

**BEFORE THE TENNESSEE REGULATORY AUTHORITY  
NASHVILLE, TENNESSEE**

Electronically filed 10/15/08

**IN RE:**

**PETITION OF ATMOS ENERGY  
CORPORATION FOR APPROVAL OF  
ADJUSTMENT OF ITS RATES AND  
REVISED TARIFF**

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**DOCKET NO. 08-** 00197

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**PRE-FILED TESTIMONY OF DANIEL M. MEZIERE  
ON BEHALF OF ATMOS ENERGY CORPORATION**

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**I. POSITION AND QUALIFICATIONS**

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

A. My name is Daniel M. Meziere. 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" or the "Company").

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

A. I am primarily responsible for directing various accounting activities and policies within the Company. My primary duties include the oversight of general accounting, fixed assets accounting, accounts payable, 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

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

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

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

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

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

16 **Q. DO YOU HOLD ANY PROFESSIONAL LICENSES?**

17 A. Yes. I am licensed by the State of Oklahoma as a Certified Public Accountant.

18 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE TENNESSEE**  
19 **REGULATORY AUTHORITY OR OTHER REGULATORY ENTITIES?**

20 A. Yes, I testified before the Tennessee Regulatory Authority in Dockets 05-00258 and  
21 07-00105. I have also testified before the Georgia Public Service Commission in  
22 Dockets 27163-U and 30398-U, the Missouri Public Service Commission in Docket  
23 No. GR-2006-0387, the Railroad Commission of Texas in Dockets 9676 and 9762,

1 the Kentucky Public Service Commission in Case No. 2006-00464, and the Kansas  
2 Corporation Commission in Docket No. 08-ATMG-280-RTS.

3  
4 **II. PURPOSE OF TESTIMONY**

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

6 A. The purpose of my testimony is to authenticate the historic books and records of the  
7 Company, and to demonstrate the integrity of the financial information that has been  
8 filed in this case. I am also providing testimony concerning the Company's Cost  
9 Allocation Manual (CAM), which describes the methodology for shared services cost  
10 allocations.

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

12 A. Yes. I am sponsoring Schedule DMM-1. This exhibit is a true and correct copy of  
13 Atmos' current Cost Allocation Manual.

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

15 **Q. PLEASE SUMMARIZE HOW THE BOOKS AND RECORDS OF ATMOS**  
16 **ARE MAINTAINED AND UTILIZED IN THE REGULAR COURSE OF**  
17 **BUSINESS.**

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

1 Colorado, Georgia, Illinois, Iowa, Kansas, Kentucky, Louisiana, Mississippi,  
2 Missouri, Tennessee, Texas and Virginia.

3 Atmos Energy's accounting organization utilizes integrated computerized  
4 business systems to efficiently process, record, and maintain transactions generated in  
5 the regular course of business. Financial transactions are created and entered into the  
6 system at or near the time of the transaction by personnel having personal knowledge,  
7 or acting in reliance on information transmitted by persons having personal  
8 knowledge of the transactions, as well as of the applicable accounting procedures and  
9 requirements.

10  
11 **Q. AS DIRECTOR OF ACCOUNTING SERVICES, HOW DO YOU ASSURE**  
12 **YOURSELF THAT TRANSACTIONS ARE RECORDED PROPERLY?**

13 A. As Director of Accounting Services, I have personal knowledge of the organizational  
14 business processes and staffing in the Controllershship function. The Controller's  
15 organization is staffed with highly qualified accounting managers and staff, with  
16 many accounting positions filled by CPAs. The managers in the organization are  
17 charged with the responsibility to inspect, review, and revise, if appropriate, the work  
18 of the accountants they supervise. We have established and maintained controls that  
19 ensure the accuracy of our books and records. These controls help identify any  
20 necessary adjustments to accounting entries, which are then recorded to the original  
21 books and records. Additionally, Atmos Energy contracts with KPMG for internal  
22 audit services and this group periodically performs reviews of those controls.

1   **Q.    ARE THE COSTS RECORDED ON THE COMPANY'S BOOKS AND**  
2       **RECORDS SUPPORTED BY UNDERLYING INVOICES OR OTHER**  
3       **RECORDS?**

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

11

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

13   A.   As described in the company's Cost Allocation Manual, a cost center is a designation  
14       generally utilized for the assignment of departmental cost responsibility and internal  
15       management reporting. Employees with responsibility for these functional areas are  
16       delegated a certain level of authority to conduct the business of the company.

