

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

**IN RE:**

**PETITION OF ATMOS ENERGY )  
CORPORATION FOR APPROVAL OF )  
ADJUSTMENT OF ITS RATES AND )  
REVISED TARIFF ) DOCKET NO. -\_\_\_\_\_**

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**PRE-FILED TESTIMONY OF JASON L. SCHNEIDER  
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 Jason L. Schneider. 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 (“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  
8 agencies.

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

11 **A.** I received a Bachelor of Science degree in Accounting Control Systems from the  
12 University of North Texas in 2000. I also received a Master of Business  
13 Administration degree in Accounting from the University of North Texas in 2003.

14 I have worked in various industries for over 14 years in a variety of  
15 accounting/finance staff and management roles. I have worked in the energy  
16 industry for almost 8 years in various accounting and finance positions. I joined  
17 Atmos Energy Corporation in 2004 in the Plant Accounting group and assumed my  
18 current role in March 2011. Before assuming my current role, I was the Manager of  
19 Plant Accounting and reported directly to the previous Director of Accounting  
20 Services. In addition to my other duties as Manager of Plant Accounting, I worked  
21 closely with Director of Accounting Services in maintaining the Cost Allocation  
22 Manual ("CAM") to ensure it was aligned with Atmos' recordkeeping practices.

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

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

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

4     **A.**     Yes, I have testified before the Kansas Corporation Commission in Docket No. 12-  
5             ATMG-564-RTS.

6

7                             **II. PURPOSE OF TESTIMONY**

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

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

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

14    **A.**     Yes. I am sponsoring Schedule JLS-1. This exhibit is a true and correct copy of  
15            Atmos’ current CAM.

16

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

18    **Q.**     **PLEASE SUMMARIZE HOW THE BOOKS AND RECORDS OF ATMOS**  
19             **ARE MAINTAINED AND UTILIZED IN THE REGULAR COURSE OF**  
20             **BUSINESS.**

21    **A.**     Atmos maintains its books and records in accordance with the Federal Energy  
22            Regulatory Commission’s (“FERC”) Uniform System of Accounts (“USOA”) and  
23            Generally Accepted Accounting Principles (“GAAP”). The USOA is the prescribed

1 methodology for maintaining records in all of the state jurisdictions which regulate  
2 Atmos' natural gas distribution operations, which currently include Colorado,  
3 Georgia, Illinois, Iowa, Kansas, Kentucky, Louisiana, Mississippi, Missouri,  
4 Tennessee, Texas and Virginia.

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

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

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

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

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

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

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

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

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

17 **A.** Yes. Certain invoices and other requests for payment that are not presented as an  
18 invoice are processed outside of Markview. Examples of these types of documents  
19 include, but are not limited to tax returns, contracts for certain outside services or  
20 certain wire transfer requests. The process for the review, coding and approval of  
21 these costs is the same, except that the process may be manual in nature rather than  
22 electronic. The Company employee in charge of this documentation is responsible  
23 for ensuring the cost is valid, just and reasonable. Coding and approvals are

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

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

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

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

18 **Q. PLEASE DESCRIBE THE PROCESS USED TO TEST INTERNAL**  
19 **CONTROLS.**

20 **A.** The Company maintains a SOX steering committee, which is responsible for the  
21 oversight and monitoring of Sarbanes-Oxley compliance. This committee is  
22 comprised of myself, the Vice President and Controller, the Director of Financial

1 Reporting, the Director of Information Technology and the Vice President and  
2 Controller for the Company's non-regulated activities.

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

8 The internal audit group will develop a testing plan based upon these key  
9 controls, which is reviewed and approved by the SOX steering committee. The key  
10 controls are tested throughout the year. If issues arise, they are individually  
11 addressed by a steering committee member who has knowledge of the affected areas.

12 The SOX steering committee meets regularly to assess the progress and review the  
13 results of the testing. During this process, all findings are discussed and the steering  
14 committee will determine whether the finding should be considered a control  
15 deficiency, a significant deficiency or a material weakness. A control deficiency  
16 exists when the design or operation of a control does not allow management or  
17 employees to prevent or detect misstatements in financial reporting on a timely basis.

18 A significant deficiency is a control deficiency which adversely affects the  
19 Company's ability to report external financial data reliably, with more than a remote  
20 likelihood that an inconsequential misstatement of the Company's financial  
21 statements will not be prevented or detected. A material weakness is a significant  
22 deficiency that results in more than a remote likelihood that a material misstatement  
23 of the financial statements will not be prevented or detected.



