

BEFORE THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS

IN THE MATTER OF THE APPLICATION )  
OF ATMOS ENERGY CORPORATION ) Docket No.  
FOR REVIEW AND ADJUSTMENT OF ITS ) 19-ATMG- 525-RTS  
NATURAL GAS RATES )

**DIRECT TESTIMONY OF LAURA K. GILLHAM**

**I. INTRODUCTION**

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18

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

A. My name is Laura K. Gillham. My business address is 5430 LBJ Freeway, Suite 600, Dallas, Texas 75240.

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

A. I am the Director of Accounting Services for Atmos Energy Corporation (hereinafter “Atmos Energy” or the “Company”).

**Q. WHAT ARE YOUR RESPONSIBILITIES AS DIRECTOR OF ACCOUNTING SERVICES FOR ATMOS ENERGY?**

A. I am primarily responsible for directing various accounting activities and policies within the Company. My main duties include the oversight of general accounting, plant accounting, payroll and cost allocations. I also serve on an internal committee which is responsible for the oversight and monitoring of Sarbanes-Oxley (“SOX”) compliance. In addition, I work with both our internal and external auditors on implementing, testing, maintaining and modifying the Company’s accounting controls, as well as interfacing between the auditors and the Company.

I am also responsible for ensuring effective financial and internal controls for the Company’s accounting processes, system and procedures. I have knowledge of the

1 Company's accounting activities, which include compiling, processing, reporting  
2 and analyzing financial information to satisfy the requirements of internal  
3 management, internal independent auditors, external independent auditors and  
4 regulatory agencies.

5 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND**  
6 **PROFESSIONAL EXPERIENCE.**

7 A. I earned a Bachelor of Business Administration degree in Accounting and Finance  
8 from Texas Christian University in 2007. I also earned a Master of Accounting  
9 degree from Texas Christian University in 2008.

10 Before joining Atmos Energy, I worked in public accounting as an auditor  
11 at PricewaterhouseCoopers, LLP for approximately nine years, serving clients  
12 across multiple industries. I joined Atmos Energy in May 2017 as the Manager of  
13 Financial Reporting and assumed the role of Director of Accounting Services in  
14 August 2017. Since assuming the role of the Director of Accounting Services, I  
15 have worked to maintain the Company's Cost Allocation Manual ("CAM") to  
16 ensure it is aligned with Atmos Energy's recordkeeping practices.

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

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

19 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE KANSAS**  
20 **CORPORATION COMMISSION ("KCC" or "Commission") OR OTHER**  
21 **REGULATORY ENTITIES?**

22 A. No, I have not testified before this Commission. However, I have testified before  
23 the Kentucky Public Service Commission in Case No. 2017-00349 and Case 2018-

1 00281. I have also submitted testimony to the Virginia State Corporation  
2 Commission in Case No. PUR-2018-00014.

3 **II. PURPOSE OF TESTIMONY**

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

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

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

10 A. Yes. I am sponsoring Exhibit LKG-1 which is a copy of Atmos Energy's current  
11 CAM.

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

13 **Q. ARE THE BOOKS AND RECORDS OF THE COMPANY PREPARED**  
14 **UNDER YOUR DIRECTION?**

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

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

19 A. Atmos Energy maintains its books and records in accordance with the Federal  
20 Energy Regulatory Commission's ("FERC") Uniform System of Accounts  
21 ("USOA") and Generally Accepted Accounting Principles ("GAAP"). The USOA  
22 is the prescribed methodology for maintaining utility records in all of the state  
23 jurisdictions which regulate the Company's natural gas utility operations, which

1 currently include Colorado, Kansas, Kentucky, Louisiana, Mississippi, Tennessee,  
2 Texas and Virginia. Atmos Energy's accounting organization utilizes integrated  
3 computerized business systems to efficiently process, record and maintain  
4 transactions generated in the regular course of business. Financial transactions are  
5 created and entered into the system at or near the time of the transaction by the  
6 responsible personnel in various divisions having personal knowledge, or acting in  
7 reliance on information transmitted by persons having personal knowledge of the  
8 transactions, as well as of the applicable accounting procedures and requirements.  
9 Reports are generated by the system in the regular course of business to assist in  
10 management's review of the results of operations and to assist in the analysis of the  
11 cost data of gas operations.

12 **Q. AS THE DIRECTOR OF ACCOUNTING SERVICES, HOW DO YOU**  
13 **ASSURE YOURSELF THAT TRANSACTIONS ARE RECORDED**  
14 **PROPERLY?**

15 A. As the Director of Accounting Services, I have personal knowledge of the  
16 organizational business processes and staffing in the Controllershship function. The  
17 Controller's organization is staffed with highly qualified accounting managers and  
18 staff, with many accounting positions filled by CPAs. The managers in the  
19 organization are charged with the responsibility to inspect, review and revise, if  
20 appropriate, the work of the accountants they supervise. To fill certain management  
21 positions, an individual is required to have an accounting degree as well as  
22 significant accounting experience. We have established and maintained controls  
23 that ensure the accuracy of our books and records. These controls help identify any

1 necessary adjustments to accounting entries which are then recorded to the original  
2 books and records in a timely manner. Additionally, Atmos Energy contracts with  
3 KPMG LLP (“KPMG”) for internal audit services. This group periodically  
4 performs reviews of those controls.

5 **Q. ARE THE COSTS RECORDED ON THE COMPANY’S BOOKS AND**  
6 **RECORDS SUPPORTED BY UNDERLYING INVOICES OR OTHER**  
7 **RECORDS?**

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

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

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

20 **Q. HOW ARE THESE AUTHORITY LEVELS DETERMINED OR**  
21 **DELEGATED WITHIN THE COMPANY?**

22 A. The Board of Directors initially delegates authority to the chief executive officer of  
23 the Company who then authorizes the controller to further delegate authority to

1 others throughout the Company as necessary. The Controller's approval of  
2 authority limits is generally based on a review of the needs and recommendations  
3 from those requesting authority limit changes. Approved authority limits are  
4 maintained in a secure table within the Company's accounting system.

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

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

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

21 A. Yes. Certain invoices and other requests for payment that are not presented as an  
22 invoice are processed outside of Markview. Examples of these types of documents  
23 include, but are not limited to, tax returns, contracts for certain outside services, or

1 certain wire transfer requests. The process for the review, coding and approval of  
2 these costs is the same, except that the process may be manual in nature rather than  
3 electronic. The Company employee in charge of this documentation is responsible  
4 for ensuring the cost is valid, just, and reasonable. Coding and approvals are  
5 performed within the approval hierarchy. Once final approval has been obtained,  
6 the documentation is submitted to the accounts payable department for final  
7 payment.

