all depreciation charged in Shared Services – General Office.

Current Provider
Of Services Shared Services

Current Use of
Service Atmos Energy Louisiana Industrial Gas, LLC
WKG Storage, Inc.
Trans Louisiana Gas Pipeline, Inc.
West Texas Division
Mid-Tex Division
Atmos Pipeline – Texas Division
Louisiana Division
Kentucky/Mid-States Division
Colorado-Kansas Division
Mississippi Division
UCG Storage, Inc.
Atmos Energy Holdings, Inc.

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

- (1) 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.
- (2) The number of customers in each operating division as a percentage of the total number of customers in all of the operating divisions.
- (3) The total direct O&M expense in each operating division as a percentage of the total direct O&M expense in all operating divisions.

If needed, allocation from operating division general offices to rate division uses the composite rate.

The depreciation allocation for the Greenville Data Center is based upon the Composite Factor and square footage percent by business unit.

The depreciation allocation for SSU General Office (Div 002) assets that support the enterprise excluding our Atmos Pipeline – Texas (APT) Division are based on a composite factor that excludes APT. This rate is referred to as AEAM.

The depreciation allocation for our Align billing system assets are based upon invoiced volumes per business unit as a percentage of total volumes. Currently, only the APT, Mid-Tex and AELIG business units use this rate.

See page 15 for General Ledger Entry – Example Only.

Service:	West Texas Division operating division general office O&M, depreciation and taxes other than income taxes, to rate division level
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	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: <ol style="list-style-type: none">(1) 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.(2) The number of customers in each rate division as a percentage of the total number of customers in the West Texas Division rate divisions.(3) 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.

See Page 18 for General Ledger Entries: Example Only.

General Ledger Entries: Example Only

General Office SSU – Div 002	
Cash Acct. 131	
	\$500 (1)
	\$400 (5)

General Office SSU – Div 002	
Accounts Payable Acct. 232	
	\$500 (1)
	\$400 (5)

General Office West Texas - Div 010 Office Supply and Expenses *	
Acct. 921	
	\$500 (1)

General Office West Texas - Div 010 Administrative Expenses Transferred Acct. 922	
	\$200 (2)
	\$300 (2a)

Rate Div Office West Texas Div 005** Administrative Expenses Transferred Acct. 922	
	\$200 (2)

Rate Div Office West Texas -Remaining Administrative Expenses Transferred Acct. 922	
	\$300 (2a)

General Office West Texas - Div 010 Depreciation Exp Acct. 403	
	\$100 (3)
	\$15 (4)
	\$85 (4a)

West Texas - Div 010 Accumulated Depreciation Acct. 108	
	\$100 (3)

Rate Div Office West Texas Div 005** Depreciation Exp Acct. 403	
	\$15 (4)

General Office West Texas - Div 010 Taxes Other than Income Taxes Acct. 408.1	
	\$400 (5)
	\$100 (6)
	\$300 (6a)

Rate Div Office West Texas Div 005** Taxes Other than Income Taxes Acct. 408.1	
	\$100 (6)

Rate Div Office West Texas -Remaining Taxes Other and Depreciation Acct. 408.1 and 403	
	\$85 (4a)
	\$300 (6a)

* 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 005.

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
- (6a) Allocation to remaining division offices

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:

- (1) 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.
- (2) The number of customers in each state as a percentage of the total number of customers in Colorado-Kansas Division.
- (3) 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