17   **Q.    HOW ARE THESE AUTHORITY LEVELS DETERMINED OR**  
18       **DELEGATED WITHIN THE COMPANY?**

19   A.   The Board of Directors initially delegates authority to the chief executive officer of  
20       the company, who then authorizes the controller to further delegate authority to others  
21       throughout the company as necessary. The controller's approval of authority limits is  
22       generally based on a review of the needs and recommendations from those requesting

1 authority limit changes. Approved authority limits are maintained in a secure table  
2 within the company's accounting system.

3  
4 **Q. DOES THE COMPANY HAVE IN PLACE ANY PROCESS OR SYSTEM FOR**  
5 **THE REVIEW AND VALIDATION OF INVOICES?**

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

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

20 A. Yes. Certain invoices and other requests for payment that are not presented as an  
21 invoice are processed outside of Markview. Examples of these types of documents  
22 include, but are not limited to, tax returns, contracts for certain outside services, and  
23 certain wire transfer requests. The process for the review, coding and approval of

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

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

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

15 Additionally, the chief executive officer and chief financial officer must  
16 certify the Company's annual and quarterly financial statements and must attest to  
17 and report on the Company's system of internal control. To facilitate this effort, the  
18 Company outsources its internal audit function to a Big Four accounting firm to  
19 conduct tests of the Company's system of internal control. These tests are developed  
20 to ensure the system of internal control has been designed effectively and that the  
21 controls are functioning as designed as of the end of the company's fiscal year.  
22

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 me, the Vice President and Controller, the Director of Financial  
6       Reporting, the Director of Information Technology, and the Senior Vice President of  
7       Finance and Administration for the Company's nonregulated activities.

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

13             The internal audit group will develop a testing plan based upon these key  
14      controls, which is reviewed and approved by the SOX steering committee. The key  
15      controls are tested throughout the year. If issues arise, they are individually  
16      addressed by a steering committee member who has knowledge of the affected areas.  
17      The SOX steering committee meets regularly to assess the progress and review the  
18      results of 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 to prevent or detect misstatements in financial reporting on a timely basis.  
23      A significant deficiency is a control deficiency that adversely affects the Company's



1 ability to report external financial data reliably, with more than a remote likelihood  
2 that an inconsequential misstatement of the Company's financial statements will not  
3 be prevented or detected. A material weakness is a significant deficiency that results  
4 in more than a remote likelihood that a material misstatement of the financial  
5 statements will not be prevented or detected.

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

9 **Q. PLEASE SUMMARIZE THE RESULTS OF TESTING FOR THE MOST**  
10 **RECENTLY COMPLETED FISCAL YEAR.**

11 A. The most recent fiscal year available is fiscal 2007. A total of 216 key controls  
12 related to the Company's natural gas distribution operations were tested. We  
13 identified eight deficiencies. No significant deficiencies or material weaknesses were  
14 identified.

15  
16 **Q. ARE THE COMPANY'S TESTS OF INTERNAL CONTROL SUBJECT TO**  
17 **EXAMINATION BY AN INDEPENDENT REGISTERED PUBLIC**  
18 **ACCOUNTING FIRM?**

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

1

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

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

10

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

13 A. No. EY issued an unqualified audit report for fiscal 2007, which means that they  
14 agreed with management's assertions.

15

16 **Q. ARE THERE OTHER TYPES OF REGULAR AUDITS AND REVIEWS**  
17 **THAT ARE CONDUCTED OF ATMOS' BOOKS AND RECORDS?**

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

23

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

4   A.   Direct costs are charged directly to the natural gas distribution division that 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 at  
7       the Atmos headquarters in Dallas. These centralized functions include, but are not  
8       limited to, accounting, human resources, legal, treasury, and risk management. The  
9       costs for these shared services are allocated to the operating divisions.