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

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

16 Additionally, the Chief Executive Officer and Chief Financial Officer must  
17 certify the Company's annual and quarterly financial statements and must attest to  
18 and report on the Company's system of internal control. To facilitate this effort,  
19 the Company outsources its internal audit function to KPMG to conduct tests of the  
20 Company's system of internal control. These tests are developed to ensure the  
21 system of internal control has been designed effectively and that the controls are  
22 functioning as designed as of the end of the Company's fiscal year.

1 **Q. PLEASE DESCRIBE THE PROCESS USED TO TEST INTERNAL**  
2 **CONTROLS.**

3 A. The Company maintains a SOX steering committee, which is responsible for the  
4 oversight and monitoring of Sarbanes-Oxley compliance. This committee is  
5 comprised of the Vice President and Controller, the Director of Financial Reporting,  
6 the Director of Gas Accounting and Rate Administration, the Director of  
7 Information Security and me.

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

13 The internal audit group will develop a testing plan based upon these key controls  
14 that is reviewed and approved by the SOX steering committee. The key controls  
15 are tested throughout the year. If issues arise, they are individually addressed by a  
16 steering committee member who has knowledge of the affected areas. The SOX  
17 steering committee meets regularly to assess the progress and review the results of  
18 the testing. During this process, all findings are discussed and the steering  
19 committee will determine whether the finding should be considered a control  
20 deficiency, a significant deficiency or a material weakness. A control deficiency  
21 exists when the design or operation of a control does not allow management or  
22 employees, in the normal course of performing their assigned functions, to prevent  
23 or detect misstatements on a timely basis. A significant deficiency is a deficiency,



1 or a combination of deficiencies, in internal control over financial reporting that is  
2 less severe than a material weakness, yet important enough to merit attention by  
3 those responsible for oversight of the company's financial reporting. A material  
4 weakness is a deficiency, or a combination of deficiencies, in internal control over  
5 financial reporting, such that there is a reasonable possibility that a material  
6 misstatement of the company's annual or interim financial statements will not be  
7 prevented or detected on a timely basis.

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

11 **Q. PLEASE SUMMARIZE THE RESULTS OF TESTING FOR THE MOST**  
12 **RECENTLY COMPLETED FISCAL YEAR.**

13 A. The most recent fiscal year for which results are available is fiscal 2018. A total of  
14 267 key controls related to the Company's natural gas distribution operations were  
15 tested. No control deficiencies were identified as of September 30, 2018. No  
16 significant deficiencies or material weaknesses were identified.

17 **Q. ARE THE COMPANY'S TESTS OF INTERNAL CONTROL SUBJECT TO**  
18 **EXAMINATION BY AN INDEPENDENT REGISTERED PUBLIC**  
19 **ACCOUNTING FIRM?**

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

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

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

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

11 A. No. EY issued an unqualified audit report for fiscal 2018 which means that they  
12 agreed with management's assertions.

13 **Q. ARE THERE OTHER TYPES OF REGULAR AUDITS AND REVIEWS**  
14 **THAT ARE CONDUCTED OF ATMOS ENERGY'S BOOKS AND**  
15 **RECORDS?**

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

1 **Q. HOW DOES THE ACCOUNTING SYSTEM ALLOW FOR THE**  
2 **SEPARATE RECORDING AND TRACKING OF COSTS FOR ATMOS**  
3 **ENERGY'S UTILITY DIVISIONS?**

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

11 **Q. WERE THE BOOKS AND RECORDS OF THE COMPANY PROVIDED TO**  
12 **COMPANY WITNESSES FOR UTILIZATION IN THEIR ANALYSIS FOR**  
13 **RATEMAKING PURPOSES?**

14 A. Yes.

15 **IV. COST ALLOCATION MANUAL**

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

17 A. The Cost Allocation Manual ("CAM"), contained in Exhibit LKG-1, describes and  
18 documents the process whereby allocations are made within the books and records  
19 of the Company. These include allocations of various common expenses which are  
20 incurred for the benefit of two or more of the Company's rate divisions and are  
21 therefore allocable to those rate divisions. Additionally, the CAM also describes  
22 and documents the processes whereby allocations are made between Atmos Energy  
23 and its affiliates and between affiliates.

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

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

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

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

13 **Q. DOES THE CAM DESCRIBE HOW TO ALLOCATE BALANCE SHEET**  
14 **AMOUNTS?**

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

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

22 A. Yes, the allocation process described in the CAM operates fairly and reasonably in  
23 allocating those costs on a uniform basis, both as between Atmos Energy's various

1 operating divisions and affiliates and between the various regulatory jurisdictions  
2 in which the Company operates.

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

4 A. Yes.

VERIFICATION

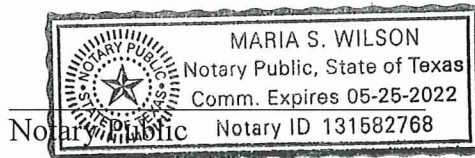
STATE OF TEXAS            )  
  )  
COUNTY OF DALLAS        )

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

  
Laura K. Gillham

Subscribed and sworn before me this 17 day of June, 2019.





My appointment expires: 05/25/2022

ATMOS ENERGY CORPORATION  
COST ALLOCATION MANUAL  
April 1, 2019

## 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	Property Insurance
38	Intercompany Interest on Notes Payable
39	Appendix A
40	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:

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

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

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

Atmos Energy Holdings, Inc. is a wholly owned subsidiary of Atmos. Atmos Energy Holdings and its various wholly owned subsidiaries are separate legal entities and are considered affiliates of Atmos.

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

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

### b. Accounting:

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

Atmos' account coding structure is as follows:

XXX.      XXXX.      XXXX.      XXXXX.      XXXXXX.      XXXX

Company	Cost Center	FERC Account	Sub-Account	Service Area	Future Use
3 digit	4 digit	4 digits	5 digits	6 digits	4 digits

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

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

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

### c. Glossary of Terms:

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

**Affiliate** - One or more of Atmos' subsidiaries.

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

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

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

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

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

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

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

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

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

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

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

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

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

**Regulated Operations** – Represents the Company's six regulated natural gas distribution operating divisions operating in 8 states and the Company's regulated intrastate pipeline operations in the State of Texas.