<table border="1" style="margin: auto; border-collapse: collapse;"> <tr><td style="padding: 5px;">General Office SSU – Div 002</td></tr> <tr><td style="padding: 5px;">Cash</td></tr> <tr><td style="padding: 5px;">Acct. 131</td></tr> <tr><td style="border-top: 1px solid black; padding: 5px;">\$500(1)</td></tr> </table>	General Office SSU – Div 002	Cash	Acct. 131	\$500(1)	<table border="1" style="margin: auto; border-collapse: collapse;"> <tr><td style="padding: 5px;">General Office SSU – Div 002</td></tr> <tr><td style="padding: 5px;">Accounts Payable</td></tr> <tr><td style="padding: 5px;">Acct. 232</td></tr> <tr><td style="border-top: 1px solid black; padding: 5px;">(1) \$500</td></tr> <tr><td style="border-top: 1px solid black; padding: 5px;">\$500(1)</td></tr> </table>	General Office SSU – Div 002	Accounts Payable	Acct. 232	(1) \$500	\$500(1)	<table border="1" style="margin: auto; border-collapse: collapse;"> <tr><td style="padding: 5px;">General Office CO/KS BU 060 Div 030</td></tr> <tr><td style="padding: 5px;">Office Supply and Expenses *</td></tr> <tr><td style="padding: 5px;">Acct. 921</td></tr> <tr><td style="border-top: 1px solid black; padding: 5px;">(1) \$500</td></tr> </table>	General Office CO/KS BU 060 Div 030	Office Supply and Expenses *	Acct. 921	(1) \$500
General Office SSU – Div 002															
Cash															
Acct. 131															
\$500(1)															
General Office SSU – Div 002															
Accounts Payable															
Acct. 232															
(1) \$500															
\$500(1)															
General Office CO/KS BU 060 Div 030															
Office Supply and Expenses *															
Acct. 921															
(1) \$500															
<table border="1" style="margin: auto; border-collapse: collapse;"> <tr><td style="padding: 5px;">General Office CO/KS BU 060 Div 030</td></tr> <tr><td style="padding: 5px;">Administrative Expenses Transferred</td></tr> <tr><td style="padding: 5px;">Acct. 922</td></tr> <tr><td style="border-top: 1px solid black; padding: 5px;">\$250(2)</td></tr> <tr><td style="border-top: 1px solid black; padding: 5px;">\$250(2a)</td></tr> </table>	General Office CO/KS BU 060 Div 030	Administrative Expenses Transferred	Acct. 922	\$250(2)	\$250(2a)	<table border="1" style="margin: auto; border-collapse: collapse;"> <tr><td style="padding: 5px;">State Div Office CO/KS Div 033</td></tr> <tr><td style="padding: 5px;">Administrative Expenses Transferred</td></tr> <tr><td style="padding: 5px;">Acct. 922</td></tr> <tr><td style="border-top: 1px solid black; padding: 5px;">(2) \$250</td></tr> </table>	State Div Office CO/KS Div 033	Administrative Expenses Transferred	Acct. 922	(2) \$250	<table border="1" style="margin: auto; border-collapse: collapse;"> <tr><td style="padding: 5px;">Rate Div Office CO/KS Div 081</td></tr> <tr><td style="padding: 5px;">Administrative Expenses Transferred</td></tr> <tr><td style="padding: 5px;">Acct. 922</td></tr> <tr><td style="border-top: 1px solid black; padding: 5px;">(2a) \$250</td></tr> </table>	Rate Div Office CO/KS Div 081	Administrative Expenses Transferred	Acct. 922	(2a) \$250
General Office CO/KS BU 060 Div 030															
Administrative Expenses Transferred															
Acct. 922															
\$250(2)															
\$250(2a)															
State Div Office CO/KS Div 033															
Administrative Expenses Transferred															
Acct. 922															
(2) \$250															
Rate Div Office CO/KS Div 081															
Administrative Expenses Transferred															
Acct. 922															
(2a) \$250															

* 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 office

Service:	Kentucky/Mid-States Division operating division general office O&M, depreciation and taxes other than income taxes, 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: <ol style="list-style-type: none">(1) 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.(2) The number of customers in each rate division as a percentage of the total number of customers in Kentucky/Mid-States Division.(3) 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.

See Page 21 for General Ledger Entries: Example Only.