10

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

16                                   **IV. COST ALLOCATION MANUAL**

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

18   A.   The Cost Allocation Manual (CAM), contained in Schedule DMM-1, describes and  
19       documents the process whereby allocations are made within the books and records of  
20       the Company. These include allocations of various common expenses that are  
21       incurred for the benefit of two or more of the Company's rate divisions and are  
22       therefore allocable to those rate divisions. Additionally, the CAM describes and

1 documents the processes whereby allocations are made between Atmos and its  
2 affiliates, and between affiliates.

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

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

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

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

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

13 A. Yes. The CAM is uniformly applied in all twelve states in which Atmos has  
14 regulated utility operations for allocation of common costs among Atmos' various  
15 operating divisions, including Georgia.

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

18 A. No. The CAM describes how to allocate expense items from Atmos' income  
19 statement. Company witness Gregory Waller is providing testimony regarding the  
20 allocation of shared cost expense items. Investment or balance sheet items are not  
21 allocated within Atmos Energy's books and records. Investment amounts are  
22 allocated only for ratemaking purposes in the context of a rate filing or certain

1 regulatory reports. Company witness Thomas Petersen is providing testimony in this  
2 filing concerning the allocation of investment amounts.

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

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

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

11 A. Yes.

**BEFORE THE TENNESSEE REGULATORY AUTHORITY  
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DOCKET NO. \_\_\_\_\_


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**VERIFICATION**

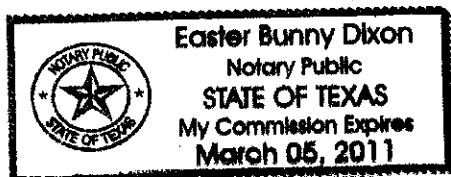
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STATE OF TEXAS     )  
                              )  
COUNTY OF DALLAS )

I, Daniel M. Meziere, being first duly sworn, state that I am the Director of Accounting Services for Atmos Energy Corporation, that I am authorized to testify on behalf of Atmos Energy Corporation in the above referenced docket, that the Testimony of Daniel M. Meziere in Support of Atmos Energy Corporation's Petition and the Exhibits thereto pre-filed in this docket on the date of filing of this Petition are true and correct to the best of my knowledge, information and belief.

  
\_\_\_\_\_  
Daniel M. Meziere

Sworn and subscribed before me this 19 day of September, 2008.



  
\_\_\_\_\_  
Notary Public

My Commission Expires: March 5, 2011

**ATMOS ENERGY CORPORATION**  
**COST ALLOCATION MANUAL**  
April 1, 2008

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## 1. Introduction:

### a. Corporate Structure

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

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

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

Technical and support services are provided to the operating divisions by centralized shared services departments primarily located at the Atmos headquarters in Dallas. These centralized functions include, but are not limited to, Accounting, Gas Supply, Human Resources, Legal, Rates and the Customer Support. The costs for these shared services are allocated to the operating divisions. In addition, for operating divisions that operate in more than one rate jurisdiction, costs from an operating division's general office are allocated to separate rate divisions within the operating division.

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

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

Please note. The descriptions contained herein do not address tariffed services.

## **b. Accounting:**

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

Atmos' account coding structure is as follows:

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

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

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

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

**c. Glossary of Terms:**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Shared Services** - The Company's functions that serve multiple rate divisions. These services include departments such as Legal, Billing, Call Center, Accounting, 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 serve multiple rate divisions. These services include billing, customer call center functions and customer support related services.

**Shared Services – General Office** – Shared services functions that serve multiple rate divisions. These services include all other functions not encompassed by Shared Services – Customer Support.

Service: Capitalized overhead (general)

Description: Overhead related to capital expenditures

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

Current Use of Service: Rate divisions

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

General Ledger Entries: Example Only

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

\* Cap rate = 20%

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

Flow of Activity

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

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

Service: Stores overhead

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

Current Provider of Service: Shared Services  
Operating division general office

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

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

**General Ledger Entries: Example Only**

<div> <div>SSU BU 010</div> <div>Cash</div> <div>Acct. 131</div> <div> <div>\$100 (1)</div> <div>\$2 (3)</div> </div> </div> <div> <div>SSU BU 010</div> <div>Stores Expense Undistributed</div> <div>Acct. 163</div> <div> <div>(3) \$2</div> <div>\$2 (3)</div> </div> </div>	<div> <div>SSU BU 010</div> <div>Inventory</div> <div> <div>(1) \$100</div> <div>\$100 (2)</div> </div> </div>	<div> <div>Rate Div Office</div> <div>Mid States Div 009 **</div> <div>Construction Work in Progress</div> <div>Acct. 107</div> <div> <div>(2) \$100</div> <div>(3) \$2</div> </div> </div>
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\*\* Many rate division offices exist within Mid-States in addition to Div 009.

