

MYERS, B. W.

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

IN THE MATTER OF THE APPLICATION)	Docket No.
OF ATMOS ENERGY CORPORATION)	
FOR REVIEW AND ADJUSTMENT OF ITS)	
NATURAL GAS RATES)	16-ATMG-____-RTS

**DIRECT TESTIMONY OF
BARBARA W. MYERS
FOR ATMOS ENERGY CORPORATION**

I. INTRODUCTION

1

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

3 **A.** My name is Barbara W. Myers. My business address is 5420 LBJ Freeway, 1600
4 Lincoln Centre, Dallas, TX 75240.

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

6 **A.** I am employed by Atmos Energy Corporation (“Atmos Energy” or the “Company”)
7 as Manager, Rates & Regulatory Affairs.

8 **Q. WHAT ARE YOUR RESPONSIBILITIES AS MANAGER, RATES &
9 REGULATORY AFFAIRS FOR ATMOS ENERGY?**

10 **A.** I am responsible for coordinating rates and regulatory filing activity for Atmos
11 Energy. This responsibility includes coordinating the preparation and review of the
12 revenue deficiency filings and coordinating the ratemaking process which includes
13 the preparation and completion of the filings, discovery and other details as needed by
14 the Company. I have coordinated Company specific dockets, and other commission

1 filings in Colorado, Kansas and Texas.

2 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND**
3 **PROFESSIONAL EXPERIENCE.**

4 **A.** I graduated from Oklahoma State University in 1985 with a Bachelor of Science
5 degree in Accounting. Following graduation, I was employed by ENSERCH
6 Corporation (later known as TXU Gas Company). I worked in various staff,
7 supervisory and management gas accounting assignments. I became Gas Regulatory
8 Accounting Manager for TXU Gas Company in 2000 and continued as the
9 Regulatory Accounting Manager when Atmos Energy acquired the assets of TXU
10 Gas Company on October 1, 2004. I assumed my current position in 2012 as
11 Manager, Rates and Regulatory Affairs.

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

13 **A.** Yes. I am licensed by the State of Texas as a Certified Public Accountant ("CPA").

14 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE KANSAS**
15 **CORPORATION COMMISSION ("KCC") OR OTHER REGULATORY**
16 **ENTITIES?**

17 **A.** I have testified before the Railroad Commission of Texas in general rate case
18 proceedings and gas cost proceedings in Docket Nos. 9145-9147, 9530, 9670, 9732,
19 9762, 9869, 10000, 10170, 10174 and 10359. I have filed written testimony in
20 Colorado before the Colorado Public Service Commission in Docket No. 09AL-
21 507G. I have testified in Georgia before the Georgia Public Service Commission in
22 Docket No. 30442. This is the first time I have had the opportunity to present

1 testimony in the State of Kansas, although I have been involved in Atmos Energy's
2 recent rate case filings in Kansas.

3
4 **II. PURPOSE OF TESTIMONY**

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

6 **A.** My testimony has five primary purposes: (1) to present the Company's revenue
7 requirements model, which supports the increase in base rate revenues the Company
8 is proposing in this proceeding, and address and sponsor the KCC's minimum filing
9 requirements schedules contained in the rate case application; (2) to authenticate the
10 historical books and records of the Company and demonstrate the integrity of the
11 financial information that has been filed in this case and also to describe the
12 Company's Cost Allocation Manual ("CAM"), which provides the methodology for
13 shared services cost allocations; (3) to describe and support the Company's proposed
14 adjustments to the revenue requirements related to rate base; (4) to support the
15 calculation of depreciation rates at year end plant; and (5) to support the Company's
16 proposal to recover unamortized rate case expenses from previous dockets and rate
17 case expenses incurred in the current proceeding via a surcharge.

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

19 **A.** Yes. I am sponsoring Exhibit BWM-1 which is a true and correct copy of Atmos
20 Energy's current CAM.

21
22

1 **III. REVENUE REQUIREMENTS MODEL**

2 **Q. WHAT IS THE TEST PERIOD USED IN DETERMINING THE REVENUE**
3 **DEFICIENCY?**

4 **A.** The test period in this case is the 12 months ended March 31, 2015.

5 **Q. WHAT IS THE LEVEL OF THE COMPANY'S PROPOSED REVENUE**
6 **INCREASE?**

7 **A.** The Company is requesting an overall revenue increase of \$6.6 million in base rates
8 and rate case expenses; however, the Company also proposes to shift the current Gas
9 System Reliability Surcharge Rider ("GSRs") and Ad Valorem Tax Surcharge Rider
10 ("AVTS") revenues to base rates and the GSRs and AVTS amounts would go to zero.

11 **Q. PLEASE DESCRIBE HOW THE KANSAS MINIMUM REQUIREMENTS**
12 **ARE MET BY THE COMPANY REVENUE REQUIREMENTS MODEL.**

13 **A.** The Company utilized the schedule numbering scheme required under K.A.R. § 82-1-
14 231 (2009). The Company addressed each requirement in the overall filing package.

15 **Q. PLEASE DESCRIBE EACH OF THE SCHEDULES SUPPORTING THE**
16 **CALCULATION OF THE COST OF SERVICE AND REVENUE**
17 **DEFICIENCY.**

18 **A.** Section 3 Summary of Rate Base, Operating Income and Rate of Return.

19 This section accumulates the results of the various schedules described in the
20 remainder of this answer to calculate a Kansas Revenue Requirement of \$63.5 million
21 and a Kansas annual Revenue Deficiency of \$5.7 million in base rates. These results
22 reflect Kansas direct operations, plus allocations from the Company's administrative

1 offices serving Kansas (Shared Services General Office, Shared Services Customer
2 Support, and Colorado-Kansas General Office).

3 **Section 4 Plant Investment.** This section provides functional plant balances for
4 direct and allocated gross plant in service. The gross plant in service is further
5 supported later in my testimony.

6 **Section 5 Accumulated Depreciation, Amortization and Depletion.** This section
7 provides accumulated depreciation balances for direct and allocated accumulated
8 reserve. The accumulated depreciation is further supported later in my testimony.

9 **Section 6 Working Capital.** This section provides thirteen month average
10 calculations of prepayments and storage gas. The prepayments and storage gas are
11 further supported later in my testimony.

12 **Section 7 Capital and Cost of Money.** This section provides the Company's
13 proposed capital structure, cost of long-term debt, return on equity and computes an
14 overall proposed return on rate base. The proposed capital structure, cost of debt and
15 the requested return on equity is supported by Company witness, Ms. Ann Bulkley.

16 **Section 9 Test Year and Pro-forma Income Statements.** Within Section 9, Test Year
17 and Pro-forma Income Statements, the section provides the Company's proposed
18 Operation and Maintenance expense. The proposed Operation and Maintenance
19 expense is supported by Company witness, Ms. Laura Becker.

20 **Section 10 Depreciation and Amortization Expense.** This section provides
21 depreciation and amortization expense which is associated with the Company's
22 requested gross plant. The Company's direct depreciation rates were updated in
23 Docket No. 12-ATMG-564-RTS ("564 Docket") and no change to these rates are

1 being requested in this proceeding. The Company is requesting updated depreciation
2 rates for the Colorado/Kansas General Office and the Shared Services Divisions,
3 General Office and Customer Support. The updated depreciation rates are supported
4 by the studies prepared by Company witness, Mr. Dane Watson.

5 **Section 11 and 11B** Taxes Other Than Income Taxes and Computation of Income
6 Taxes. This section provides the Company's proposed Taxes Other Than Income
7 Taxes and the computation of Income Taxes. These sections are supported in the
8 testimony of Company witness, Ms. Laura Becker.

9 **Section 14A** Summary of Other Rate Base Components. This section provides the
10 Company's proposed other rate base components of construction work in progress,
11 customer advances for construction, customer deposits and accumulated deferred
12 income taxes. These items are further supported later in my testimony.

13 **Section 14C** Computation of Interest on Customer Deposits. This section computes
14 the proposed adjustment related to interest expense for customer deposits. This
15 section is supported in the testimony of Company witness, Ms. Laura Becker.

16 **Section 17** Summary of Revenue at Present and Proposed Rates. This section
17 computes the normalized revenue at present and proposed rates for each of the
18 Company's tariffs. This section, containing adjustment IS-13, is supported by
19 Company witness, Mr. Jared Geiger.

20
21

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

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

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

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

18 **Q. AS MANAGER, RATES & REGULATORY AFFAIRS HOW DO YOU**
19 **ASSURE YOURSELF THAT TRANSACTIONS ARE RECORDED**
20 **PROPERLY?**

21 **A.** As Manager, Rates & Regulatory Affairs, I have personal knowledge of the
22 organizational business processes and staffing in the Controllershship function. The
23 Controller's organization is staffed with highly qualified accounting managers and

1 staff, with many accounting positions filled by CPAs. The managers in the
2 organization are charged with the responsibility to inspect, review and revise, if
3 appropriate, the work of the accountants they supervise. The Company has
4 established and maintained controls that ensure the accuracy of its books and records.
5 These controls help identify any necessary adjustments to accounting entries which
6 are then recorded to the original books and records. Atmos Energy has engaged
7 KPMG LLP (“KPMG”) for internal audit services and this firm periodically performs
8 reviews of those controls.