General Ledger Entries: Example Only

<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: center;">General Office SSU – Div 002</td></tr> <tr><td style="text-align: center;">Cash Acct. 131</td></tr> <tr><td style="border-top: 1px solid black; border-bottom: 1px solid black;">\$500 (1) \$400 (5)</td></tr> </table>	General Office SSU – Div 002	Cash Acct. 131	\$500 (1) \$400 (5)	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: center;">General Office SSU – Div 002</td></tr> <tr><td style="text-align: center;">Accounts Payable Acct. 232</td></tr> <tr><td style="border-top: 1px solid black; border-bottom: 1px solid black;">(1) \$500 (5) \$400</td></tr> </table>	General Office SSU – Div 002	Accounts Payable Acct. 232	(1) \$500 (5) \$400	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: center;">General Office Mid States - Div 091 Office Supply and Expenses *</td></tr> <tr><td style="text-align: center;">Acct. 921</td></tr> <tr><td style="border-top: 1px solid black; border-bottom: 1px solid black;">(1) \$500</td></tr> </table>	General Office Mid States - Div 091 Office Supply and Expenses *	Acct. 921	(1) \$500
General Office SSU – Div 002											
Cash Acct. 131											
\$500 (1) \$400 (5)											
General Office SSU – Div 002											
Accounts Payable Acct. 232											
(1) \$500 (5) \$400											
General Office Mid States - Div 091 Office Supply and Expenses *											
Acct. 921											
(1) \$500											
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: center;">General Office Mid States - Div 091 Administrative Expenses Transferred</td></tr> <tr><td style="text-align: center;">Acct. 922</td></tr> <tr><td style="border-top: 1px solid black; border-bottom: 1px solid black;">\$200 (2) \$300 (2a)</td></tr> </table>	General Office Mid States - Div 091 Administrative Expenses Transferred	Acct. 922	\$200 (2) \$300 (2a)	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: center;">Rate Div Office Mid States Div 009 **</td></tr> <tr><td style="text-align: center;">Administrative Expenses Transferred Acct. 922</td></tr> <tr><td style="border-top: 1px solid black; border-bottom: 1px solid black;">(2) \$200</td></tr> </table>	Rate Div Office Mid States Div 009 **	Administrative Expenses Transferred Acct. 922	(2) \$200	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: center;">Rate Div Office Mid States -Remaining Administrative Expenses Transferred</td></tr> <tr><td style="text-align: center;">Acct. 922</td></tr> <tr><td style="border-top: 1px solid black; border-bottom: 1px solid black;">(2a) \$300</td></tr> </table>	Rate Div Office Mid States -Remaining Administrative Expenses Transferred	Acct. 922	(2a) \$300
General Office Mid States - Div 091 Administrative Expenses Transferred											
Acct. 922											
\$200 (2) \$300 (2a)											
Rate Div Office Mid States Div 009 **											
Administrative Expenses Transferred Acct. 922											
(2) \$200											
Rate Div Office Mid States -Remaining Administrative Expenses Transferred											
Acct. 922											
(2a) \$300											
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: center;">General Office Mid States - Div 091 Depreciation Exp</td></tr> <tr><td style="text-align: center;">Acct. 403</td></tr> <tr><td style="border-top: 1px solid black; border-bottom: 1px solid black;">(3) \$100 \$15 (4) \$85 (4a)</td></tr> </table>	General Office Mid States - Div 091 Depreciation Exp	Acct. 403	(3) \$100 \$15 (4) \$85 (4a)	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: center;">Mid States - Div 091 Accumulated Depreciation</td></tr> <tr><td style="text-align: center;">Acct. 108</td></tr> <tr><td style="border-top: 1px solid black; border-bottom: 1px solid black;">\$100 (3)</td></tr> </table>	Mid States - Div 091 Accumulated Depreciation	Acct. 108	\$100 (3)	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: center;">Rate Div Office Mid States Div 009 ** Depreciation Exp</td></tr> <tr><td style="text-align: center;">Acct. 403</td></tr> <tr><td style="border-top: 1px solid black; border-bottom: 1px solid black;">(4) \$15</td></tr> </table>	Rate Div Office Mid States Div 009 ** Depreciation Exp	Acct. 403	(4) \$15
General Office Mid States - Div 091 Depreciation Exp											
Acct. 403											
(3) \$100 \$15 (4) \$85 (4a)											
Mid States - Div 091 Accumulated Depreciation											
Acct. 108											
\$100 (3)											
Rate Div Office Mid States Div 009 ** Depreciation Exp											
Acct. 403											
(4) \$15											
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: center;">General Office Mid States - Div 091 Taxes Other than Income Taxes</td></tr> <tr><td style="text-align: center;">Acct. 408.1</td></tr> <tr><td style="border-top: 1px solid black; border-bottom: 1px solid black;">(5) \$400 \$100 (6) \$300 (6a)</td></tr> </table>	General Office Mid States - Div 091 Taxes Other than Income Taxes	Acct. 408.1	(5) \$400 \$100 (6) \$300 (6a)	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: center;">Rate Div Office Mid States Div 009 ** Taxes Other than Income Taxes</td></tr> <tr><td style="text-align: center;">Acct. 408.1</td></tr> <tr><td style="border-top: 1px solid black; border-bottom: 1px solid black;">(6) \$ 100</td></tr> </table>	Rate Div Office Mid States Div 009 ** Taxes Other than Income Taxes	Acct. 408.1	(6) \$ 100	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: center;">Rate Div Office Mid States -Remaining Taxes Other and Depreciation</td></tr> <tr><td style="text-align: center;">Acct. 408.1 and 403</td></tr> <tr><td style="border-top: 1px solid black; border-bottom: 1px solid black;">(4a) \$85 (6a) \$300</td></tr> </table>	Rate Div Office Mid States -Remaining Taxes Other and Depreciation	Acct. 408.1 and 403	(4a) \$85 (6a) \$300
General Office Mid States - Div 091 Taxes Other than Income Taxes											
Acct. 408.1											
(5) \$400 \$100 (6) \$300 (6a)											
Rate Div Office Mid States Div 009 ** Taxes Other than Income Taxes											
Acct. 408.1											
(6) \$ 100											
Rate Div Office Mid States -Remaining Taxes Other and Depreciation											
Acct. 408.1 and 403											
(4a) \$85 (6a) \$300											