**Flow of Activity**

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

Service: Expenses in Shared Services – Customer Support cost centers

Description: Includes all expenses for Customer Support.

Current Provider Of Service Shared Services

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

Basis for allocation Costs are allocated to the applicable 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.

**General Ledger Entries: Example Only**

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

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

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

**Flow of Activity**

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

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

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

Description: Includes O&M expenses in Shared Services – General Office.

Current Provider Of Service Shared Services

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

Basis for allocation Costs are allocated to affiliates and operating divisions based on a composite factor applied to the Shared Services departments. Shared Services departments which provide services to the Company's affiliates, utilize a composite factor. The computation includes the affiliates (if Mid-Tex and Atmos Pipeline-Texas are provided services by a department, the composite factor will include Mid-Tex and Atmos Pipeline-Texas at a 25%, 50%, 75% or 100% rate depending on how much service the department provides).

Shared Service departments that do not provide services to the Company's affiliates, utilize a composite factor that does not include the Company's affiliates (If Mid-Tex and Atmos Pipeline-Texas are provided services by a department, the composite factor will include Mid-Tex and Atmos Pipeline-Texas at a 25%, 50%, 75% or 100% rate depending on how much service the department provides).

General Ledger Entries: Example Only

<div>SSU BU 010</div> <div>Cash</div> <div>Acct. 131</div> <div>\$1,000 (1)</div>	<div>SSU BU 010</div> <div>Accounts Payable</div> <div>Acct. 232</div> <div>(1) \$1,000 (1) \$1,000 (1)</div>	<div>SSU BU 010</div> <div>Office Supply and Expenses *</div> <div>Acct. 921</div> <div>Cost Center XXXX</div> <div>(1) \$1,000</div>
<div>SSU BU 010</div> <div>Administrative Expenses</div> <div>Transferred</div> <div>Acct. 922</div> <div>\$ 300 (2)</div> <div>\$ 700 (2a)</div>	<div>General Office</div> <div>Mid States - Div 091</div> <div>Administrative Expenses</div> <div>Transferred</div> <div>Acct. 922</div> <div>(2) \$300 (3) \$150 (3a)</div> <div>\$150 (3a)</div>	<div>Rate Div Office</div> <div>Mid States Div 009 **</div> <div>Administrative Expenses</div> <div>Transferred</div> <div>Acct. 922</div> <div>(3) \$150</div>

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

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

Flow of Activity

(1) Purchase Office Supplies - Shared Services

(2) Allocating Shared Services Expenses to General Offices - 30% Allocation rate for illustration purposes only

(2a) Allocation to remaining general offices

(3) Allocating Shared Services Expenses to Rate Division Office - 50% Allocation rate for illustration purposes only

(3a) Allocation to remaining division offices

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



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

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

Current Provider Of Services Shared Services

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

Basis for allocation Costs are allocated to the applicable rate division level in total based on the average number of customers in each operating division as a percentage of the total number of customers in all of the operating divisions.

**General Ledger Entries: Example Only**

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

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

**Flow of Activity**

- (1) Taxes Other than Income Taxes incurred
- (2) Allocating Shared Services Expenses to General Office - 40% to Mid States BU - for illustration purposes only
- (2a) Allocation to remaining general offices
- (3) Allocating Shared Services Expenses to Rate Division Office - 25% to Kentucky Rate Division Office - for illustration purposes only
- (3a) Allocation to remaining division offices
- (4) Monthly Depreciation Expense is booked through Powerplant and interfaces with the Oracle general ledger.
- (5) Current Month Depreciation Expense is allocated to the various utility rate divisions using the following allocation factors:
  - a. For SSU division 002 - General - Allocated using the composite factor
  - b. For SSU division 012 - Call Center - Allocated using the customer factor.
- (5a) Allocation to remaining division offices
- (6) Allocation from Division 91 - Mid States General Office to Mid States Rate Divisions - Allocated using the composite factor.
- (6a) Allocation to remaining division offices

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

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

See page 10 for General Ledger Entry – Example Only

Service: West Texas Division general office O&M, depreciation and taxes other than income taxes to rate division levels.