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

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

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

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

The following are divisions of Atmos Energy Corporation:

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

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

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

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

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

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

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

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

The following are affiliates of Atmos Energy Corporation:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Service: Capitalized overhead (general)**

Description: Overhead related to capital expenditures

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

Current Use of Service: Rate divisions

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

**General Ledger Entries: Example Only**

SSU BU 010 Cash Acct. 131	SSU BU 010 Accounts Payable Acct. 232	SSU BU 010 Office Supply and Expenses Acct. 921 Cost Center XXXX *	SSU BU 010 Administrative Expenses Transferred Acct. 922 Cost Center XXXX
\$1,000 (1)	\$1,000 (1)    \$1,000 (1)	\$1,000 (1)	\$600 (3) \$400 (3a)
SSU BU 010 Administrative Expenses Transferred Acct. 922 Cost Center 1910 *	SSU BU 010 Administrative & General Acct. 920 Cost Center 1910	SSU BU 010 Construction Work in Progress Acct. 107	General Office - Div 091 Administrative Expenses Transferred Acct. 922
\$20 (3b) \$180 (3b)	\$200 (2)	\$200 (2)	\$600 (3)    \$150 (4) \$450 (4a) \$20 (3b)
General Office Remaining Administrative Expenses Transferred Acct. 922	Rate Div Office Mid States Div 009 ** Administrative Expenses Transferred Acct. 922	Rate Div Office Mid States Div -Remaining Administrative Expenses Transferred Acct. 922	
\$400 (3a)    \$180 (3b)	\$150 (4)    \$10 (5)	\$450 (4a)	

\* Cap rate = 20%  
 \*\* Many rate division offices exist within Mid-States in addition to Div 009.

**Flow of Activity**

- (1) Purchase Office Supplies
- (2) Capitalize Overhead is calculated based on cost center capitalization percentage
- (3) Allocating Shared Services Expenses to General Offices - 60% Allocation rate for illustration purposes only
  - (3a) Allocation to remaining general offices
  - (3b) Allocate capitalization credits to business units
- (4) Allocating Shared Services Expenses to Rate Division Office - 25% Allocation rate for illustration purposes only
  - (4a) Allocation to remaining division offices
  - (4b) Allocation to remaining general 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;"><b>SSU BU 010</b></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>	<b>SSU BU 010</b>	Cash	Acct. 131		\$100 (1)	\$2 (3a)	<table border="1" style="width: 100%; border-collapse: collapse; margin-bottom: 10px;"> <tr><td style="text-align: center;"><b>SSU BU 010</b></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>	<b>SSU BU 010</b>	Inventory		(1) \$100	\$100 (2)	<table border="1" style="width: 100%; border-collapse: collapse; margin-bottom: 10px;"> <tr><td style="text-align: center;"><b>Rate Div Office</b></td></tr> <tr><td style="text-align: center;"><b>Mid States Div 009 **</b></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>	<b>Rate Div Office</b>	<b>Mid States Div 009 **</b>	Construction Work	in Progress	Acct. 107		(2) \$100	(3b) \$2
<b>SSU BU 010</b>																					
Cash																					
Acct. 131																					
\$100 (1)																					
\$2 (3a)																					
<b>SSU BU 010</b>																					
Inventory																					
(1) \$100																					
\$100 (2)																					
<b>Rate Div Office</b>																					
<b>Mid States Div 009 **</b>																					
Construction Work																					
in Progress																					
Acct. 107																					
(2) \$100																					
(3b) \$2																					
<table border="1" style="width: 100%; border-collapse: collapse; margin-bottom: 10px;"> <tr><td style="text-align: center;"><b>SSU BU 010</b></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>	<b>SSU BU 010</b>	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;"><b>SSU BU 010</b></td></tr> <tr><td style="text-align: center;">Accounts</td></tr> <tr><td style="text-align: center;">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>	<b>SSU BU 010</b>	Accounts	Payable	Acct. 232		(3a) \$2	\$2 (3a)						
<b>SSU BU 010</b>																					
Stores Expense																					
Undistributed																					
Acct. 163																					
(3a) \$2																					
\$2 (3b)																					
<b>SSU BU 010</b>																					
Accounts																					
Payable																					
Acct. 232																					
(3a) \$2																					
\$2 (3a)																					

\*\* 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="text-align: right;">\$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="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="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="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="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="text-align: right;">\$ 400 (2)</td></tr> <tr><td style="text-align: right;">\$ 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="text-align: left;">(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="text-align: left;">(2) \$400</td></tr> <tr><td style="text-align: right;">\$100 (3)</td></tr> <tr><td style="text-align: right;">\$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="text-align: left;">(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="text-align: left;">(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