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

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

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

20 **A.** As described in the Company’s CAM, a cost center is a designation generally utilized
21 for the assignment of departmental cost responsibility and internal management
22 reporting. Employees with responsibility for these functional areas are delegated a
23 certain level of authority to conduct the business of the Company.

1 **Q. HOW ARE THESE AUTHORITY LEVELS DETERMINED OR**
2 **DELEGATED WITHIN THE COMPANY?**

3 **A.** The Board of Directors initially delegates authority to the President and Chief
4 Executive Officer of the Company who then authorizes the Vice President and
5 Controller to further delegate authority to others throughout the Company as
6 necessary. The Vice President and Controller's approval of authority limits is
7 generally based on a review of the needs and recommendations from those requesting
8 authority limit changes. Approved authority limits are maintained in a secure table
9 within the Company's accounting system.

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

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

23 **Q. DOES THE COMPANY HAVE IN PLACE A PROCESS OR SYSTEM FOR**

1 **THE REVIEW AND VALIDATION OF COSTS THAT ARE NOT**
2 **PROCESSED THROUGH MARKVIEW?**

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

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

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

20 Additionally, the President and Chief Executive Officer and Senior Vice
21 President and Chief Financial Officer must certify the Company's annual and
22 quarterly financial statements and must attest to and report on the Company's system
23 of internal control. To facilitate this effort, the Company outsources its internal audit

1 function to the accounting firm KPMG to conduct tests of the Company's system of
2 internal control. These tests are developed to ensure the system of internal control
3 has been designed effectively and that the controls are functioning as designed as of
4 the end of the Company's fiscal year.

5 **Q. PLEASE DESCRIBE THE PROCESS USED TO TEST INTERNAL**
6 **CONTROLS.**

7 **A.** The Company maintains a Sarbanes-Oxley ("SOX") steering committee, which is
8 responsible for the oversight and monitoring of SOX compliance-related matters.
9 This committee is comprised of the Vice President and Controller, the Director of
10 Accounting Services, the Director of Financial Reporting, the Director of Information
11 Security and the Vice President of Finance for the Company's non-regulated
12 activities.

13 During the first quarter of the fiscal year, the Director of Financial Reporting
14 and the Director of Accounting Services meet with the internal auditors to review the
15 Company's listing of key controls to assess whether changes to that list should be
16 made based upon changes in the risk profile or organization of the company. A key
17 control is defined as a control necessary to mitigate the risks and ensure financial
18 reporting is reasonable and materially correct.

19 The internal audit group will develop a testing plan based upon these key
20 controls, which is reviewed and approved by the SOX steering committee. The key
21 controls are tested throughout the year. If issues arise, they are individually
22 addressed by a steering committee member who has knowledge of the affected areas.
23 The SOX steering committee meets regularly to assess the progress and review the

1 results of the testing. During this process, all findings are discussed and the steering
2 committee will determine whether the finding should be considered a control
3 deficiency, a significant deficiency or a material weakness. A control deficiency
4 exists when the design or operation of a control does not allow management or
5 employees to prevent or detect misstatements in financial reporting on a timely basis.
6 A significant deficiency is a control deficiency which adversely affects the
7 Company's ability to report external financial data reliably, with more than a remote
8 likelihood that an inconsequential misstatement of the Company's financial
9 statements will not be prevented or detected. A material weakness is a significant
10 deficiency that results in more than a remote likelihood that a material misstatement
11 of the financial statements will not be prevented or detected.

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

15 **Q. PLEASE SUMMARIZE THE RESULTS OF TESTING FOR THE MOST**
16 **RECENTLY COMPLETED FISCAL YEAR.**

17 **A.** The most recent fiscal year for which the results of testing are available is fiscal 2014.
18 A total of 215 key controls related to the Company's natural gas distribution
19 operations were tested. The Company identified six deficiencies related to nine
20 controls. However, no significant deficiencies or material weaknesses were
21 identified. Three of the four key control deficiencies have now been remediated. The
22 Company has implemented a detective control that mitigates the risk of the one key
23 control deficiency that is not yet remediated to ensure that no material misstatement

1 of the financial statements occurs. The Company will have the last key control
2 deficiency remediated during fiscal year 2015.

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

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

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

12 **A.** Yes. EY performs independent tests regarding the design of the Company's internal
13 control function and the effectiveness of the controls as of the end of each fiscal year.
14 EY relies, in part, on the work performed by the internal auditors in completing their
15 audit procedures. Upon completion of its work, EY issues an audit report
16 summarizing its findings, which is included in the Company's annual report on Form
17 10-K.

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

20 **A.** No. EY issued an unqualified audit report for fiscal 2014, which means that it agreed
21 with management's assertions.

22 **Q. ARE THERE OTHER TYPES OF REGULAR AUDITS AND REVIEWS**
23 **THAT ARE CONDUCTED ON ATMOS ENERGY'S BOOKS AND**

1 whereby allocations are made within the books and records of the Company. These
2 include allocations of various common expenses which are incurred for the benefit of
3 two or more of the Company's rate divisions and are therefore allocable to those rate
4 divisions. Additionally, the CAM describes and documents the processes by which
5 allocations are made between Atmos Energy and its affiliates and between affiliates.

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

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

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

14 **A.** Yes. The CAM is uniformly applied in all eight states in which Atmos Energy has
15 regulated utility operations, including Kansas, for the allocation of common costs
16 among Atmos Energy's various operating divisions.

17 **Q. DOES THE CAM DESCRIBE ALLOCATIONS OF BALANCE SHEET**
18 **AMOUNTS?**

19 **A.** No. The CAM describes how to allocate expense items from Atmos Energy's income
20 statement. Investment or balance sheet items are not allocated within Atmos
21 Energy's books and records. Investment amounts are allocated only for ratemaking
22 purposes in the context of a rate filing or certain regulatory reports. I discuss the
23 allocations of rate base amounts later in my testimony.

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

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

8

9

VI. RATE BASE ADJUSTMENTS (RB-1 – RB-2)

10 Q. DOES THE COMPANY HAVE ANY ADJUSTMENTS TO PLANT IN
11 SERVICE AND ACCUMULATED RESERVE?

12 A. No. However, as shown in Sections 4 and 5 of the Rate Application, plant in service
13 and accumulated reserve from Shared Services and the Colorado/Kansas general
14 office were allocated to the Kansas service area.

15 Q. WHAT ADJUSTMENT WAS MADE TO CONSTRUCTION WORK IN
16 PROGRESS ("CWIP") (RB-1)?

17 A. Two items are included within the adjustment made to CWIP. The first item is
18 consistent with prior cases and removes the accumulated cost of long-term projects
19 from CWIP. The second item is to include in CWIP spending the amount that, in
20 addition to the balances at the end of the period, will be spent and closed in the
21 Company's September 2015 books. This adjustment, designated as RB-1, is shown
22 on WP 14-1.

23 Q. WHY IS THE COMPANY PROPOSING TO ADD IN THE ADDITIONAL

1 **AMOUNTS BEYOND WHAT IS CONTAINED WITHIN CWIP AT THE END**
2 **OF THE TEST PERIOD?**

3 **A.** This approach is consistent with the Company's filing in its most recent rate case, in
4 which the Company included additional capital spending related to specific capital
5 projects. In conducting the audit, Commission Staff was able to verify the closing of
6 the capital spending. For the past several years the Company has been working to
7 reduce lag associated with non-growth capital spending in all of its jurisdictions and
8 has made significant progress. The inclusion of this spending in the case reduces
9 some of the lag experienced by Atmos Energy under the Commission's traditional
10 general rate case filing process. These projects are scheduled to be completed in the
11 fall of 2015; therefore, the investment will be in use before rates go in effect in this
12 proceeding.

13 **Q.** **DOES KANSAS LAW ALLOW FOR THESE PROJECTS TO BE INCLUDED**
14 **IN RATE BASE?**

15 **A.** Yes. K.S.A. 66-128 (2) (A) permits projects completed within one year from the end
16 of the test period to be included in rate base. The Company anticipates that these
17 projects will close prior to the end of fall 2015 and can be audited and confirmed to
18 be completed by KCC Staff and CURB during their audit of this rate case.

19 **Q.** **HOW WOULD THE COMPANY PROPOSE UPDATING THE FILING ONCE**
20 **ACTUAL AMOUNTS ARE CLOSED IN THE SEPTEMBER 2015 BOOKS**
21 **AND RECORDS SO THAT KCC STAFF AND CURB WILL BE ABLE TO**
22 **CONFIRM THE PROJECTS HAVE BEEN COMPLETED?**

23 **A.** The Company would use the same method used in its 2012 and 2014 Kansas rate

1 cases (564 Docket and Docket No. 14-ATMG-320-RTS ("320 Docket")) to update
2 the KCC Staff and CURB. The Company will track the costs and does not anticipate
3 that actual costs will vary significantly from the amount included within the filing.
4 After the September books close in October 2015, the Company will provide updated
5 Schedules to KCC Staff and CURB to reflect the actual amounts closed to plant along
6 with any associated retirements.