Description: Allocation of general office O&M, depreciation and taxes other than income tax costs to rate division levels

Current Provider of Service: West Texas Division general office

Current Use of Service: West Texas Division rate divisions

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

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.

The number of customers in each rate division as a percentage of the total number of customers in the West Texas Division rate divisions.

The total direct O&M expense in each municipal rate division as a percentage of the total direct O&M expense in the West Texas Division rate divisions.

General Ledger Entries: Example Only

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

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

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

Flow of Activity

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

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

Description: Allocation of division general office costs to state regional office division levels and rate division levels.

Current Provider of Service: Colorado-Kansas Division general office

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

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

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

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

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

**General Ledger Entries: Example Only**

<div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;"> <b>General Office</b>  <b>CO/KS BU 060 Div 030</b>  <b>Cash</b>  <b>Acct. 131</b> </div> <div style="border-top: 1px solid black; margin-top: 5px;"> <div style="float: right; width: 100px; text-align: right;">\$500 (1)</div> </div>	<div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;"> <b>General Office</b>  <b>CO/KS BU 060</b>  <b>Accounts Payable</b>  <b>Acct. 232</b> </div> <div style="border-top: 1px solid black; margin-top: 5px;"> <div style="float: right; width: 100px; text-align: right;">\$500 (1)</div> <div style="float: left; width: 100px; text-align: left;">\$500 (1)</div> </div>	<div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;"> <b>General Office</b>  <b>CO/KS BU 060</b>  <b>Office Supply and Expenses *</b>  <b>Acct. 921</b> </div> <div style="border-top: 1px solid black; margin-top: 5px;"> <div style="float: right; width: 100px; text-align: right;">\$500 (1)</div> </div>
<div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;"> <b>General Office</b>  <b>CO/KS BU 060</b>  <b>Administrative Expenses</b>  <b>Transferred</b>  <b>Acct. 922</b> </div> <div style="border-top: 1px solid black; margin-top: 5px;"> <div style="float: right; width: 100px; text-align: right;">\$200 (2)</div> <div style="float: right; width: 100px; text-align: right;">\$300 (2a)</div> </div>	<div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;"> <b>State Div Office</b>  <b>CO/KS Div 031</b>  <b>Administrative Expenses</b>  <b>Transferred</b>  <b>Acct. 922</b> </div> <div style="border-top: 1px solid black; margin-top: 5px;"> <div style="float: right; width: 100px; text-align: right;">\$200 (2)</div> <div style="float: right; width: 100px; text-align: right;">\$50 (3)</div> <div style="float: right; width: 100px; text-align: right;">\$150 (3a)</div> </div>	<div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;"> <b>Rate Div Office</b>  <b>CO/KS Div 033 **</b>  <b>Administrative Expenses</b>  <b>Transferred</b>  <b>Acct. 922</b> </div> <div style="border-top: 1px solid black; margin-top: 5px;"> <div style="float: right; width: 100px; text-align: right;">\$50 (3)</div> </div>

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

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

**Flow of Activity**

- (1) Purchase Office Supplies - Colorado/Kansas 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
- (3) Allocating General Office Expenses to Rate Division Office - 10% Allocation rate for illustration purposes only
- (3a) Allocation to remaining division offices

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

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

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

Current Use of Service: Colorado-Kansas Division rate divisions

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

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

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

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

**General Ledger Entries: Example Only**

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

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

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

**Flow of Activity**

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

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

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

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

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

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

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

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

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

**General Ledger Entries: Example Only**

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

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

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

**Flow of Activity**

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

Service: Louisiana Division general office expenses to rate divisions.

Description: Allocation of general office costs to rate division levels

Current Provider of Service: Louisiana Division general office

Current Use of Service: Louisiana Division rate divisions

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

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

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

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

**General Ledger Entries: Example Only**

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

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

\*\* Div 077 exists in addition to Div 007.