<b>Service:</b>	<b>O&amp;M Expenses in Shared Services – General Office cost centers</b>
Description:	Includes O&M expenses in Shared Services – General Office. (Division 002)
Current Provider Of Service	Shared Services
Current Use of Service	Atmos Energy Louisiana Industrial Gas, LLC Trans Louisiana Gas Pipeline WKG Storage, Inc. West Texas Division Mid-Tex Division Atmos Pipeline – Texas Division Louisiana Division Kentucky/Mid-States Division Colorado-Kansas Division Mississippi Division Trans Louisiana Gas Storage Atmos Power Systems, Inc UCG Storage, Inc. Atmos Energy Holdings, Inc.
Basis for allocation	<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, but are not limited to, composite not including affiliates or Atmos Pipeline –Texas and an 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; margin-bottom: 10px;"> <tr><td style="text-align: center;"><b>SSU BU 010</b></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;">\$1,000 (1)</td></tr> </table>	<b>SSU BU 010</b>	Cash	Acct. 131	\$1,000 (1)	<table border="1" style="width: 100%; border-collapse: collapse; margin-bottom: 10px;"> <tr><td style="text-align: center;"><b>SSU BU 010</b></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;">(1) \$1,000      \$1,000 (1)</td></tr> </table>	<b>SSU BU 010</b>	Accounts Payable	Acct. 232	(1) \$1,000      \$1,000 (1)	<table border="1" style="width: 100%; border-collapse: collapse; margin-bottom: 10px;"> <tr><td style="text-align: center;"><b>SSU BU 010</b></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; border-bottom: 1px solid black;">(1) \$1,000</td></tr> </table>	<b>SSU BU 010</b>	Office Supply and Expenses *	Acct. 921	Cost Center XXXX	(1) \$1,000	<table border="1" style="width: 100%; border-collapse: collapse; margin-bottom: 10px;"> <tr><td style="text-align: center;"><b>SSU BU 010</b></td></tr> <tr><td style="text-align: center;">Administrative Expenses Transferred</td></tr> <tr><td style="text-align: center;">Acct. 922</td></tr> <tr><td style="border-top: 1px solid black; border-bottom: 1px solid black;">\$ 300 (2)</td></tr> <tr><td style="border-bottom: 1px solid black;">\$ 700 (2a)</td></tr> </table>	<b>SSU BU 010</b>	Administrative Expenses Transferred	Acct. 922	\$ 300 (2)	\$ 700 (2a)
<b>SSU BU 010</b>																					
Cash																					
Acct. 131																					
\$1,000 (1)																					
<b>SSU BU 010</b>																					
Accounts Payable																					
Acct. 232																					
(1) \$1,000      \$1,000 (1)																					
<b>SSU BU 010</b>																					
Office Supply and Expenses *																					
Acct. 921																					
Cost Center XXXX																					
(1) \$1,000																					
<b>SSU BU 010</b>																					
Administrative Expenses Transferred																					
Acct. 922																					
\$ 300 (2)																					
\$ 700 (2a)																					
<table border="1" style="width: 100%; border-collapse: collapse; margin-bottom: 10px;"> <tr><td style="text-align: center;"><b>General Office Remaining</b></td></tr> <tr><td style="text-align: center;">Administrative Expenses Transferred</td></tr> <tr><td style="text-align: center;">Acct. 922</td></tr> <tr><td style="border-top: 1px solid black; border-bottom: 1px solid black;">(2a) \$ 700</td></tr> </table>	<b>General Office Remaining</b>	Administrative Expenses Transferred	Acct. 922	(2a) \$ 700	<table border="1" style="width: 100%; border-collapse: collapse; margin-bottom: 10px;"> <tr><td style="text-align: center;"><b>General Office Mid States - Div 091</b></td></tr> <tr><td style="text-align: center;">Administrative Expenses Transferred</td></tr> <tr><td style="text-align: center;">Acct. 922</td></tr> <tr><td style="border-top: 1px solid black; border-bottom: 1px solid black;">(2) \$300      \$150 (3)</td></tr> <tr><td style="border-bottom: 1px solid black;">\$150 (3a)</td></tr> </table>	<b>General Office Mid States - Div 091</b>	Administrative Expenses Transferred	Acct. 922	(2) \$300      \$150 (3)	\$150 (3a)	<table border="1" style="width: 100%; border-collapse: collapse; margin-bottom: 10px;"> <tr><td style="text-align: center;"><b>Rate Div Office Mid States Div 009 **</b></td></tr> <tr><td style="text-align: center;">Administrative Expenses Transferred</td></tr> <tr><td style="text-align: center;">Acct. 922</td></tr> <tr><td style="border-top: 1px solid black; border-bottom: 1px solid black;">(3) \$150</td></tr> </table>	<b>Rate Div Office Mid States Div 009 **</b>	Administrative Expenses Transferred	Acct. 922	(3) \$150	<table border="1" style="width: 100%; border-collapse: collapse; margin-bottom: 10px;"> <tr><td style="text-align: center;"><b>Rate Div Office Mid States -Remaining</b></td></tr> <tr><td style="text-align: center;">Administrative Expenses Transferred</td></tr> <tr><td style="text-align: center;">Acct. 922</td></tr> <tr><td style="border-top: 1px solid black; border-bottom: 1px solid black;">(3a) \$150</td></tr> </table>	<b>Rate Div Office Mid States -Remaining</b>	Administrative Expenses Transferred	Acct. 922	(3a) \$150	
<b>General Office Remaining</b>																					
Administrative Expenses Transferred																					
Acct. 922																					
(2a) \$ 700																					
<b>General Office Mid States - Div 091</b>																					
Administrative Expenses Transferred																					
Acct. 922																					
(2) \$300      \$150 (3)																					
\$150 (3a)																					
<b>Rate Div Office Mid States Div 009 **</b>																					
Administrative Expenses Transferred																					
Acct. 922																					
(3) \$150																					
<b>Rate Div Office Mid States -Remaining</b>																					
Administrative Expenses Transferred																					
Acct. 922																					
(3a) \$150																					

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

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

**Flow of Activity**

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

Note: Operating Divisions Mississippi, Mid-Tex and Atmos Pipeline – Texas have 1 rate division. There is no allocation to remaining division offices (3a).

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

**Service: SSU – Customer Support taxes other than income taxes**

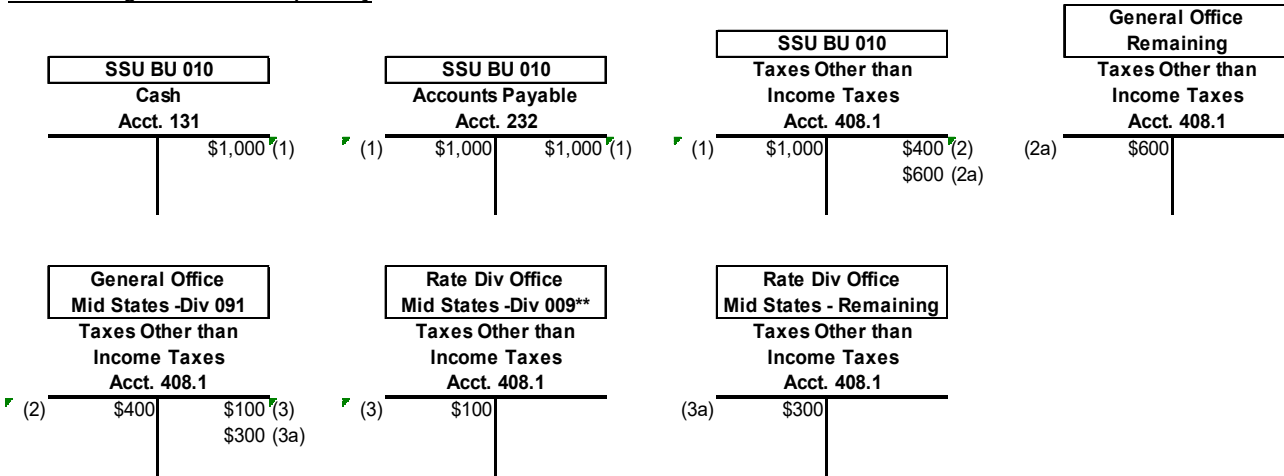
Description: Includes all taxes other than income tax charged in Shared Services – Customer Support.

Current Provider Of Services Shared Services

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

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

**General Ledger Entries: Example Only**



\*\* 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

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

See page 13 for General Ledger Entry – Example Only.

**Service: SSU – Customer Support depreciation**

Description: Includes all depreciation charged in Shared Services – Customer Support.

Current Provider Of Services: Shared Services

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

Basis for allocation: Costs are generally allocated to the applicable rate division level in total based on the average number of customers in each operating division as a percentage of the total number of customers in all of the operating divisions. If needed, number of customers in the rate divisions is used to allocate from the operating division general office to the rate divisions. Depreciation associated with the Charles K. Vaughan Center is allocated based upon square footage, number of customers and employee training usage.

**General Ledger Entries: Example Only**

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

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

**Flow of Activity**

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

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

**Service: SSU – General Office depreciation**

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

Current Provider  
Of Services Shared Services

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

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

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

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

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

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

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

See page 15 for General Ledger Entry – Example Only.