7 **Q. WOULD THE COMPANY UPDATE THE ENTIRE SET OF FILING**
8 **SCHEDULES?**

9 **A.** No. The Company would not propose to update its complete set of filed schedules,
10 unless requested by KCC Staff or CURB. Rather, in updating the specific work
11 papers associated with these projects, the impact of any variance between actual and
12 estimated project costs can be included in KCC Staff's and CURB's Accounting
13 Schedules.

14 **Q. DOES THE COMPANY'S RATE FILING REFLECT ADJUSTMENTS TO**
15 **THE PER BOOK AMOUNTS OF ACCUMULATED DEFERRED INCOME**
16 **TAX ("ADIT") (RB-2)?**

17 **A.** Yes. Adjustments to ADIT are designated as RB-2, appear in the Schedule 14A, and
18 are calculated on WP 14-4 and WP 14-4-1.

19 **Q. WERE ANY ITEMS EXCLUDED FOR RATEMAKING PURPOSES?**

20 **A.** Yes. An adjustment was made to remove ADIT related to over/under recovery of gas
21 cost. Additionally, the adjustments exclude book to tax differences in Shared Services
22 that relate to jurisdictions other than Kansas.

23 **Q. WERE ADJUSTMENTS MADE TO ANY OTHER RATE BASE ITEMS?**

1 A. No. Amounts for Storage Gas, Prepayments, Customer Advances for Construction
2 and Customer Deposits are included at the per book 13-month average balances.
3 Cash Working Capital is included at a zero balance.

4 **Q. PLEASE DESCRIBE THE ALLOCATION OF SHARED SERVICES AND**
5 **GENERAL OFFICE RATE BASE ITEMS TO KANSAS.**

6 A. The Company does not allocate rate base items in its books and records. Therefore,
7 rate base items that are booked at the shared services and the business unit general
8 office levels must be separately allocated to include the amounts applicable to Kansas
9 in rate base. In this filing, rate base items were allocated using the allocation factors
10 shown in Section 12. The development of these factors is the same as that discussed
11 in the Company's Cost Allocation Manual and in the previous section.

12 **Q. PLEASE DESCRIBE THE ALLOCATION FACTORS UTILIZED FOR**
13 **EXPENSE ADJUSTMENTS TO KANSAS.**

14 A. Fiscal year 2015 allocation factors (based on September 30, 2014 data) were utilized
15 in this filing to allocate expense items. The allocation factors can be found on
16 Schedule 12 of the filing, and the methods utilized in the development of these factors
17 are discussed as part of the Cost Allocation Manual attached as Exhibit BWM-1. The
18 filing is consistent with the Shared Services General Office using a composite factor
19 and the Shared Services Customer Support using a customer factor.

20

21 **VII. DEPRECIATION EXPENSE (IS-7)**

22 **Q. PLEASE DESCRIBE THE COMPANY'S CALCULATION OF**
23 **DEPRECIATION EXPENSE.**

1 A. This adjustment, designated as IS-7, recalculates depreciation expense utilizing the
2 depreciation rates approved in the Atmos Energy 564 Docket for the Kansas direct
3 assets. These rates were applied to the end-of-test-year balances of plant in service
4 by plant account, thereby normalizing depreciation expense to be consistent with the
5 level of plant in service at the end of the test year.

6 **Q. IS THE COMPANY PROPOSING TO CHANGE THE DEPRECIATION**
7 **RATES OF THE COLORADO/KANSAS GENERAL OFFICE AND THE**
8 **SHARED SERVICES DIVISIONS?**

9 A. Yes. The Company is proposing to change the depreciation rates for the assets
10 allocated from the Colorado/Kansas division general office and the Shared Services
11 General Office and Customer Support in this rate case. Company witness, Mr. Dane
12 Watson sponsors the depreciation studies which provide the support for the new rates
13 the Company is proposing. These new rates were applied to the end-of-test-year
14 balances of plant in service by plant account, thereby normalizing depreciation
15 expense to be consistent with the level of plant in service at the end of the test year.

16

17

VIII. RATE CASE EXPENSES

18 **Q. PLEASE EXPLAIN WHY IT IS APPROPRIATE TO RECOVER RATE CASE**
19 **EXPENSES.**

20 A. It is a well settled principle of ratemaking that prudently incurred rate case expenses
21 are operating expenses incurred by a utility and therefore recoverable. In *Kan. Indus.*
22 *Consumers Group, Inc. v. State Corp. Comm'n*, 36 Kan. Ct. App. 2d 83, 111 (2006),
23 the Kansas Court of Appeals held that “[t]he general rule is that prudently incurred

1 rate case expenses are among the reasonably necessary expenses that a public utility
2 is entitled to recover in a rate-making proceeding.” The Company has included in
3 this filing a detailed estimate of expenses anticipated in this proceeding and detail
4 related to the approved rate case expenses unamortized from prior dockets. The
5 Company’s expenses include the cost of professional services to support the new
6 depreciation rates, the requested return on equity and the proposed class cost of
7 service, all of which are reasonable and necessary expenses to support this statement
8 of intent filing. Professional services are reasonable and necessary expenses that are
9 required due to the complexity and specialized nature of the testimony required to
10 support the Company’s rate request. Atmos Energy’s employee expenses are
11 reasonable and necessary and are related to the travel, lodging and meals of
12 employees to travel to prepare for the Commission hearing and to attend the hearing
13 before the KCC. These costs are required in order for the Company to support this
14 rate proceeding and are normal operating costs for a regulated utility. The
15 Company’s proposed one-year surcharge period is also consistent with the established
16 ratemaking principle set forth in *Home Tel. Co. v. State Corp. Comm’n*, 31 Kan. App.
17 2d 1002, 1014 (2003) that “Rate case expenses are typically amortized for a period
18 reflecting the frequency of rate case filings.”

19 **Q. WHY IS THE COMPANY PROPOSING A SURCHARGE TO RECOVER**
20 **THE UNAMORTIZED PORTION OF APPROVED RATE CASE EXPENSES**
21 **FROM PRIOR DOCKETS AND THE RATE CASE EXPENSES INCURRED**
22 **IN THE CURRENT DOCKET?**

23 **A.** The Company is proposing a one-time surcharge to recover rate case expenses to

1 simplify the rate case expense recovery process. The surcharge would include the
2 unamortized portion of approved rate case expenses from prior dockets and the rate
3 case expenses prudently incurred in the current docket. The frequency of the
4 Company's recent rate case filings versus the time-frame allowed by the KCC to
5 recover the rate case expenses have led the Company to the conclusion that separating
6 the rate case expenses from the rate case dynamics would allow prudently incurred
7 rate case expenses to be fully recovered.

8 **Q. WHY IS THE COMPANY PROPOSING A ONE YEAR VERSUS A THREE**
9 **YEAR RECOVERY PERIOD AS PREVIOUSLY APPROVED BY THE KCC?**

10 **A.** As the previous responses allude, the frequency of the Company's filings is much
11 closer to one year than to three years. Company witness, Mr. Gary Gregory discusses
12 the timing of Atmos Energy's rate cases in Kansas, the need for a more efficient
13 means to recover prudently incurred investments and operating costs and the
14 Company's proposal for an annual review mechanism ("ARM"). The ARM would
15 reduce the level of rate case expenses incurred by customers by simplifying the
16 review process and the need for external witnesses. Therefore, the one year surcharge
17 period would align with an annual ARM filing and would prevent an overlap or
18 stacking of rate case expenses. This process would address the Commission's
19 concern with rate case expenses. The annual review mechanism is discussed in detail
20 in Company witness, Mr. Gary Smith's testimony. However, if the KCC approves
21 the ARM, then the three year recovery period would continue to be appropriate. The
22 three year recovery would only apply to the rate case expenses proposed in this
23 proceeding and the surcharge would end at the end of the three year period (or before

1 if the prudently incurred expenses are recovered prior to the three year period). This
2 process would prevent over-recovery of the approved rate case expenses. The
3 Company would file new tariffs removing the surcharge when the rate case expense
4 recovery ends. The rate case expenses incurred applicable to the annual ARM filings
5 for Atmos Energy, KCC Staff and CURB would be included in base rates in
6 operation and maintenance expenses in the year incurred.

7 **Q. PLEASE EXPLAIN THE METHODOLOGY PROPOSED BY THE**
8 **COMPANY TO RECOVER RATE CASE EXPENSES IN THE CURRENT**
9 **PROCEEDING.**

10 **A.** The Company proposes to exclude from base rates the unamortized rate case
11 expenses from previous dockets and the estimate of the rate case expenses to be
12 incurred in this proceeding and to calculate a separate surcharge to be added to the
13 facilities charge for a one year period. The total rate case expenses incurred by all
14 parties (i.e., Staff, CURB and Atmos Energy) would be divided by the total number
15 of annual bills for all customers to derive a monthly surcharge amount per customer.
16 The resulting surcharge would be added to the monthly facilities charge for a period
17 of no longer than a one year, after which the surcharge would be removed from the
18 facilities charge. The Company would file new tariffs at the time the surcharge has
19 been eliminated (one year or less from the date of implementation of rates from this
20 proceeding). The rate case expense estimate has been included in the proposed notice
21 to customers. Please see WP 9-6-1 for the calculation of the estimated surcharge by
22 class.