* 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
- (5) Taxes Other than Income Taxes incurred
- (6) Allocating General Office Expenses to Rate Division Office - 25% to Mid States Rate Division Office - for illustration purposes only
 - (6a) Allocation to remaining division offices

Description of Relationship between Mid-Tex and Atmos Pipeline – Texas:

Mid-Tex performs operations and maintenance and capital services for the Atmos Pipeline – Texas (“APT”) Division.

Services are provided on an ongoing basis throughout the Mid-Tex and APT service areas. The field operations include, but are not limited to, services related to pipeline integrity, measurement, compliance work, painting, right of way mowing and reclamation, leak surveys, patrolling, regulator maintenance, fence replacements, line repairs and line replacements. Additionally, Technical and Support Services are provided to APT by centralized departments primarily located at the Mid-Tex headquarters in Dallas. These centralized functions include, but are not limited to, compliance monitoring and reporting, gas measurement, finance and human resources.

APT employs outside contractor labor services and purchases materials and supplies for field operations and construction in addition to the services provided by Mid-Tex. These services and materials are direct charged to APT and are not allocated from Mid-Tex.

APT employs some pipeline only personnel. This labor and the related benefit cost is primarily charged directly to APT and not allocated from Mid-Tex.

Service: Mid-Tex/Atmos Pipeline – Texas Division - Intracompany Labor

Description: Mid-Tex employees’ labor supporting APT operations

Current Provider Of Service Mid-Tex

Current Use of Service Atmos Pipeline – Texas

Basis for allocation The Operational Split is calculated each fiscal year based upon budgeted non-supervisory employee labor and contract labor for the Mid-Tex and APT divisions.