<b>Service:</b>	<b>West Texas Division operating division general office O&amp;M, depreciation and taxes other than income taxes, to rate division level</b>
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"> <li>(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.</li> <li>(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.</li> <li>(3) The total direct O&amp;M expense in each municipal rate division as a percentage of the total direct O&amp;M expense in the West Texas Division rate divisions.</li> </ol>

See Page 18 for General Ledger Entries: Example Only.



**General Ledger Entries: Example Only**

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

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

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

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

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

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

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

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

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

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

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

<b>Rate Div Office West Texas -Remaining</b>	
<b>Taxes Other and Depreciation Acct. 408.1 and 403</b>	
(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 005.

**Flow of Activity**

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

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

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

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

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

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

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

**General Ledger Entries: Example Only**

<table border="1" style="margin: auto; border-collapse: collapse;"> <tr><td style="padding: 5px;"><b>General Office SSU – Div 002</b></td></tr> <tr><td style="padding: 5px;">Cash Acct. 131</td></tr> <tr><td style="border-top: 1px solid black; padding: 5px;">\$500(1)</td></tr> </table>	<b>General Office SSU – Div 002</b>	Cash Acct. 131	\$500(1)	<table border="1" style="margin: auto; border-collapse: collapse;"> <tr><td style="padding: 5px;"><b>General Office SSU – Div 002</b></td></tr> <tr><td style="padding: 5px;">Accounts Payable Acct. 232</td></tr> <tr><td style="border-top: 1px solid black; padding: 5px;">(1) \$500      \$500(1)</td></tr> </table>	<b>General Office SSU – Div 002</b>	Accounts Payable Acct. 232	(1) \$500      \$500(1)	<table border="1" style="margin: auto; border-collapse: collapse;"> <tr><td style="padding: 5px;"><b>General Office CO/KS BU 060 Office Supply and Expenses *</b></td></tr> <tr><td style="padding: 5px;">Acct. 921</td></tr> <tr><td style="border-top: 1px solid black; padding: 5px;">(1) \$500</td></tr> </table>	<b>General Office CO/KS BU 060 Office Supply and Expenses *</b>	Acct. 921	(1) \$500
<b>General Office SSU – Div 002</b>											
Cash Acct. 131											
\$500(1)											
<b>General Office SSU – Div 002</b>											
Accounts Payable Acct. 232											
(1) \$500      \$500(1)											
<b>General Office CO/KS BU 060 Office Supply and Expenses *</b>											
Acct. 921											
(1) \$500											
<table border="1" style="margin: auto; border-collapse: collapse;"> <tr><td style="padding: 5px;"><b>General Office CO/KS BU 060 Administrative Expenses Transferred</b></td></tr> <tr><td style="padding: 5px;">Acct. 922</td></tr> <tr><td style="border-top: 1px solid black; padding: 5px;">\$250(2) \$250(2a)</td></tr> </table>	<b>General Office CO/KS BU 060 Administrative Expenses Transferred</b>	Acct. 922	\$250(2) \$250(2a)	<table border="1" style="margin: auto; border-collapse: collapse;"> <tr><td style="padding: 5px;"><b>State Div Office CO/KS Div 031 Administrative Expenses Transferred</b></td></tr> <tr><td style="padding: 5px;">Acct. 922</td></tr> <tr><td style="border-top: 1px solid black; padding: 5px;">(2) \$250</td></tr> </table>	<b>State Div Office CO/KS Div 031 Administrative Expenses Transferred</b>	Acct. 922	(2) \$250	<table border="1" style="margin: auto; border-collapse: collapse;"> <tr><td style="padding: 5px;"><b>Rate Div Office CO/KS Div 080 Administrative Expenses Transferred</b></td></tr> <tr><td style="padding: 5px;">Acct. 922</td></tr> <tr><td style="border-top: 1px solid black; padding: 5px;">(2a) \$250</td></tr> </table>	<b>Rate Div Office CO/KS Div 080 Administrative Expenses Transferred</b>	Acct. 922	(2a) \$250
<b>General Office CO/KS BU 060 Administrative Expenses Transferred</b>											
Acct. 922											
\$250(2) \$250(2a)											
<b>State Div Office CO/KS Div 031 Administrative Expenses Transferred</b>											
Acct. 922											
(2) \$250											
<b>Rate Div Office CO/KS Div 080 Administrative Expenses Transferred</b>											
Acct. 922											
(2a) \$250											

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

**Flow of Activity**

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

**Service:** 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.

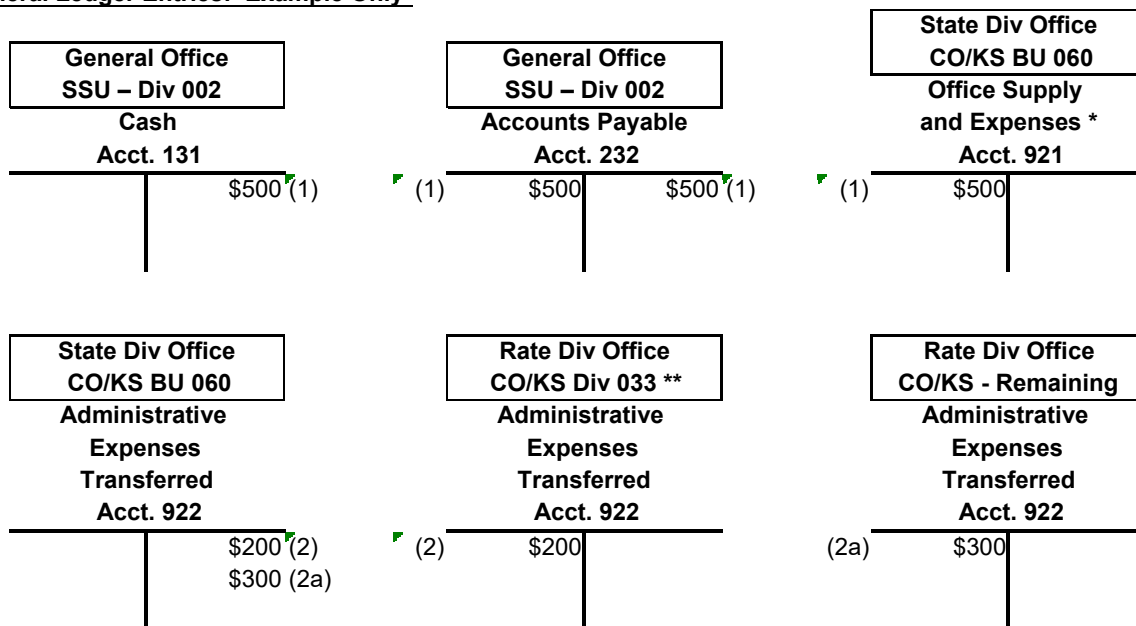
**Current Provider of Service:** Colorado-Kansas Division regional division office

**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**



\* 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

<b>Service:</b>	<b>Kentucky/Mid-States Division operating division general office O&amp;M, depreciation and taxes other than income taxes, to rate division level</b>
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"> <li>(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.</li> <li>(2) The number of customers in each rate division as a percentage of the total number of customers in Kentucky/Mid-States Division.</li> <li>(3) The total direct O&amp;M expense in each rate division as a percentage of the total direct O&amp;M expense in Kentucky/Mid-States Division.</li> </ol>

See Page 22 for General Ledger Entries: Example Only.