23

1 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

2 A. Yes.

VERIFICATION

STATE OF TEXAS)
)
COUNTY OF DALLAS)

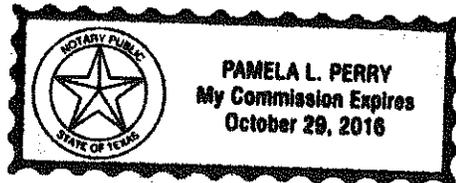
Barbara W. Myers, being duly sworn upon her oath, deposes and states that she is the Manager, Rates & Regulatory Affairs of the Atmos Energy Corporation, Shared Services Division; that she has read and is familiar with the foregoing Direct Testimony filed herewith; and that the statements made therein are true to the best of her knowledge, information and belief.

Barbara W. Myers
Barbara W. Myers

Subscribed and sworn before me this 4th day of August, 2015.

Pamela Perry
Notary Public

My appointment expires: 10-29-16



EXHIBIT

BWM-1

ATMOS ENERGY CORPORATION
COST ALLOCATION MANUAL
April 1, 2015

TABLE OF CONTENTS

Description

<u>Page</u>	
<u>No.</u>	
2	Introduction
2	a. Corporate Structure
2-3	b. Accounting
3-7	c. Glossary of Terms
8	Capitalized overhead (general)
9	Stores overhead
10	Expenses in Shared Services – Customer Support cost centers
11-12	O&M Expenses in Shared Services – General Office cost centers
13	SSU – Customer Support taxes other than income taxes
14	SSU – General Office taxes other than income taxes
15	SSU – Customer Support depreciation
16	SSU – General Office depreciation
17-18	West Texas Division operating division general office O&M, depreciation and taxes other than income taxes, to rate division level
19	Colorado-Kansas Division operating division general office expenses to state regional office division level
20	Colorado-Kansas Division state regional office division level expenses to rate division levels
21-22	Kentucky/Mid-States Division operating division general office O&M, depreciation and taxes other than income taxes, to rate division level
23-24	Louisiana Division operating division general office O&M, depreciation and taxes other than income taxes, to rate division level
25-26	Mid-Tex/Atmos Pipeline – Texas Division - Intracompany Labor
27	Mid-Tex/Atmos Pipeline – Texas Division - Non Labor Expenses
28	Intercompany labor
29	Adjustments to Uncollectible Accounts Expense
30	Intra-company labor allocation – other than operating division general office labor
31-32	Other income and interest expense(All below the line accounts)
33	Gas cost between state jurisdictions for contiguous systems
34	Gas storage services between an operating division and an affiliate
35	Working capital funds management
36	Gas storage services provided between affiliates
37	AEM – Salaries and FICA cost allocation
38	AEM – Operations and Maintenance cost allocation
39	Property Insurance
40	AES Retail Services
41	Intercompany Interest on Notes Payable
42	Appendix A
43	Corporate Organization Chart

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:

Division	Service Area
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.

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

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

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

b. Accounting:

Atmos' account coding structure enables it to capture the costs for allocable activities. Expenses, assets, and liabilities for Atmos' shared services and other operating division general office divisions are coded to applicable location codes and cost centers as necessary, 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	FERC	Sub-	Service	Future
3 digit	Center	Account	Account	Area	Use
	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' operations in Texas, each municipality which it serves has original jurisdiction over rates.

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

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

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

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

Regulated Operations - Represents the Company's six regulated natural gas distribution operating divisions operating in 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 natural gas marketing 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 a regulated pipeline and storage division that transports natural gas to our Mid-Tex Division, transports natural gas for third parties and manages five underground storage reservoirs in Texas. These operations include 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 Texas Gulf Coast and the Delaware and Val Verde Basins of West Texas. Nine basins located in Texas are believed to contain a substantial portion of the nation's remaining onshore natural gas reserves. This pipeline system provides access to all of these basins.

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 Marketing, LLC provides a variety of non-regulated natural gas marketing services to municipalities, natural gas utility systems and industrial natural gas customers in 22 states primarily located in the southeastern and Midwestern states and to our Kentucky, Louisiana and Mid-States utility divisions.

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 and non-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

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) \$1,000</td></tr> <tr><td style="text-align: right;">\$1,000 (1)</td></tr> </table>	SSU BU 010	Accounts Payable	Acct. 232	(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;">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) \$1,000</td></tr> </table>	SSU BU 010	Office Supply and Expenses	Acct. 921	Cost Center XXXX *	(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;">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: right;">\$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)			
SSU BU 010																										
Cash																										
Acct. 131																										
\$1,000 (1)																										
SSU BU 010																										
Accounts Payable																										
Acct. 232																										
(1) \$1,000																										
\$1,000 (1)																										
SSU BU 010																										
Office Supply and Expenses																										
Acct. 921																										
Cost Center XXXX *																										
(1) \$1,000																										
SSU BU 010																										
Administrative Expenses Transferred																										
Acct. 922																										
Cost Center XXXX																										
\$600 (3)																										
\$400 (3a)																										
<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 1910 *</td></tr> <tr><td style="text-align: right;">(3b) \$20</td></tr> <tr><td style="text-align: right;">(3b) \$180</td></tr> </table>	SSU BU 010	Administrative Expenses Transferred	Acct. 922	Cost Center 1910 *	(3b) \$20	(3b) \$180	<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 & General</td></tr> <tr><td style="text-align: center;">Acct. 920</td></tr> <tr><td style="text-align: center;">Cost Center 1910</td></tr> <tr><td style="text-align: right;">(2) \$200 (2)</td></tr> </table>	SSU BU 010	Administrative & General	Acct. 920	Cost Center 1910	(2) \$200 (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;">Construction Work in Progress</td></tr> <tr><td style="text-align: center;">Acct. 107</td></tr> <tr><td style="text-align: right;">(2) \$200</td></tr> </table>	SSU BU 010	Construction Work in Progress	Acct. 107	(2) \$200	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: center;">General Office - 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="text-align: right;">(3) \$600</td></tr> <tr><td style="text-align: right;">\$150 (4)</td></tr> <tr><td style="text-align: right;">\$450 (4a)</td></tr> <tr><td style="text-align: right;">(5) \$10</td></tr> <tr><td style="text-align: right;">\$20 (3b)</td></tr> </table>	General Office - Div 091	Administrative Expenses Transferred	Acct. 922	(3) \$600	\$150 (4)	\$450 (4a)	(5) \$10	\$20 (3b)
SSU BU 010																										
Administrative Expenses Transferred																										
Acct. 922																										
Cost Center 1910 *																										
(3b) \$20																										
(3b) \$180																										
SSU BU 010																										
Administrative & General																										
Acct. 920																										
Cost Center 1910																										
(2) \$200 (2)																										
SSU BU 010																										
Construction Work in Progress																										
Acct. 107																										
(2) \$200																										
General Office - Div 091																										
Administrative Expenses Transferred																										
Acct. 922																										
(3) \$600																										
\$150 (4)																										
\$450 (4a)																										
(5) \$10																										
\$20 (3b)																										
<table border="1" style="width: 100%; border-collapse: collapse;"> <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="text-align: right;">(3a) \$400</td></tr> <tr><td style="text-align: right;">\$180 (3b)</td></tr> </table>	General Office Remaining	Administrative Expenses Transferred	Acct. 922	(3a) \$400	\$180 (3b)	<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</td></tr> <tr><td style="text-align: center;">Acct. 922</td></tr> <tr><td style="text-align: right;">(4) \$150</td></tr> <tr><td style="text-align: right;">\$10 (5)</td></tr> </table>	Rate Div Office Mid States Div 009 **	Administrative Expenses Transferred	Acct. 922	(4) \$150	\$10 (5)	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: center;">Rate Div Office Mid States Div -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="text-align: right;">(4a) \$450</td></tr> </table>	Rate Div Office Mid States Div -Remaining	Administrative Expenses Transferred	Acct. 922	(4a) \$450										
General Office Remaining																										
Administrative Expenses Transferred																										
Acct. 922																										
(3a) \$400																										
\$180 (3b)																										
Rate Div Office Mid States Div 009 **																										
Administrative Expenses Transferred																										
Acct. 922																										
(4) \$150																										
\$10 (5)																										
Rate Div Office Mid States Div -Remaining																										
Administrative Expenses Transferred																										
Acct. 922																										
(4a) \$450																										