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

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

6   **A.**   The most recent fiscal year available is fiscal 2011. A total of 211 key controls  
7           related to the Company's natural gas distribution operations were tested. We  
8           identified 2 control deficiencies. No significant deficiencies or material weaknesses  
9           were identified.

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

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

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

19 **A.**   Yes. EY will perform independent tests regarding the design of the Company's  
20           internal control function and the effectiveness of the controls as of the end of the  
21           fiscal year. They will rely, in part, on the work performed by the internal auditors in  
22           completing their audit procedures. Upon completion of their work, EY will issue an  
23           audit report summarizing their findings, which is included in the Company's annual

1 report on Form 10-K.

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

4 **A.** No. EY issued an unqualified audit report for fiscal 2011, which means that they  
5 agreed with management's assertions.

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

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

12 **Q. HOW DOES THE ACCOUNTING SYSTEM ALLOW FOR THE SEPARATE**  
13 **RECORDING AND TRACKING OF COSTS FOR ATMOS' UTILITY**  
14 **DIVISIONS?**

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

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



1   **Q.    DOES THE CAM DESCRIBE ALLOCATIONS OF BALANCE SHEET**  
2       **AMOUNTS?**

3   **A.**    No. The CAM describes how to allocate expense items from Atmos' income  
4       statement. Investment or balance sheet items are not allocated within Atmos' books  
5       and records. Investment amounts are allocated only for ratemaking purposes in the  
6       context of a rate filing or certain regulatory reports. Company witness Thomas  
7       Petersen is providing testimony in this filing concerning the allocation of rate base  
8       amounts.

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

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

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

17   **A.**    Yes.  
18

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

IN RE:

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

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**DOCKET NO.**

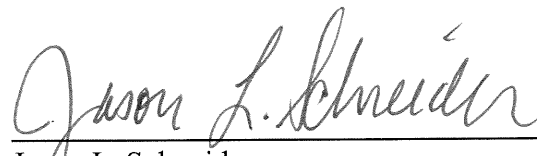
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**VERIFICATION**

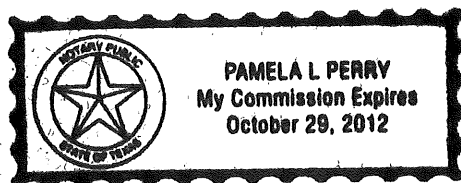
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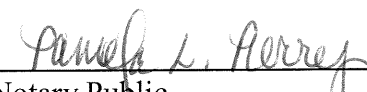
STATE OF TEXAS     )  
                                  )  
COUNTY OF DALLAS )

I, Jason L. Schneider, 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 Jason L. Schneider 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.

  
\_\_\_\_\_  
Jason L. Schneider

Sworn and subscribed before me this 18<sup>th</sup> day of June, 2012.



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

My Commission Expires: 10-29-12

ATMOS ENERGY CORPORATION  
COST ALLOCATION MANUAL  
April 1, 2012

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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 currently include, but are not limited to, accounting, gas supply, human resources, information technology, legal, rates and customer support. The costs for these shared services are allocated to the operating divisions. In addition, for operating divisions that operate in more than one rate jurisdiction, costs from an operating division's general office are allocated to separate rate divisions within the operating division.

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

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

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

### b. Accounting:

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



Atmos' account coding structure is as follows:

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

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

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

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

### c. Glossary of Terms:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The following are divisions of Atmos Energy Corporation:

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

**Atmos Energy Kentucky/Mid-States Division** is a regulated operating division that operates in more than 420 communities across Georgia, Illinois, Iowa, Kentucky, Missouri, Tennessee and Virginia. The service areas in these states are primarily rural; however, this division serves Franklin, Tennessee, and other suburban areas of Nashville.

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

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

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

**Atmos Energy West Texas Division** is a regulated operating division that serves approximately 80 communities in West Texas, including the Amarillo, Lubbock and Midland areas. Like our Mid-Tex Division, each municipality we serve has original

jurisdiction over all gas distribution rates, operations and services within its city limits, with the RRC having exclusive appellate jurisdiction over the municipalities and exclusive original jurisdiction over rates and services provided to customers not located within the limits of a municipality.