**General Ledger Entries: Example Only**

**General Office  
SSU – Div 002**

<b>Cash</b>	
<b>Acct. 131</b>	
	\$500 (1)
	\$400 (5)

**General Office  
SSU – Div 002**

<b>Accounts Payable</b>	
<b>Acct. 232</b>	
(1)	\$500
(5)	\$400
	\$500 (1)
	\$400 (5)

**General Office  
Mid States - Div 091**

<b>Office Supply and Expenses *</b>	
<b>Acct. 921</b>	
(1)	\$500

**General Office  
Mid States - Div 091**

<b>Administrative Expenses Transferred</b>	
<b>Acct. 922</b>	
	\$200 (2)
	\$300 (2a)

**Rate Div Office  
Mid States Div 009 \*\***

<b>Administrative Expenses Transferred</b>	
<b>Acct. 922</b>	
(2)	\$200

**Rate Div Office  
Mid States -Remaining**

<b>Administrative Expenses Transferred</b>	
<b>Acct. 922</b>	
(2a)	\$300

**General Office  
Mid States - Div 091**

<b>Depreciation Exp</b>	
<b>Acct. 403</b>	
(3)	\$100
	\$15 (4)
	\$85 (4a)

**Mid States - Div 091  
Accumulated Depreciation**

<b>Acct. 108</b>	
	\$100 (3)

**Rate Div Office  
Mid States Div 009 \*\***

<b>Depreciation Exp</b>	
<b>Acct. 403</b>	
(4)	\$15

**General Office  
Mid States - Div 091**

<b>Taxes Other than Income Taxes</b>	
<b>Acct. 408.1</b>	
(5)	\$400
	\$100 (6)
	\$300 (6a)

**Rate Div Office  
Mid States Div 009 \*\***

<b>Taxes Other than Income Taxes</b>	
<b>Acct. 408.1</b>	
(6)	\$ 100

**Rate Div Office  
Mid States -Remaining**

<b>Taxes Other and Depreciation</b>	
<b>Acct. 408.1 and 403</b>	
(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

<b>Service:</b>	<b>Louisiana Division operating division general office O&amp;M, depreciation and taxes other than income taxes, to rate division level</b>
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"> <li>(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.</li> <li>(2) The number of customers in each rate division as a percentage of the total number of customers in Louisiana Division.</li> <li>(3) The total direct O&amp;M expense in each rate division as a percentage of the total direct O&amp;M expense in Louisiana Division.</li> </ol>

See Page 24 for General Ledger Entries: Example Only.

**General Ledger Entries: Example Only**

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

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

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

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

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

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

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

<b>LA - Div 107 Accumulated Depreciation</b>	
<b>Acct. 108</b>	
	\$100 (3)

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

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

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

<b>Rate Div Office LA Div 007 Taxes Other and Depreciation</b>	
<b>Acct. 408.1 and 403</b>	
(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, gas measurement, finance and human resources.

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

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

<b>Service:</b>	<b>Mid-Tex/Atmos Pipeline – Texas Division - Intracompany Labor</b>
Description:	Mid-Tex employees' labor supporting APT operations
Current Provider Of Service	Mid-Tex
Current Use of Service	Atmos Pipeline – Texas
Basis for allocation	<p>The Operational Split is calculated each fiscal year based upon budgeted non-supervisory employee labor and contract labor for the Mid-Tex and APT divisions.</p> <p>Mid-Tex supervisory and support employees (finance, human resources, etc) who charge time to APT generally use the operational split.</p> <p>Mid-Tex non-supervisory employees who charge time to APT generally record their time through the time reporting system.</p>



**General Ledger Entry: Supervisory employee (Example Only)**

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

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

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

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

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

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

**Flow of Activity:**

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

**General Ledger Entry: Non Supervisory employee (Example Only)**

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

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

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

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

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

**Flow of Activity:**

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

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

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

Current Provider Of Service: Mid-Tex

Current Use of Service: Atmos Pipeline – Texas Division

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

**General Ledger Entries: Transportation Expense (Example Only)**

<table border="1" style="margin: auto; border-collapse: collapse;"> <tr><td style="padding: 2px;">SSU – Div 002</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; padding: 2px;">\$1,000 (1)</td></tr> </table>	SSU – Div 002	Cash	Acct. 131	\$1,000 (1)	<table border="1" style="margin: auto; border-collapse: collapse;"> <tr><td style="padding: 2px;">SSU – Div 002</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; padding: 2px;">\$1,000 (1)      \$1,000 (1)</td></tr> </table>	SSU – Div 002	Accounts Payable	Acct. 232	\$1,000 (1)      \$1,000 (1)	<table border="1" style="margin: auto; border-collapse: collapse;"> <tr><td style="padding: 2px;">Mid Tex BU 080</td></tr> <tr><td style="padding: 2px;">O&amp;M Transportation</td></tr> <tr><td style="padding: 2px;">Acct. 853</td></tr> <tr><td style="padding: 2px;">Cost Center 4XXX</td></tr> <tr><td style="border-top: 1px solid black; padding: 2px;">\$1,000 (1)      \$780 (2)</td></tr> </table>	Mid Tex BU 080	O&M Transportation	Acct. 853	Cost Center 4XXX	\$1,000 (1)      \$780 (2)	
SSU – Div 002																
Cash																
Acct. 131																
\$1,000 (1)																
SSU – Div 002																
Accounts Payable																
Acct. 232																
\$1,000 (1)      \$1,000 (1)																
Mid Tex BU 080																
O&M Transportation																
Acct. 853																
Cost Center 4XXX																
\$1,000 (1)      \$780 (2)																
<table border="1" style="margin: auto; border-collapse: collapse;"> <tr><td style="padding: 2px;">APT BU 180</td></tr> <tr><td style="padding: 2px;">CWIP</td></tr> <tr><td style="padding: 2px;">Acct. 107</td></tr> <tr><td style="padding: 2px;">Cost Center 9XXX</td></tr> <tr><td style="border-top: 1px solid black; padding: 2px;">\$220 (3)</td></tr> </table>	APT BU 180	CWIP	Acct. 107	Cost Center 9XXX	\$220 (3)	<table border="1" style="margin: auto; border-collapse: collapse;"> <tr><td style="padding: 2px;">APT BU 180</td></tr> <tr><td style="padding: 2px;">O&amp;M Transportation</td></tr> <tr><td style="padding: 2px;">Acct. 853</td></tr> <tr><td style="padding: 2px;">Cost Center 4XXX</td></tr> <tr><td style="border-top: 1px solid black; padding: 2px;">\$780 (2)      \$220 (3)</td></tr> </table>	APT BU 180	O&M Transportation	Acct. 853	Cost Center 4XXX	\$780 (2)      \$220 (3)					
APT BU 180																
CWIP																
Acct. 107																
Cost Center 9XXX																
\$220 (3)																
APT BU 180																
O&M Transportation																
Acct. 853																
Cost Center 4XXX																
\$780 (2)      \$220 (3)																