* Cap rate = 20%

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

Flow of Activity

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

Note: Please see 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</td></tr> <tr><td style="text-align: center;">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</td></tr> <tr><td style="text-align: center;">Undistributed</td></tr> <tr><td style="text-align: center;">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</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</td></tr> <tr><td style="text-align: center;">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		(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</td></tr> <tr><td style="text-align: center;">Mid States Div 009 **</td></tr> <tr><td style="text-align: center;">Construction Work</td></tr> <tr><td style="text-align: center;">in Progress</td></tr> <tr><td style="text-align: center;">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: left;">(3b) \$2</td></tr> </table>	Rate Div Office	Mid States Div 009 **	Construction Work	in Progress	Acct. 107		(2) \$100	(3b) \$2
SSU BU 010																																		
Cash																																		
Acct. 131																																		
\$100 (1)																																		
\$2 (3a)																																		
SSU BU 010																																		
Stores Expense																																		
Undistributed																																		
Acct. 163																																		
(3a) \$2																																		
\$2 (3b)																																		
SSU BU 010																																		
Inventory																																		
(1) \$100																																		
\$100 (2)																																		
SSU BU 010																																		
Accounts Payable																																		
Acct. 232																																		
(3a) \$2																																		
\$2 (3a)																																		
Rate Div Office																																		
Mid States Div 009 **																																		
Construction Work																																		
in Progress																																		
Acct. 107																																		
(2) \$100																																		
(3b) \$2																																		

** 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

<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;">\$1,000 (1)</td></tr> </table>	SSU BU 010	Cash	Acct. 131	\$1,000 (1)	<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;">(1) \$1,000 \$1,000 (1)</td></tr> </table>	SSU BU 010	Accounts Payable	Acct. 232	(1) \$1,000 \$1,000 (1)	<table border="1" style="margin: auto;"> <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="border-top: 1px solid black;">(1) \$1,000</td></tr> </table>	SSU BU 010	Office Supply and Expenses *	Acct. 921	Cost Center XXXX	(1) \$1,000	<table border="1" style="margin: auto;"> <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="border-top: 1px solid black;">\$ 400 (2)</td></tr> <tr><td style="border-top: 1px solid black;">\$ 600 (2a)</td></tr> </table>	SSU BU 010	Administrative Expenses Transferred	Acct. 922	\$ 400 (2)	\$ 600 (2a)
SSU BU 010																					
Cash																					
Acct. 131																					
\$1,000 (1)																					
SSU BU 010																					
Accounts Payable																					
Acct. 232																					
(1) \$1,000 \$1,000 (1)																					
SSU BU 010																					
Office Supply and Expenses *																					
Acct. 921																					
Cost Center XXXX																					
(1) \$1,000																					
SSU BU 010																					
Administrative Expenses Transferred																					
Acct. 922																					
\$ 400 (2)																					
\$ 600 (2a)																					
<table border="1" style="margin: auto;"> <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;">(2a) \$ 600</td></tr> </table>	General Office Remaining	Administrative Expenses Transferred	Acct. 922	(2a) \$ 600	<table border="1" style="margin: auto;"> <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;">(2) \$400 \$100 (3)</td></tr> <tr><td style="border-top: 1px solid black;">\$300 (3a)</td></tr> </table>	General Office Mid States - Div 091	Administrative Expenses Transferred	Acct. 922	(2) \$400 \$100 (3)	\$300 (3a)	<table border="1" style="margin: auto;"> <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;">(3) \$100</td></tr> </table>	Rate Div Office Mid States Div 009 **	Administrative Expenses Transferred	Acct. 922	(3) \$100	<table border="1" style="margin: auto;"> <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;">(3a) \$300</td></tr> </table>	Rate Div Office Mid States -Remaining	Administrative Expenses Transferred	Acct. 922	(3a) \$300	
General Office Remaining																					
Administrative Expenses Transferred																					
Acct. 922																					
(2a) \$ 600																					
General Office Mid States - Div 091																					
Administrative Expenses Transferred																					
Acct. 922																					
(2) \$400 \$100 (3)																					
\$300 (3a)																					
Rate Div Office Mid States Div 009 **																					
Administrative Expenses Transferred																					
Acct. 922																					
(3) \$100																					
Rate Div Office Mid States -Remaining																					
Administrative Expenses Transferred																					
Acct. 922																					
(3a) \$300																					

* 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 Marketing, LLC Trans Louisiana Gas Pipeline Atmos Gathering Company, LLC WKG StorageWest 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
Basis for allocation	<p>Costs are allocated to affiliates and operating divisions based on a composite factor applied to the Shared Services departments. Shared Services departments which provide services to the Company's affiliates utilize a composite factor which includes the affiliates.</p> <p>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.</p> <p>Other allocation methods used as appropriate include composite not including affiliates or Atmos Pipeline –Texas, composite not including affiliates, Atmos Pipeline-Texas or Mid States, composite using only West Texas, COKS, and MS utility divisions, composite using West Texas, Mid Tex, and Atmos Pipeline-Texas and Overhead rate.</p> <p>From each operating division general office charges are allocated to rate divisions using the composite rate for each rate division.</p>

See page 12 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;">\$1,000 (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="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 Payable	Acct. 232	(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;">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="border-top: 1px solid black;">(1) \$1,000</td></tr> </table>	SSU BU 010	Office Supply and Expenses *	Acct. 921	Cost Center XXXX	(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;">Administrative Expenses</td></tr> <tr><td style="text-align: center;">Transferred</td></tr> <tr><td style="text-align: center;">Acct. 922</td></tr> <tr><td style="border-top: 1px solid black;">\$ 300 (2)</td></tr> <tr><td style="border-bottom: 1px solid black;">\$ 700 (2a)</td></tr> </table>	SSU BU 010	Administrative Expenses	Transferred	Acct. 922	\$ 300 (2)	\$ 700 (2a)		
SSU BU 010																									
Cash																									
Acct. 131																									
\$1,000 (1)																									
SSU BU 010																									
Accounts Payable																									
Acct. 232																									
(1) \$1,000																									
\$1,000 (1)																									
SSU BU 010																									
Office Supply and Expenses *																									
Acct. 921																									
Cost Center XXXX																									
(1) \$1,000																									
SSU BU 010																									
Administrative Expenses																									
Transferred																									
Acct. 922																									
\$ 300 (2)																									
\$ 700 (2a)																									
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: center;">General Office Remaining</td></tr> <tr><td style="text-align: center;">Administrative Expenses</td></tr> <tr><td style="text-align: center;">Transferred</td></tr> <tr><td style="text-align: center;">Acct. 922</td></tr> <tr><td style="border-top: 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;"> <tr><td style="text-align: center;">General Office Mid States - Div 091</td></tr> <tr><td style="text-align: center;">Administrative Expenses</td></tr> <tr><td style="text-align: center;">Transferred</td></tr> <tr><td style="text-align: center;">Acct. 922</td></tr> <tr><td style="border-top: 1px solid black;">(2) \$300</td></tr> <tr><td style="border-bottom: 1px solid black;">\$150 (3)</td></tr> <tr><td style="border-bottom: 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;"> <tr><td style="text-align: center;">Rate Div Office Mid States Div 009 **</td></tr> <tr><td style="text-align: center;">Administrative Expenses</td></tr> <tr><td style="text-align: center;">Transferred</td></tr> <tr><td style="text-align: center;">Acct. 922</td></tr> <tr><td style="border-top: 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;"> <tr><td style="text-align: center;">Rate Div Office Mid States -Remaining</td></tr> <tr><td style="text-align: center;">Administrative Expenses</td></tr> <tr><td style="text-align: center;">Transferred</td></tr> <tr><td style="text-align: center;">Acct. 922</td></tr> <tr><td style="border-top: 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 rate divisions is used to allocated from the operation division general office to rate divisions.

General Ledger Entries: Example Only

SSU BU 010 Cash Acct. 131 <hr/> \$1,000 (1)	SSU BU 010 Accounts Payable Acct. 232 <hr/> \$1,000 (1)	SSU BU 010 Taxes Other than Income Taxes Acct. 408.1 <hr/> \$1,000 (1)	General Office Remaining Taxes Other than Income Taxes Acct. 408.1 <hr/> \$600 (2a)
General Office Mid States -Div 091 Taxes Other than Income Taxes Acct. 408.1 <hr/> \$400 (2)	Rate Div Office Mid States -Div 009** Taxes Other than Income Taxes Acct. 408.1 <hr/> \$100 (3)	Rate Div Office Mid States - Remaining Taxes Other than Income Taxes Acct. 408.1 <hr/> \$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 Marketing, LLC Atmos Power Systems, Inc. WKG Storage, Inc. Atmos Gathering Company, LLC 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
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 allocated to the applicable rate division level in total based on the average number of customers in each operating division as a percentage of the total number of customers in all of the operating divisions.
If needed number of customers in rate divisions is used to allocated from the operation division general office to rate divisions.