Mid-Tex supervisory and support employees (finance, human resources, etc) who charge time to APT generally use the operational split.

Mid-Tex non-supervisory employees who charge time to APT generally record their time through the time reporting system.

General Ledger Entry: Supervisory employee (Example Only)

Mid-Tex BU 080	
O&M Labor Acct. 853 Cost Center 4XXX	
(2) \$200	

SSU – Div 002	
Cash Acct. 131	
	\$1,000 (1)

SSU – Div 002	
Accounts Payable Acct. 232	
(1) \$1,000	\$1,000 (2)

Mid-Tex BU 080	
Construction work In Progress Acct. 107 Cost Center 4XXX	
(2) \$ 400	

APT BU 180	
Construction work In Progress Acct. 107 Cost Center 9XXX	
(2) \$ 250	

APT BU 180	
O&M Labor Acct. 853 Cost Center 9XXX	
(2) \$150	

Flow of Activity:

- (1) Pay Mid-Tex Supervisory employee
- (2) Allocate labor to Mid-Tex and APT – for illustration purposes, this employee's time is charged 60% to Mid-Tex and 40% to APT. The APT portion is 63% capital.

General Ledger Entry: Non Supervisory employee (Example Only)

Mid-Tex BU 080	
O&M Labor Acct. 853 Cost Center 4XXX	
(2) \$400	

SSU – Div 002	
Cash Acct. 131	
	\$800 (1)

SSU – Div 002	
Accounts Payable Acct. 232	
(1) \$800	\$800 (2)

APT BU 180	
Construction work In Progress Acct. 107 Cost Center 9XXX	
(2) \$ 100	

APT BU 180	
O&M Labor Acct. 853 Cost Center 9XXX	
(2) \$300	

Flow of Activity:

- (1) Pay Mid-Tex employee labor
- (2) Direct charge labor to Mid-Tex and APT – for illustration purposes, this employee's time for this payroll cycle was 50% Mid-Tex and 50% APT. The APT portion was 25% capital and 75% expense.

Service: Mid-Tex/Atmos Pipeline – Texas Division - Non Labor Expenses

Description: Allocation includes but is not limited to rents, heavy equipment, utilities, telecom, transportation (vehicles), uniforms, insurance, printing and postage.

Current Provider Of Service: Mid-Tex

Current Use of Service: Atmos Pipeline – Texas Division

Basis for allocation: Factors are primarily based on direct employee labor and contractor labor. The vehicle allocation is based on Company labor only. Allocations vary based on the cost center and sub account.

General Ledger Entries: Transportation Expense (Example Only)

SSU – Div 002 Cash Acct. 131	SSU – Div 002 Accounts Payable Acct. 232	Mid Tex BU 080 O&M Transportation Acct. 853 Cost Center 4XXX
\$1,000 (1)	\$1,000 (1) \$1,000 (1)	\$1,000 (1) \$780 (2)
APT BU 180 CWIP Acct. 107 Cost Center 9XXX	APT BU 180 O&M Transportation Acct. 853 Cost Center 4XXX	
\$220 (3)	\$780 (2) \$220 (3)	

Flow of Activity

- (1) \$1000 in transportation expense
- (2) \$780 is allocated from Mid-Tex O&M to APT O&M
- (3) A portion of the cost is capitalized, for illustration purposes only (22%)

Service: Intercompany labor

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

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

Current Use of Service: UCG Storage, Inc.
Atmos Energy Louisiana Industrial Gas, 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