**Flow of Activity**

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

**Service: Intercompany labor**

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

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

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

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

**General Ledger Entries: Example Only**

<table border="1" style="margin: auto; 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)      \$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 &amp; 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)      \$500 (1)</td></tr> </table>	Mid States BU 050-Div 091	Accounts Payable	Acct. 232		\$500 (2b)      \$500 (1)
Atmos Energy Services																		
AES BU 301																		
Mains & Services Exp																		
Acct. 8740																		
\$500 (1)																		
Mid States BU 050-Div 002																		
A/R from Assoc Co.																		
Acct. 146																		
\$500 (2b)																		
Mid States BU 050-Div 091																		
Accounts Payable																		
Acct. 232																		
\$500 (2b)      \$500 (1)																		

**Flow of Activity**

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

**Service: Adjustments to Uncollectible Accounts Expense**

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

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

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

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

**General Ledger Entries: Example Only**

<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)	\$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

<b>Service:</b>	<b>Other income and interest expense (All below the line accounts)</b>
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**

<b>SSU BU 010</b> Cash Acct. 131 <hr/> \$1,000	<b>SSU BU 010</b> Accounts Receivable Acct. 143 <hr/> (1) \$1,000      \$1,000 (1)	<b>SSU BU 010</b> Interest and Dividend Income Acct. 419 <hr/> (2) \$20      \$1,000 (1)	<b>Div 033</b> Interest and Dividend Income Acct. 419 <hr/> \$20
<b>SSU BU 010</b> Cash Acct. 131 <hr/> \$2,000 (3)	<b>SSU BU 010</b> Accounts Receivable Acct. 143 <hr/> (3) \$2,000      \$2,000 (3)	<b>SSU BU 010</b> Other Deductions * Acct. 426.5 <hr/> (3) \$2,000      \$40 (4)	<b>Div 033</b> Other Deductions Acct. 426.5 <hr/> (4) \$40
<b>SSU BU 010</b> Cash Acct. 131 <hr/> \$3,000 (5)	<b>SSU BU 010</b> Accounts Receivable Acct. 143 <hr/> (5) \$3,000      \$3,000 (5)	<b>SSU BU 010</b> Interest Expense Acct. 431 (Short Term) <hr/> (5) \$600      \$12 (6)	<b>Div 033</b> Interest Expense Acct. 431 (Short Term) <hr/> (6) \$ 12
		<b>SSU BU 010</b> Interest Expense Acct. 431 (Long Term) <hr/> (5) \$2,400      \$48 (6)	<b>Div 033</b> Interest Expense Acct. 431 (Long Term) <hr/> (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><b>SSU BU 010</b> <b>Cash</b> <b>Acct. 131</b></p> <hr style="border: 1px solid black;"/> <p style="text-align: right;">\$1,000 (1)</p>	<p><b>SSU BU 010</b> <b>Accounts Payable</b> <b>Acct. 232</b></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><b>Various BU's &amp; Svc Areas</b> <b>Natural Gas City Gate Purchase</b> <b>Acct. 804</b></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**

<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: center;"><b>WKG Storage BU 233</b></td></tr> <tr><td style="text-align: center;"><b>Other Gas Revenues</b></td></tr> <tr><td style="text-align: center;"><b>Acct. 495</b></td></tr> <tr><td style="border-top: 1px solid black; text-align: right;">\$100 (1)</td></tr> </table>	<b>WKG Storage BU 233</b>	<b>Other Gas Revenues</b>	<b>Acct. 495</b>	\$100 (1)	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: center;"><b>KY/Mid-State BU 050, Div 009</b></td></tr> <tr><td style="text-align: center;"><b>Transportation to City Gate</b></td></tr> <tr><td style="text-align: center;"><b>Acct. 8580</b></td></tr> <tr><td style="border-top: 1px solid black; text-align: left;">\$100 (1)</td></tr> </table>	<b>KY/Mid-State BU 050, Div 009</b>	<b>Transportation to City Gate</b>	<b>Acct. 8580</b>	\$100 (1)
<b>WKG Storage BU 233</b>									
<b>Other Gas Revenues</b>									
<b>Acct. 495</b>									
\$100 (1)									
<b>KY/Mid-State BU 050, Div 009</b>									
<b>Transportation to City Gate</b>									
<b>Acct. 8580</b>									
\$100 (1)									
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: center;"><b>WKG Storage BU 233, Div 002</b></td></tr> <tr><td style="text-align: center;"><b>A/R from Assoc Co.</b></td></tr> <tr><td style="text-align: center;"><b>Acct. 146</b></td></tr> <tr><td style="border-top: 1px solid black; text-align: left;">\$100 (2)</td></tr> </table>	<b>WKG Storage BU 233, Div 002</b>	<b>A/R from Assoc Co.</b>	<b>Acct. 146</b>	\$100 (2)	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: center;"><b>KY/Mid-State BU 050, Div 002</b></td></tr> <tr><td style="text-align: center;"><b>A/R from Assoc Co.</b></td></tr> <tr><td style="text-align: center;"><b>Acct. 146</b></td></tr> <tr><td style="border-top: 1px solid black; text-align: right;">\$100 (2)</td></tr> </table>	<b>KY/Mid-State BU 050, Div 002</b>	<b>A/R from Assoc Co.</b>	<b>Acct. 146</b>	\$100 (2)
<b>WKG Storage BU 233, Div 002</b>									
<b>A/R from Assoc Co.</b>									
<b>Acct. 146</b>									
\$100 (2)									
<b>KY/Mid-State BU 050, Div 002</b>									
<b>A/R from Assoc Co.</b>									
<b>Acct. 146</b>									
\$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