General Ledger Entries: Example Only

<table border="1" style="margin: auto; border-collapse: collapse;"> <tr><td style="padding: 2px;">SSU BU 010</td></tr> <tr><td style="padding: 2px;">Depreciation Exp</td></tr> <tr><td style="padding: 2px;">Acct. 403</td></tr> </table> <table style="margin: 5px auto; width: 80%; border-collapse: collapse;"> <tr> <td style="width: 50%; border-top: 1px solid black; border-bottom: 1px solid black;">(1) \$5,000</td> <td style="width: 50%; border-top: 1px solid black; border-bottom: 1px solid black;">\$200 (2)</td> </tr> <tr> <td style="border-left: 1px solid black; border-right: 1px solid black; padding: 2px 5px;">\$4,800 (2a)</td> <td></td> </tr> </table>	SSU BU 010	Depreciation Exp	Acct. 403	(1) \$5,000	\$200 (2)	\$4,800 (2a)		<table border="1" style="margin: auto; border-collapse: collapse;"> <tr><td style="padding: 2px;">SSU BU 010</td></tr> <tr><td style="padding: 2px;">Depreciation Exp</td></tr> <tr><td style="padding: 2px;">Acct. 108</td></tr> </table> <table style="margin: 5px auto; width: 80%; border-collapse: collapse;"> <tr> <td style="width: 50%; border-top: 1px solid black; border-bottom: 1px solid black;">\$5,000 (1)</td> <td style="width: 50%;"></td> </tr> <tr> <td style="border-left: 1px solid black; border-right: 1px solid black; padding: 2px 5px;"></td> <td></td> </tr> </table>	SSU BU 010	Depreciation Exp	Acct. 108	\$5,000 (1)				<table border="1" style="margin: auto; border-collapse: collapse;"> <tr><td style="padding: 2px;">Rate Div Office</td></tr> <tr><td style="padding: 2px;">Mid States -Div 009**</td></tr> <tr><td style="padding: 2px;">Depreciation Exp</td></tr> <tr><td style="padding: 2px;">Acct. 403</td></tr> </table> <table style="margin: 5px auto; width: 80%; border-collapse: collapse;"> <tr> <td style="width: 50%; border-top: 1px solid black; border-bottom: 1px solid black;">(2) \$200</td> <td style="width: 50%; border-top: 1px solid black; border-bottom: 1px solid black;">(1)</td> </tr> <tr> <td style="border-left: 1px solid black; border-right: 1px solid black; padding: 2px 5px;">(2a) \$4,800</td> <td></td> </tr> </table>	Rate Div Office	Mid States -Div 009**	Depreciation Exp	Acct. 403	(2) \$200	(1)	(2a) \$4,800	
SSU BU 010																								
Depreciation Exp																								
Acct. 403																								
(1) \$5,000	\$200 (2)																							
\$4,800 (2a)																								
SSU BU 010																								
Depreciation Exp																								
Acct. 108																								
\$5,000 (1)																								
Rate Div Office																								
Mid States -Div 009**																								
Depreciation Exp																								
Acct. 403																								
(2) \$200	(1)																							
(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 Marketing, LLC Atmos Power Systems, Inc. WKG Storage, Inc. Atmos Gathering Company, LLC 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
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> <ol style="list-style-type: none"> (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. <p>If needed, allocation from operating division general offices to rate division uses the composite rate.</p>

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	<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> <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	
(1) \$500 (5) \$400	\$500 (1) \$400 (5)

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

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

Rate Div Office West Texas Div 020** Administrative Expenses Transferred Acct. 922	
(2) \$200	

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

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

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

Rate Div Office West Texas Div 020** Depreciation Exp Acct. 403	
(4) \$15	

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

Rate Div Office West Texas Div 020** Taxes Other than Income Taxes Acct. 408.1	
(6) \$ 100	

Rate Div Office West Texas -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 020.

Flow of Activity

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

<div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;"> General Office SSU – Div 002 </div> <div style="text-align: center;"> Cash Acct. 131 </div> <hr style="width: 80%; margin: 0 auto;"/> <div style="text-align: right; margin-right: 20px;"> \$500(1) </div>	<div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;"> General Office SSU – Div 002 </div> <div style="text-align: center;"> Accounts Payable Acct. 232 </div> <hr style="width: 80%; margin: 0 auto;"/> <div style="display: flex; justify-content: space-between; width: 80%; margin: 0 auto;"> (1) \$500 \$500(1) </div>	<div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;"> General Office CO/KS BU 060 </div> <div style="text-align: center;"> Office Supply and Expenses * Acct. 921 </div> <hr style="width: 80%; margin: 0 auto;"/> <div style="text-align: right; margin-right: 20px;"> \$500 </div>
<div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;"> General Office CO/KS BU 060 </div> <div style="text-align: center;"> Administrative Expenses Transferred Acct. 922 </div> <hr style="width: 80%; margin: 0 auto;"/> <div style="display: flex; justify-content: flex-end; width: 80%; margin: 0 auto;"> \$250(2) \$250(2a) </div>	<div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;"> State Div Office CO/KS Div 031 </div> <div style="text-align: center;"> Administrative Expenses Transferred Acct. 922 </div> <hr style="width: 80%; margin: 0 auto;"/> <div style="text-align: right; margin-right: 20px;"> \$250 </div>	<div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;"> Rate Div Office CO/KS Div 080 </div> <div style="text-align: center;"> Administrative Expenses Transferred Acct. 922 </div> <hr style="width: 80%; margin: 0 auto;"/> <div style="text-align: right; margin-right: 20px;"> \$250 </div>

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

Flow of Activity

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

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

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

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

Current Use of Service: Colorado-Kansas Division rate divisions

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

- (1) The percentage of Gross Direct Property Plant and Equipment in each state rate division as a percentage of the total Direct Property Plant and Equipment in each state.
- (2) The number of customers in each state rate division as a percentage of the total number of customers in each state.
- (3) The total direct O&M expense in each state rate division as a percentage of the total direct O&M expense in each state.

General Ledger Entries: Example Only

<div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;"> General Office SSU – Div 002 </div> <div style="text-align: center;"> Cash Acct. 131 </div> <hr style="width: 80%; margin: 0 auto;"/> <div style="text-align: right; margin-right: 20px;"> \$500 (1) </div>	<div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;"> General Office SSU – Div 002 </div> <div style="text-align: center;"> Accounts Payable Acct. 232 </div> <hr style="width: 80%; margin: 0 auto;"/> <div style="text-align: left; margin-left: 20px;"> (1) \$500 </div> <div style="text-align: right; margin-right: 20px;"> \$500 (1) </div>	<div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;"> State Div Office CO/KS BU 060 Office Supply and Expenses * Acct. 921 </div> <hr style="width: 80%; margin: 0 auto;"/> <div style="text-align: left; margin-left: 20px;"> (1) \$500 </div>
<div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;"> State Div Office CO/KS BU 060 Administrative Expenses Transferred Acct. 922 </div> <hr style="width: 80%; margin: 0 auto;"/> <div style="text-align: right; margin-right: 20px;"> \$200 (2) \$300 (2a) </div>	<div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;"> Rate Div Office CO/KS Div 033 ** Administrative Expenses Transferred Acct. 922 </div> <hr style="width: 80%; margin: 0 auto;"/> <div style="text-align: left; margin-left: 20px;"> (2) \$200 </div>	<div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;"> Rate Div Office CO/KS - Remaining Administrative Expenses Transferred Acct. 922 </div> <hr style="width: 80%; margin: 0 auto;"/> <div style="text-align: left; margin-left: 20px;"> (2a) \$300 </div>

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

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

Flow of Activity

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

Service:	Kentucky/Mid-States Division operating division general office 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	<p>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:</p> <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 22 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	
(1) \$500 (5) \$400	\$500 (1) \$400 (5)

General Office Mid States - Div 091 Office Supply and Expenses * Acct. 921	
(1) \$500	

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	

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	

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

Service:	Louisiana 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	Louisiana Division operating division general office
Current Use of Service	Louisiana Division rate divisions
Basis for allocation	<p>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:</p> <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 Louisiana Division. (2) The number of customers in each rate division as a percentage of the total number of customers in Louisiana Division. (3) The total direct O&M expense in each rate division as a percentage of the total direct O&M expense in Louisiana Division.

See Page 24 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	
(1)	\$500
(5)	\$400

General Office LA - Div 107	
Office Supply and Expenses *	
Acct. 921	
(1)	\$500

General Office LA - Div 107	
Administrative Expenses Transferred	
Acct. 922	
	\$200 (2)
	\$300 (2a)

Rate Div Office LA Div 007	
Administrative Expenses Transferred	
Acct. 922	
(2)	\$200

Rate Div Office LA Div 007	
Administrative Expenses Transferred	
Acct. 922	
(2a)	\$300

General Office LA - Div 107	
Depreciation Exp	
Acct. 403	
(3)	\$100
	\$15 (4)
	\$85 (4a)

LA - Div 107	
Accumulated Depreciation	
Acct. 108	
	\$100 (3)

Rate Div Office LA Div 007	
Depreciation Exp	
Acct. 403	
(4)	\$15
(4a)	\$85

General Office LA - Div 107	
Taxes Other than Income Taxes	
Acct. 408.1	
(5)	\$400.00
	\$100 (6)
	\$300 (6a)

Rate Div Office LA Div 007	
Taxes Other than Income Taxes	
Acct. 408.1	
(6)	\$ 100

Rate Div Office LA Div 007	
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.