<table border="1" style="margin: auto;"> <tr><td style="text-align: center;">SSU BU 010</td></tr> <tr><td style="text-align: center;">Cash</td></tr> <tr><td style="text-align: center;">Acct. 131</td></tr> <tr><td style="border-top: 1px solid black;"> </td></tr> <tr><td style="text-align: right;">\$500 (2a)</td></tr> </table>	SSU BU 010	Cash	Acct. 131		\$500 (2a)	<table border="1" style="margin: auto;"> <tr><td style="text-align: center;">SSU BU 010</td></tr> <tr><td style="text-align: center;">A/R from Assoc Co.</td></tr> <tr><td style="text-align: center;">Acct. 146</td></tr> <tr><td style="border-top: 1px solid black;"> </td></tr> <tr><td style="text-align: left;">\$500 (2b)</td></tr> </table>	SSU BU 010	A/R from Assoc Co.	Acct. 146		\$500 (2b)	<table border="1" style="margin: auto;"> <tr><td style="text-align: center;">SSU BU 010</td></tr> <tr><td style="text-align: center;">Accounts Payable</td></tr> <tr><td style="text-align: center;">Acct. 232</td></tr> <tr><td style="border-top: 1px solid black;"> </td></tr> <tr><td style="text-align: left;">\$500 (2a)</td></tr> <tr><td style="text-align: right;">\$500 (2b)</td></tr> </table>	SSU BU 010	Accounts Payable	Acct. 232		\$500 (2a)	\$500 (2b)	
SSU BU 010																			
Cash																			
Acct. 131																			
\$500 (2a)																			
SSU BU 010																			
A/R from Assoc Co.																			
Acct. 146																			
\$500 (2b)																			
SSU BU 010																			
Accounts Payable																			
Acct. 232																			
\$500 (2a)																			
\$500 (2b)																			
<table border="1" style="margin: auto;"> <tr><td style="text-align: center;">Atmos Energy Services</td></tr> <tr><td style="text-align: center;">AES BU 301</td></tr> <tr><td style="text-align: center;">Mains & Services Exp</td></tr> <tr><td style="text-align: center;">Acct. 8740</td></tr> <tr><td style="border-top: 1px solid black;"> </td></tr> <tr><td style="text-align: left;">\$500 (1)</td></tr> </table>	Atmos Energy Services	AES BU 301	Mains & Services Exp	Acct. 8740		\$500 (1)	<table border="1" style="margin: auto;"> <tr><td style="text-align: center;">Mid States BU 050-Div 002</td></tr> <tr><td style="text-align: center;">A/R from Assoc Co.</td></tr> <tr><td style="text-align: center;">Acct. 146</td></tr> <tr><td style="border-top: 1px solid black;"> </td></tr> <tr><td style="text-align: right;">\$500 (2b)</td></tr> </table>	Mid States BU 050-Div 002	A/R from Assoc Co.	Acct. 146		\$500 (2b)	<table border="1" style="margin: auto;"> <tr><td style="text-align: center;">Mid States BU 050-Div 091</td></tr> <tr><td style="text-align: center;">Accounts Payable</td></tr> <tr><td style="text-align: center;">Acct. 232</td></tr> <tr><td style="border-top: 1px solid black;"> </td></tr> <tr><td style="text-align: left;">\$500 (2b)</td></tr> <tr><td style="text-align: right;">\$500 (1)</td></tr> </table>	Mid States BU 050-Div 091	Accounts Payable	Acct. 232		\$500 (2b)	\$500 (1)
Atmos Energy Services																			
AES BU 301																			
Mains & Services Exp																			
Acct. 8740																			
\$500 (1)																			
Mid States BU 050-Div 002																			
A/R from Assoc Co.																			
Acct. 146																			
\$500 (2b)																			
Mid States BU 050-Div 091																			
Accounts Payable																			
Acct. 232																			
\$500 (2b)																			
\$500 (1)																			

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: 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 or Margin.