---

<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: center;"><b>UCG Storage BU 232</b></td></tr> <tr><td style="text-align: center;"><b>Other Gas Revenues</b></td></tr> <tr><td style="text-align: center;"><b>Acct. 495</b></td></tr> <tr><td style="border-top: 1px solid black; text-align: right;">\$100 (1)</td></tr> </table>	<b>UCG Storage BU 232</b>	<b>Other Gas Revenues</b>	<b>Acct. 495</b>	\$100 (1)	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: center;"><b>KY/Mid-State BU 050, Div 009</b></td></tr> <tr><td style="text-align: center;"><b>Other gas supply expenses</b></td></tr> <tr><td style="text-align: center;"><b>Acct. 813</b></td></tr> <tr><td style="border-top: 1px solid black; text-align: left;">\$100 (1)</td></tr> </table>	<b>KY/Mid-State BU 050, Div 009</b>	<b>Other gas supply expenses</b>	<b>Acct. 813</b>	\$100 (1)
<b>UCG Storage BU 232</b>									
<b>Other Gas Revenues</b>									
<b>Acct. 495</b>									
\$100 (1)									
<b>KY/Mid-State BU 050, Div 009</b>									
<b>Other gas supply expenses</b>									
<b>Acct. 813</b>									
\$100 (1)									
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: center;"><b>WKG Storage BU 232, Div 002</b></td></tr> <tr><td style="text-align: center;"><b>A/R from Assoc Co.</b></td></tr> <tr><td style="text-align: center;"><b>Acct. 146</b></td></tr> <tr><td style="border-top: 1px solid black; text-align: left;">\$100 (2)</td></tr> </table>	<b>WKG Storage BU 232, Div 002</b>	<b>A/R from Assoc Co.</b>	<b>Acct. 146</b>	\$100 (2)	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: center;"><b>KY/Mid-State BU 050, Div 002</b></td></tr> <tr><td style="text-align: center;"><b>A/R from Assoc Co.</b></td></tr> <tr><td style="text-align: center;"><b>Acct. 146</b></td></tr> <tr><td style="border-top: 1px solid black; text-align: right;">\$100 (2)</td></tr> </table>	<b>KY/Mid-State BU 050, Div 002</b>	<b>A/R from Assoc Co.</b>	<b>Acct. 146</b>	\$100 (2)
<b>WKG Storage BU 232, Div 002</b>									
<b>A/R from Assoc Co.</b>									
<b>Acct. 146</b>									
\$100 (2)									
<b>KY/Mid-State BU 050, Div 002</b>									
<b>A/R from Assoc Co.</b>									
<b>Acct. 146</b>									
\$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.
Current Use of Service:	Atmos Energy Holdings, Inc.	Atmos Energy Corporation
Interest Income/Expense Calculation (See Below)	A	B

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 (AEC is the borrower)

Expense – The lowest outstanding CP rate or the Eurodollar rate under the

AEC Credit Facility (Credit Ag), 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)**

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

<b>BU 234</b>
Accounts Receivable from Associated Company Acct. 146
\$100

<b>BU 234</b>
Revenue Transportation - Industrial Acct. 4896
\$100

<b>BU 303</b>
Accounts Receivable from Associated Company Acct. 146
\$100

<b>BU 303</b>
Other Gas Supply Expense Acct. 813
\$100

**Service: Property Insurance**

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

**Current Provider of Service** Blueflame Insurance Services, LTD

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

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

**General Ledger Entries: Example Only**

SSU BU 010 Cash Acct. 131		SSU BU 010 Accounts Payable Acct. 232		SSU BU 010 Prepayments Acct. 165			
\$1,200 (1)		\$1,200 (1)		\$1,200 (1)      \$100 (2)			
<table border="0" style="width: 100%;"> <tr> <td style="text-align: center; border: 1px solid black; padding: 2px;">                             General Office                              CO/KS BU 060                              Property Insurance                              Acct. 924                         </td> <td style="padding: 0 20px;">   </td> <td style="text-align: left; padding-left: 5px;">(2) (3)      \$100</td> </tr> </table>					General Office CO/KS BU 060 Property Insurance Acct. 924		(2) (3)      \$100
General Office CO/KS BU 060 Property Insurance Acct. 924		(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:** 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.
Current Use of Service:	Atmos Energy Holdings, Inc.	Atmos Energy Corporation
Interest Income/Expense Calculation (See Below)	A	B

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 (AEC is the borrower)  
 Expense – The lowest outstanding CP rate or the Eurodollar rate under the AEC Credit Facility (Credit Ag), 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> <td style="text-align: center;"><b>Shared Services</b></td> </tr> <tr> <td style="text-align: center;">Accounts Receivable from Associated Company Acct. 146</td> </tr> <tr> <td style="border-top: 1px solid black; text-align: right;">\$1,000 (1)</td> </tr> </table>	<b>Shared Services</b>	Accounts Receivable from Associated Company Acct. 146	\$1,000 (1)	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center;"><b>Shared Services</b></td> </tr> <tr> <td style="text-align: center;">Interest on Debt to Associated Companies Acct. 431</td> </tr> <tr> <td style="border-top: 1px solid black; text-align: right;">\$1,000 (1)</td> </tr> </table>	<b>Shared Services</b>	Interest on Debt to Associated Companies Acct. 431	\$1,000 (1)
<b>Shared Services</b>							
Accounts Receivable from Associated Company Acct. 146							
\$1,000 (1)							
<b>Shared Services</b>							
Interest on Debt to Associated Companies Acct. 431							
\$1,000 (1)							
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center;"><b>Atmos Energy Holdings, Inc.</b></td> </tr> <tr> <td style="text-align: center;">Accounts Receivable from Associated Company Acct. 146</td> </tr> <tr> <td style="border-top: 1px solid black; text-align: right;">(1) \$1,000</td> </tr> </table>	<b>Atmos Energy Holdings, Inc.</b>	Accounts Receivable from Associated Company Acct. 146	(1) \$1,000	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center;"><b>Atmos Energy Holdings, Inc.</b></td> </tr> <tr> <td style="text-align: center;">Interest and Dividend Income Acct. 419</td> </tr> <tr> <td style="border-top: 1px solid black; text-align: right;">\$1,000 (1)</td> </tr> </table>	<b>Atmos Energy Holdings, Inc.</b>	Interest and Dividend Income Acct. 419	\$1,000 (1)
<b>Atmos Energy Holdings, Inc.</b>							
Accounts Receivable from Associated Company Acct. 146							
(1) \$1,000							
<b>Atmos Energy Holdings, Inc.</b>							
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