**Flow of Activity**

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

Service: Benefits cost allocation

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

Current Provider of Service Shared Services

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

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

**General Ledger Entries: Example Only**

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

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

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

**Flow of Activity**

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



Service: Intercompany labor

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

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

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

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

**General Ledger Entries: Example Only**

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

**Flow of Activity**

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

Service: Intercompany labor – Storage O&M Fee

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

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

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

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

**General Ledger Entries: Example Only**

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

**Flow of Activity - East Diamond Storage Facility**

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

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

**Flow of Activity - Barnsley Storage Facility**

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

**Service:** Installing yard lines

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

**Current Provider of Service:** Kentucky/Mid-States Division

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

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

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

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

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

Service: Adjustments to Uncollectible Accounts Expense

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

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

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

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

General Ledger Entries: Example Only

Rate Division *				Rate Division				Rate Division			
Accumulated Provision for Uncollectible Accounts Acct. 144 sub aaaaa				Customer Accounts - Uncollectible Accounts Acct. 904				Accumulated Provision for Uncollectible Accounts Acct. 144 sub bbbbbb			
(2)	\$	250			\$	1,000	(1)		\$	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 allocated to each jurisdiction based on the level of employee activity. The allocations are captured either through direct time sheet entries or fixed labor distribution percentages.

General Ledger Entries: Example Only

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

Flow of Activity

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

Service: Other income and interest expense

Description: Allocation of Shared Services' other income and interest expense

Current Provider of Service: Shared Services

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

Basis for allocation: Interest Expense, Interest Income and Other Non Operating Income in shared services are allocated to each utility division based on the budget allocation percentages. The budget allocation is based on net investment by business unit as of the latest month available when the budget is prepared, with normalizing or averaging adjustments to working capital. Net investment is total assets less non-debt liabilities (excluding long-term debt, notes payable and current maturities.) The allocation factors are the same for the whole year.

**General Ledger Entries: Example Only**

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

\* Includes various accounts but cleared out of account 426.5

**Flow of Activity**

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

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

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

Current Provider of Service: Atmos Energy Services, LLC

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

Basis for allocation: Costs are charged directly to a specific service area in Atmos Energy Services which is relative to each location of the operating divisions (i.e. Georgia costs accumulated in Atmos Energy Services are billed directly to the operating division for Georgia). These costs are billed to the operating divisions on a monthly basis.

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

General Ledger Entries: Example Only

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

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

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

Flow of Activity

(1) Atmos Energy Services (AES), a subsidiary of Atmos Energy Corporation incurred operating expense

(2) AES, bills various Atmos operating divisions for their use of gas supply services

(3) Allocation from division 31 - Colorado Operating Division to Colorado rate divisions - Allocated using the composite factor.

Service: Gas cost between state jurisdictions for contiguous systems.

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

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

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

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

**Atmos Energy Corporation**

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

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

(1) Gas cost incurred

(2) Gas cost paid



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

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

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

Current Use of Service: Kentucky/Mid-States Division

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

**General Ledger Entries: Example Only**

<div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">WKG Storage BU 233</div> <div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">Other Gas Revenues</div> <div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">Acct. 495</div> <hr style="border: 0; border-top: 1px solid black; margin: 0;"/> <div style="display: flex; justify-content: space-between; width: 100%;"> <div style="border-left: 1px solid black; height: 100px; margin-left: 5px;"></div> <div style="text-align: right;">\$100 (1)</div> </div>	<div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">KY/Mid-State BU 050, Div 009</div> <div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">Transportation to City Gate</div> <div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">Acct. 8045</div> <hr style="border: 0; border-top: 1px solid black; margin: 0;"/> <div style="display: flex; justify-content: space-between; width: 100%;"> <div style="text-align: left;">(1) <div style="border-left: 1px solid black; height: 100px; margin-left: 5px;"></div></div> <div style="text-align: right;">\$100</div> </div>
<div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">WKG Storage BU 233, Div 002</div> <div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">A/R from Assoc Co.</div> <div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">Acct. 146</div> <hr style="border: 0; border-top: 1px solid black; margin: 0;"/> <div style="display: flex; justify-content: space-between; width: 100%;"> <div style="text-align: left;">(2) <div style="border-left: 1px solid black; height: 100px; margin-left: 5px;"></div></div> <div style="text-align: right;">\$100</div> </div>	<div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">KY/Mid-State BU 050, Div 002</div> <div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">A/R from Assoc Co.</div> <div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">Acct. 146</div> <hr style="border: 0; border-top: 1px solid black; margin: 0;"/> <div style="display: flex; justify-content: space-between; width: 100%;"> <div style="border-left: 1px solid black; height: 100px; margin-left: 5px;"></div> <div style="text-align: right;">\$100 (2)</div> </div>