General Ledger Entries: Example Only

Rate Division * Accumulated Provision for Uncollectible Accounts Acct. 144 sub xxxxx	Rate Division Customer Accounts - Uncollectible Accounts Acct. 904	Rate Division Customer Accounts Receivable Acct. 142 sub xxxxx
(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

SSU BU 010 Cash Acct. 131	SSU BU 010 A/R from Assoc Co. Acct. 146	SSU BU 010 Accounts Payable Acct. 232			
\$500 (2a)	\$500 (2b)	\$500 (2a)	\$500 (2b)		
Kentucky Division Mid-States BU 050-Div 009 Mains & Services Exp Acct. 8740	Tennessee Division Mid-States BU 050-Div 093 Mains & Services Exp Acct. 8740	Mid-States BU 050-Div 002 A/R from Assoc Co. Acct. 146	Mid-States BU 050-Div 091 Accounts Payable Acct. 232		
\$250 (1)	\$250 (1)	\$500 (2b)	\$500 (2b)	\$500 (1)	\$500 (1)

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 projected average net investment by rate division for the budget year. For this purpose, 'net investment' is defined as regulatory rate base + goodwill. These allocation factors are the same throughout the fiscal 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.

See page 29 for General Ledger Entries: Example Only.

General Ledger Entries: Example Only

<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: center;">SSU BU 010</td></tr> <tr><td style="text-align: center;">Cash</td></tr> <tr><td style="text-align: center;">Acct. 131</td></tr> <tr><td style="border-top: 1px solid black;">(1) \$1,000</td></tr> </table>	SSU BU 010	Cash	Acct. 131	(1) \$1,000	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: center;">SSU BU 010</td></tr> <tr><td style="text-align: center;">Accounts Receivable</td></tr> <tr><td style="text-align: center;">Acct. 143</td></tr> <tr><td style="border-top: 1px solid black;">(1) \$1,000</td></tr> <tr><td style="border-bottom: 1px solid black;">\$1,000 (1)</td></tr> </table>	SSU BU 010	Accounts Receivable	Acct. 143	(1) \$1,000	\$1,000 (1)	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: center;">SSU BU 010</td></tr> <tr><td style="text-align: center;">Interest and Dividend Income</td></tr> <tr><td style="text-align: center;">Acct. 419</td></tr> <tr><td style="border-top: 1px solid black;">(2) \$20</td></tr> <tr><td style="border-bottom: 1px solid black;">\$1,000 (1)</td></tr> </table>	SSU BU 010	Interest and Dividend Income	Acct. 419	(2) \$20	\$1,000 (1)	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: center;">Div 033</td></tr> <tr><td style="text-align: center;">Interest and Dividend Income</td></tr> <tr><td style="text-align: center;">Acct. 419</td></tr> <tr><td style="border-top: 1px solid black;">\$20 (2)</td></tr> </table>	Div 033	Interest and Dividend Income	Acct. 419	\$20 (2)		
SSU BU 010																							
Cash																							
Acct. 131																							
(1) \$1,000																							
SSU BU 010																							
Accounts Receivable																							
Acct. 143																							
(1) \$1,000																							
\$1,000 (1)																							
SSU BU 010																							
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Acct. 419																							
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Interest and Dividend Income																							
Acct. 419																							
\$20 (2)																							
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: center;">SSU BU 010</td></tr> <tr><td style="text-align: center;">Cash</td></tr> <tr><td style="text-align: center;">Acct. 131</td></tr> <tr><td style="border-top: 1px solid black;">\$2,000 (3)</td></tr> </table>	SSU BU 010	Cash	Acct. 131	\$2,000 (3)	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: center;">SSU BU 010</td></tr> <tr><td style="text-align: center;">Accounts Receivable</td></tr> <tr><td style="text-align: center;">Acct. 143</td></tr> <tr><td style="border-top: 1px solid black;">(3) \$2,000</td></tr> <tr><td style="border-bottom: 1px solid black;">\$2,000 (3)</td></tr> </table>	SSU BU 010	Accounts Receivable	Acct. 143	(3) \$2,000	\$2,000 (3)	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: center;">SSU BU 010</td></tr> <tr><td style="text-align: center;">Other Deductions *</td></tr> <tr><td style="text-align: center;">Acct. 426.5</td></tr> <tr><td style="border-top: 1px solid black;">(3) \$2,000</td></tr> <tr><td style="border-bottom: 1px solid black;">\$40 (4)</td></tr> </table>	SSU BU 010	Other Deductions *	Acct. 426.5	(3) \$2,000	\$40 (4)	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: center;">Div 033</td></tr> <tr><td style="text-align: center;">Other Deductions</td></tr> <tr><td style="text-align: center;">Acct. 426.5</td></tr> <tr><td style="border-top: 1px solid black;">(4) \$40</td></tr> </table>	Div 033	Other Deductions	Acct. 426.5	(4) \$40		
SSU BU 010																							
Cash																							
Acct. 131																							
\$2,000 (3)																							
SSU BU 010																							
Accounts Receivable																							
Acct. 143																							
(3) \$2,000																							
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SSU BU 010																							
Other Deductions *																							
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\$40 (4)																							
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SSU BU 010																							
Cash																							
Acct. 131																							
\$3,000 (5)																							
SSU BU 010																							
Accounts Receivable																							
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SSU BU 010																							
Interest Expense																							
Acct. 431																							
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(5) \$2,400																							
\$48 (6)																							
Div 033																							
Interest Expense																							
Acct. 431																							
(Long Term)																							
(6) \$ 48																							