Flow of Activity

- ▣ (1) Purchase Office Supplies - LA Division General Office
- ▣ (2) Allocating General Office Expenses to Rate Division Office - 40% Allocation rate for illustration purposes only
 - (2a) Allocation to remaining division offices
- ▣ (3) Monthly Depreciation Expense is booked through Powerplant and interfaces with the Oracle general ledger.
- ▣ (4) Allocation from Division 107 - LA General Office to LA Rate Divisions - Allocated using the composite factor.
 - (4a) Allocation to remaining division offices
- ▣ (5) Taxes Other than Income Taxes incurred
- ▣ (6) Allocating General Office Expenses to Rate Division Office - 25% to LA 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, engineering, gas measurement, finance, marketing 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 Mid-Tex direct Company and/or contractor actual labor

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

Mid-Tex Supervisory employees who charge time to APT generally record their time using the operational split through the time reporting system.

The Operational Split is calculated annually based on the expected allocation of Mid-Tex Non Supervisory labor and contractor labor between the Mid-Tex and APT divisions.

General Ledger Entry: Supervisory employee (Example Only)

SSU – Div 002	
Cash	
Acct. 131	
<hr/>	
	\$1,000 (1)

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

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

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

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

APT BU 180	
O&M Labor	
Acct. 853	
Cost Center 9XXX	
<hr/>	
(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)

SSU – Div 002	
Cash	
Acct. 131	
<hr/>	
	\$800 (1)

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

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

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

APT BU 180	
O&M Labor	
Acct. 853	
Cost Center 9XXX	
<hr/>	
(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	
	\$1,000 (1)

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

Mid Tex BU 080	
O&M Transportation	
Acct. 853	
Cost Center 4XXX	
(1)	\$1,000 (2)

APT BU 180	
CWIP	
Acct. 107	
Cost Center 9XXX	
(3)	\$220

APT BU 180	
O&M Transportation	
Acct. 853	
Cost Center 4XXX	
(2)	\$780 (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 Atmos Pipeline – Texas Division
Louisiana Division
Colorado-Kansas Division
Kentucky/Mid-States Division
Mid-Tex Division
Mississippi Division
West Texas Division

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

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

General Ledger Entries: Example Only

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

General Ledger Entries: Example Only

<table border="1" style="margin: auto; border-collapse: collapse;"> <tr><td style="padding: 2px;">Rate Division *</td></tr> <tr><td style="padding: 2px;">Accumulated Provision for Uncollectible Accounts Acct. 144 sub xxxxx</td></tr> <tr><td style="border-top: 1px solid black; padding: 2px;">(2) \$ 250 \$ 1,000 (1)</td></tr> </table>	Rate Division *	Accumulated Provision for Uncollectible Accounts Acct. 144 sub xxxxx	(2) \$ 250 \$ 1,000 (1)	<table border="1" style="margin: auto; border-collapse: collapse;"> <tr><td style="padding: 2px;">Rate Division</td></tr> <tr><td style="padding: 2px;">Customer Accounts - Uncollectible Accounts Acct. 904</td></tr> <tr><td style="border-top: 1px solid black; padding: 2px;">(1) \$ 1,000</td></tr> </table>	Rate Division	Customer Accounts - Uncollectible Accounts Acct. 904	(1) \$ 1,000	<table border="1" style="margin: auto; border-collapse: collapse;"> <tr><td style="padding: 2px;">Rate Division</td></tr> <tr><td style="padding: 2px;">Customer Accounts Receivable Acct. 142 sub xxxxx</td></tr> <tr><td style="border-top: 1px solid black; padding: 2px;">\$ 250 (2)</td></tr> </table>	Rate Division	Customer Accounts Receivable Acct. 142 sub xxxxx	\$ 250 (2)
Rate Division *											
Accumulated Provision for Uncollectible Accounts Acct. 144 sub xxxxx											
(2) \$ 250 \$ 1,000 (1)											
Rate Division											
Customer Accounts - Uncollectible Accounts Acct. 904											
(1) \$ 1,000											
Rate Division											
Customer Accounts Receivable Acct. 142 sub xxxxx											
\$ 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)	

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 33 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="text-align: right;">\$1,000</td></tr> </table>	SSU BU 010	Cash	Acct. 131	\$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="text-align: left;">(1) \$1,000</td></tr> <tr><td style="text-align: right;">\$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="text-align: left;">(2) \$20</td></tr> <tr><td style="text-align: right;">\$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="text-align: right;">\$20</td></tr> </table>	Div 033	Interest and Dividend Income	Acct. 419	\$20		
SSU BU 010																							
Cash																							
Acct. 131																							
\$1,000																							
SSU BU 010																							
Accounts Receivable																							
Acct. 143																							
(1) \$1,000																							
\$1,000 (1)																							
SSU BU 010																							
Interest and Dividend Income																							
Acct. 419																							
(2) \$20																							
\$1,000 (1)																							
Div 033																							
Interest and Dividend Income																							
Acct. 419																							
\$20																							
<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;">\$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="text-align: left;">(3) \$2,000</td></tr> <tr><td style="text-align: right;">\$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="text-align: left;">(3) \$2,000</td></tr> <tr><td style="text-align: right;">\$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="text-align: left;">(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																							
\$2,000 (3)																							
SSU BU 010																							
Other Deductions *																							
Acct. 426.5																							
(3) \$2,000																							
\$40 (4)																							
Div 033																							
Other Deductions																							
Acct. 426.5																							
(4) \$40																							
<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;">\$3,000 (5)</td></tr> </table>	SSU BU 010	Cash	Acct. 131	\$3,000 (5)	<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="text-align: left;">(5) \$3,000</td></tr> <tr><td style="text-align: right;">\$3,000 (5)</td></tr> </table>	SSU BU 010	Accounts Receivable	Acct. 143	(5) \$3,000	\$3,000 (5)	<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 Expense</td></tr> <tr><td style="text-align: center;">Acct. 431</td></tr> <tr><td style="text-align: center;">(Short Term)</td></tr> <tr><td style="text-align: left;">(5) \$600</td></tr> <tr><td style="text-align: right;">\$12 (6)</td></tr> </table>	SSU BU 010	Interest Expense	Acct. 431	(Short Term)	(5) \$600	\$12 (6)	<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 Expense</td></tr> <tr><td style="text-align: center;">Acct. 431</td></tr> <tr><td style="text-align: center;">(Short Term)</td></tr> <tr><td style="text-align: left;">(6) \$ 12</td></tr> </table>	Div 033	Interest Expense	Acct. 431	(Short Term)	(6) \$ 12
SSU BU 010																							
Cash																							
Acct. 131																							
\$3,000 (5)																							
SSU BU 010																							
Accounts Receivable																							
Acct. 143																							
(5) \$3,000																							
\$3,000 (5)																							
SSU BU 010																							
Interest Expense																							
Acct. 431																							
(Short Term)																							
(5) \$600																							
\$12 (6)																							
Div 033																							
Interest Expense																							
Acct. 431																							
(Short Term)																							
(6) \$ 12																							
		<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 Expense</td></tr> <tr><td style="text-align: center;">Acct. 431</td></tr> <tr><td style="text-align: center;">(Long Term)</td></tr> <tr><td style="text-align: left;">(5) \$2,400</td></tr> <tr><td style="text-align: right;">\$48 (6)</td></tr> </table>	SSU BU 010	Interest Expense	Acct. 431	(Long Term)	(5) \$2,400	\$48 (6)	<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 Expense</td></tr> <tr><td style="text-align: center;">Acct. 431</td></tr> <tr><td style="text-align: center;">(Long Term)</td></tr> <tr><td style="text-align: left;">(6) \$ 48</td></tr> </table>	Div 033	Interest Expense	Acct. 431	(Long Term)	(6) \$ 48									
SSU BU 010																							
Interest Expense																							
Acct. 431																							
(Long Term)																							
(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 incurred
- (2) Gas cost paid

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

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

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

Current Use of Service: Kentucky/Mid-States Division

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

General Ledger Entries: Example Only

WKG Storage BU 233 Other Gas Revenues Acct. 495		KY/Mid-State BU 050, Div 009 Transportation to City Gate Acct. 8580		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	(1)	\$100	(1)	\$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		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	(1)	\$100	(1)	\$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: Working capital funds management (Intercompany account)

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

Current Provider of Service:	Atmos Energy Corporation	Atmos Energy Holdings, Inc.	Atmos Energy Holdings, Inc.
Current Use of Service:	Atmos Energy Holdings, Inc.	Atmos Energy Marketing Services, LLC	Atmos Energy Corporation
Interest Income/Expense Calculation (See Below)	A	B	C

Basis for allocation Interest income or expense is recognized each month at the subsidiaries' level based on the total average outstanding balance of all intercompany receivable/payable balances using the following rates:

A (AEH is the borrower)
 Expense – One month LIBOR (last day of the month) plus 300 basis points
 Income – One month LIBOR (last day of the month)

B (AEM is the borrower)
 Expense – One month LIBOR (last day of the month) plus 300 basis points
 Income – One month LIBOR (last day of the month)

C (AEC is the borrower)
 Expense – The lowest outstanding CP rate or the Eurodollar rate under the AEC Credit Facility (RBS), which is LIBOR plus 100
 Income – One month LIBOR (last day of the month)

Atmos Energy Corporation

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

SSU BU 010 Interest and Dividend Income Acct. 419	
	\$1,000 (1)
AEH BU 312 Other Interest Expense Acct. 431	
	(1) \$1,000

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

Service: Gas storage services provided between affiliates

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

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

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

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

General Ledger Entries: Example Only

BU 234
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: AEM – Salaries and FICA Cost Allocation

Description: Salaries and FICA cost allocations between affiliates.