**Flow of Activity - East Diamond Storage Facility**

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

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<div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">UCG Storage BU 232</div> <div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">Other Gas Revenues</div> <div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">Acct. 495</div> <hr style="border: 0; border-top: 1px solid black; margin: 0;"/> <div style="display: flex; justify-content: space-between; width: 100%;"> <div style="border-left: 1px solid black; height: 100px; margin-left: 5px;"></div> <div style="text-align: right;">\$100 (1)</div> </div>	<div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">KY/Mid-State BU 050, Div 009</div> <div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">Other gas supply expenses</div> <div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">Acct. 813</div> <hr style="border: 0; border-top: 1px solid black; margin: 0;"/> <div style="display: flex; justify-content: space-between; width: 100%;"> <div style="text-align: left;">(1) <div style="border-left: 1px solid black; height: 100px; margin-left: 5px;"></div></div> <div style="text-align: right;">\$100</div> </div>
<div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">WKG Storage BU 232, Div 002</div> <div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">A/R from Assoc Co.</div> <div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">Acct. 146</div> <hr style="border: 0; border-top: 1px solid black; margin: 0;"/> <div style="display: flex; justify-content: space-between; width: 100%;"> <div style="text-align: left;">(2) <div style="border-left: 1px solid black; height: 100px; margin-left: 5px;"></div></div> <div style="text-align: right;">\$100</div> </div>	<div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">KY/Mid-State BU 050, Div 002</div> <div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">A/R from Assoc Co.</div> <div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">Acct. 146</div> <hr style="border: 0; border-top: 1px solid black; margin: 0;"/> <div style="display: flex; justify-content: space-between; width: 100%;"> <div style="border-left: 1px solid black; height: 100px; margin-left: 5px;"></div> <div style="text-align: right;">\$100 (2)</div> </div>

**Flow of Activity - Barnsley Storage Facility**

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

Service: Working capital funds management

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

Current Provider of Service: Atmos Energy Corporation

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

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

**Atmos Energy Corporation**

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

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

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

Service: Gas storage services provided between affiliates

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

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

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

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

**General Ledger Entries: Example Only**

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

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

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

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

Service: AEM – Salaries and FICA Cost Allocation

Description: Salaries and FICA cost allocations between affiliates.

Current Provider of Service: Atmos Energy Marketing, LLC

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

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

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

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

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

**Service:** AEM – Operation and Maintenance cost allocation  
**Description:** O&M expense cost allocations between affiliates.  
**Current Provider of Service:** Atmos Energy Marketing, LLC  
**Current Use of Service:** Atmos Energy Services, LLC  
**Basis for allocation:** Costs are allocated based on each individual employee's calculated allocation rate between companies. The individual employee's calculated allocation rates are then added up to arrive at a company wide allocation rate.

**Atmos Energy Corporation**

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

**Labor & Benefits**

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

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

Service: Property Insurance

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

Current Provider of Service: Blueflame Insurance Services, LTD

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

Basis for allocation: Atmos Energy Corp. is invoiced by Blueflame Insurance Services. Costs are then further allocated based on property value of each affiliate.

General Ledger Entries: Example Only

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

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

Flow of Activity

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

Service: AES Retail Services

Description: AES Retail services monthly revenue

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

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

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

**General Ledger Entries: Example Only**

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

**Flow of Activity**

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

Service: Intercompany Interest on Notes Payable

Description: Intercompany Interest on Notes Payable

Current Provider Of Services Shared Services

Current Use of Service Atmos Energy Holdings, Inc.

Basis for allocation Interest income or expense is recognized each month at the subsidiaries' level based on the daily outstanding balance of each respective inter-company receivable/payable balance and Atmos' interest rate of the lessor of LIBOR + 20bps or Atmos' Commercial paper rate.

**General Ledger Entries: Example Only**

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

**Flow of Activity**

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



## Appendix A

# ATTACHMENT 1