* 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 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 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)

<p>SSU BU 010 Cash Acct. 131</p> <hr style="border: 1px solid black;"/> <p style="text-align: right;">\$1,000 (1)</p>	<p>SSU BU 010 Accounts Payable Acct. 232</p> <hr style="border: 1px solid black;"/> <p style="text-align: left;">(1) \$1,000</p> <p style="text-align: right;">\$1,000 (2)</p>	
<p>Various BU's & Svc Areas Natural Gas City Gate Purchase Acct. 804</p> <hr style="border: 1px solid black;"/> <p>(2) \$1,000</p>		

- (1) Gas cost paid
- (2) Gas cost incurred

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

WKG Storage BU 233 Other Gas Revenues Acct. 495		KY/Mid-State BU 050, Div 009 Transportation to City Gate Acct. 8580	
\$100	(1)	\$100	(1)
WKG Storage BU 233, Div 002 A/R from Assoc Co. Acct. 146		KY/Mid-State BU 050, Div 002 A/R from Assoc Co. Acct. 146	
\$100	(2)	\$100	(2)

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

UCG Storage BU 232 Other Gas Revenues Acct. 495		KY/Mid-State BU 050, Div 009 Other gas supply expenses Acct. 813	
\$100	(1)	\$100	(1)
WKG Storage BU 232, Div 002 A/R from Assoc Co. Acct. 146		KY/Mid-State BU 050, Div 002 A/R from Assoc Co. Acct. 146	
\$100	(2)	\$100	(2)

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: 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
Accounts Receivable from Associated Company Acct. 146
\$100

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

BU 303
Accounts Receivable from Associated Company Acct. 146
\$100

BU 303
Other Gas Supply Expense Acct. 813
\$100

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 Louisiana Industrial Gas, 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, LLC

Basis for allocation: Atmos Energy Corporation is invoiced by Blueflame Insurance Services. Costs are allocated based on the gross property, plant and equipment and gas stored underground balances of each affiliate at a rate division level.

General Ledger Entries: Example Only

SSU BU 010 Cash Acct. 131	SSU BU 010 Accounts Payable Acct. 232	SSU BU 010 Prepayments Acct. 165
\$1,200 (1)	\$1,200 (1)	\$1,200 (1)
General Office CO/KS BU 060 Property Insurance Acct. 924		
\$100 (2) (3)		\$100 (2)

Flow of Activity

- (1) Purchase of property insurance
- (2) Monthly amortization to rate divisions
- (3) Amounts remaining in SSU cost centers are allocated to the divisions using the method described on pages 11 and 12.

Appendix A