Current Provider of Service: Atmos Energy Marketing, LLC

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

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

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

		Atmos Energy Marketing, LLC BU212 Cash Acct. 131				Atmos Energy Marketing, LLC BU212 Accounts Payable Net Payroll Accrual Acct. 232			
			\$200 (3)	(2)	\$200		\$800 (1)		
			\$200 (3)	(4)	\$600				
			\$600 (4)						
		Atmos Energy Marketing, LLC BU212 A&G-Administrative & general salaries Non-project Labor Acct. 920				Atmos Energy Marketing, LLC BU212 Clearing Account Employer FICA Clearing Acct. 184			
	(1)	\$300		(2)	\$200		\$200 (5)		
Alloc to Var. States	(6)	\$500							
Alloc to TLGP	(6)	\$100							
Alloc to New Orleans I	(6)	\$50							
Alloc to AES	(6)	\$50							
			\$800 (6)						
		Atmos Energy Marketing, LLC BU212 Accounts Payable Emp FICA-Accrual Acct. 236				Atmos Energy Marketing, LLC BU212 Accounts Payable Emp FICA-Accrual Acct. 241			
	(3)	\$200		(3)	\$200		\$200 (2)		
			\$200 (2)						
		Atmos Energy Marketing, LLC BU212 Taxes other than Income Taxes Fica Load Acct. 408				BU 303 (TLGP), 221(APS) A&G-Administrative & general salaries Non-project Labor Acct. 920			
	(5)	\$200		(6)	\$100				
Alloc to Var. States	(6)	\$40							
Alloc to TLGP	(6)	\$40							
Alloc to New Orleans I	(6)	\$40							
Alloc to AES	(6)	\$40							
			\$200 (6)						
	(6)	\$40							
			\$40 (6)						

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

Service: AEM – Operation and Maintenance cost allocation

Description: O&M expense cost allocations between affiliates.

Current Provider of Service: Atmos Energy Marketing, LLC

Current Use of Service: Atmos Energy Services, LLC

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

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

Labor & Benefits

<p>Atmos Energy Marketing, LLC BU 212 Administrative Expenses Transferred - CR Acct. 922</p> <hr style="border: 0.5px solid black;"/> <p style="text-align: right; margin-right: 20px;">\$1,000 (1)</p>	<p>Atmos Energy Holdings, Inc. BU 312 Administrative Expenses Transferred - CR Acct. 922</p> <hr style="border: 0.5px solid black;"/> <p style="text-align: left; margin-left: 20px;">(1) \$1,000</p> <p style="text-align: right; margin-right: 20px;">\$1,000 (1)</p>
--	--

<p>Atmos Energy Services, LLC BU 301 Administrative Expenses Transferred - CR Acct. 922 - Multiple Svc Areas for different states</p> <hr style="border: 0.5px solid black;"/> <p style="text-align: left; margin-left: 20px;">(1) \$1,000</p>	
---	--

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

Service: **Property Insurance**

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

Current Provider of Service: Blueflame Insurance Services, LTD

Current Use of Service: Kentucky/Mid-States Division
 Colorado-Kansas Division
 Shared Services
 Louisiana Division
 Mississippi Division
 Mid-Tex Division
 West Texas Division
 Atmos Pipeline – Texas Division
 Atmos Energy Marketing, LLC
 Atmos Exploration & Production, Inc.
 Atmos Energy Services, LLC
 Atmos Power Systems, Inc.
 Trans Louisiana Gas Pipeline, Inc.
 Trans Louisiana Gas Storage, Inc.
 UCG Storage, Inc.
 WKG Storage, Inc.
 Atmos Gathering Company, 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. 155		
\$1,200 (1)	(1) \$1,200 \$1,200 (1)	(1) \$1,200 \$100 (2)		
<table border="0" style="width: 100%;"> <tr> <td style="border: 1px solid black; padding: 2px;"> General Office CO/KS BU 060 Property Insurance Acct. 974 </td> <td style="text-align: right; padding-right: 10px;">(2) (3) \$100</td> </tr> </table>			General Office CO/KS BU 060 Property Insurance Acct. 974	(2) (3) \$100
General Office CO/KS BU 060 Property Insurance Acct. 974	(2) (3) \$100			

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.

Service: AES Retail Services

Description: AES Retail services monthly revenue

Current Provider Of Services: Atmos Energy Services, LLC
West Texas Rate Divisions

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

Basis for allocation

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

General Ledger Entries: Example Only

BU 301 Service areas 811-813		
Revenues from Non-utility Operations Acct. 417		
(1)	\$600	\$600 (1)
(1)	\$300	\$300 (1)
(1)	\$100	\$100 (1)

General Office	
Revenues from Non-utility Operations Acct. 417	
\$600 (1)	
\$300 (1)	
\$100 (1)	

BU 301 Service area 055		
Revenues from Non-utility Operations Acct. 417		
(2)	\$2,000	\$2,000 (2)

General Office		
Revenues from Non-utility Operations Acct. 417		
(2)	\$1,000	West Texas
(2)	\$750	Colorado
(2)	\$250	Kansas

Flow of Activity

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

Service: Intercompany Interest on Notes Payable

Description: Intercompany Interest on Notes Payable

Current Provider Of Services Shared Services

Current Use of Service Atmos Energy Holdings, Inc.

Current Provider of Service:	Atmos Energy Corporation	Atmos Energy Holdings, Inc.	Atmos Energy Holdings, Inc.
Current Use of Service:	Atmos Energy Holdings, Inc.	Atmos Energy Marketing Services, LLC	Atmos Energy Corporation
Interest Income/Expense Calculation (See Below)	A	B	C

Basis for allocation Interest income and expense is recognized each month at the subsidiaries' level using the following rates:

A (AEH is the borrower)
Expense – One month LIBOR (last day of the month) plus 300 basis points
Income – One month LIBOR (last day of the month)

B (AEM is the borrower)
Expense – One month LIBOR (last day of the month) plus 300 basis points
Income – One month LIBOR (last day of the month)

C (AEC is the borrower)
Expense – The lowest outstanding CP rate or the Eurodollar rate under the AEC Credit Facility (RBS), which is LIBOR plus 100
Income – One month LIBOR (last day of the month)

General Ledger Entries: Example Only

<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th style="text-align: center; padding: 5px;">Shared Services</th> </tr> <tr> <td style="text-align: center; padding: 5px;">Accounts Receivable from Associated Company Acct. 146</td> </tr> <tr> <td style="border-top: 1px solid black; text-align: right; padding: 5px;">\$1,000 (1)</td> </tr> </table>	Shared Services	Accounts Receivable from Associated Company Acct. 146	\$1,000 (1)	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th style="text-align: center; padding: 5px;">Shared Services</th> </tr> <tr> <td style="text-align: center; padding: 5px;">Interest on Debt to Associated Companies Acct. 431</td> </tr> <tr> <td style="border-top: 1px solid black; text-align: right; padding: 5px;">\$1,000 (1)</td> </tr> </table>	Shared Services	Interest on Debt to Associated Companies Acct. 431	\$1,000 (1)
Shared Services							
Accounts Receivable from Associated Company Acct. 146							
\$1,000 (1)							
Shared Services							
Interest on Debt to Associated Companies Acct. 431							
\$1,000 (1)							
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th style="text-align: center; padding: 5px;">Atmos Energy Holdings, Inc.</th> </tr> <tr> <td style="text-align: center; padding: 5px;">Accounts Receivable from Associated Company Acct. 146</td> </tr> <tr> <td style="border-top: 1px solid black; text-align: right; padding: 5px;">(1) \$1,000</td> </tr> </table>	Atmos Energy Holdings, Inc.	Accounts Receivable from Associated Company Acct. 146	(1) \$1,000	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th style="text-align: center; padding: 5px;">Atmos Energy Holdings, Inc.</th> </tr> <tr> <td style="text-align: center; padding: 5px;">Interest and Dividend Income Acct. 419</td> </tr> <tr> <td style="border-top: 1px solid black; text-align: right; padding: 5px;">\$1,000 (1)</td> </tr> </table>	Atmos Energy Holdings, Inc.	Interest and Dividend Income Acct. 419	\$1,000 (1)
Atmos Energy Holdings, Inc.							
Accounts Receivable from Associated Company Acct. 146							
(1) \$1,000							
Atmos Energy Holdings, Inc.							
Interest and Dividend Income Acct. 419							
\$1,000 (1)							

Flow of Activity

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

Appendix A