**Atmos Pipeline – Texas Division** is a regulated pipeline and storage division that transports natural gas to our Mid-Tex Division, transports natural gas for third parties and manages five underground storage reservoirs in Texas. These operations include one of the largest intrastate pipeline operations in Texas with a heavy concentration in the established natural gas-producing areas of central, northern and eastern Texas, extending into or near the major producing areas of the Texas Gulf Coast and the Delaware and Val Verde Basins of West Texas. Nine basins located in Texas are believed to contain a substantial portion of the nation's remaining onshore natural gas reserves. This pipeline system provides access to all of these basins.

The following are affiliates of Atmos Energy Corporation:

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

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

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

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

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

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

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

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

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

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

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

**Mississippi Energies, Inc.** subsidiary acquired when Atmos merged with Mississippi Valley Gas Company (MVG) in 2002. Prior to Atmos' acquisition of MVG, Mississippi Energies had been engaged in different business activities ranging from holding small production interests to engaging in some research and development activities. Since Atmos' acquisition of MVG, this entity has been, other than holding a 28% interest in Unitary GH&C Products, functionally inactive.

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

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

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

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

**Service: Capitalized overhead (general)**

Description: Overhead related to capital expenditures

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

Current Use of Service Rate divisions

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

**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>(1) \$1,000 Cost Center XXXX *</div> | <div>SSU BU 010</div> <div>Administrative Expenses</div> <div>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</div> <div>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</div> <div>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</div> <div>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 the allocation of expenses from General Office to State Regional Office to Rate Division on the following pages:

West Texas - 15, Colorado/Kansas - 18, Louisiana - 20

**Service: Stores overhead**

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

**Current Provider of Service:** Shared Services  
Operating division general office

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

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

**General Ledger Entries: Example Only**

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

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

**Flow of Activity**

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

**Service: Expenses in Shared Services – Customer Support cost centers**

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

Current Provider Of Service Shared Services

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

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

**General Ledger Entries: Example Only**

|   |  |   |
|---|--|---|
| <div>SSU BU 010</div> <div>Cash</div> <div>Acct. 131</div> <div> <div></div> <div>\$1,000 (1)</div> </div>  | <div>SSU BU 010</div> <div>Accounts Payable</div> <div>Acct. 232</div> <div> <div>(1) \$1,000</div> <div>\$1,000 (1)</div> </div>  | <div>SSU BU 010</div> <div>Office Supply and Expenses *</div> <div>Acct. 921</div> <div>Cost Center XXXX</div> <div> <div>(1) \$1,000</div> <div></div> </div>                |
| <div>SSU BU 010</div> <div>Administrative Expenses Transferred</div> <div>Acct. 922</div> <div> <div>\$ 400 (2)</div> <div>\$ 600 (2a)</div> </div> | <div>General Office</div> <div>Mid States - Div 091</div> <div>Administrative Expenses Transferred</div> <div>Acct. 922</div> <div> <div>(2) \$400</div> <div>\$100 (3)</div> <div>\$300 (3a)</div> </div> | <div>Rate Div Office</div> <div>Mid States Div 009 **</div> <div>Administrative Expenses Transferred</div> <div>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 the allocation of expenses from General Office to State Regional Office to Rate Division on the following pages:  
 West Texas - 15, Colorado/Kansas - 18, Louisiana - 20



|                             |  |
|-----------------------------|--|
| <b>Service:</b>             | <b>O&amp;M Expenses in Shared Services – General Office cost centers</b>   |
| Description:                | Includes O&M expenses in Shared Services – General Office. (Division 002)  |
| Current Provider Of Service | Shared Services  |
| Current Use of Service      | Atmos Energy Marketing, LLC<br>Trans Louisiana Gas Pipeline<br>Atmos Gathering Company, LLC<br>WKG Storage<br>West Texas Division<br>Mid-Tex Division<br>Atmos Pipeline – Texas Division<br>Louisiana Division<br>Kentucky/Mid-States Division<br>Colorado-Kansas Division<br>Mississippi Division<br>Trans Louisiana Gas Storage<br>Atmos Power Systems, Inc  |
| Basis for allocation        | <p>Costs are allocated to affiliates and operating divisions based on a composite factor applied to the Shared Services departments. Shared Services departments, which provide services to the Company's affiliates, utilize a composite factor. The computation includes the affiliates.</p> <p>Shared Service departments that do not provide services to the Company's affiliates, utilize a composite factor that does not include the Company's affiliates.</p> <p>In Shared Service departments where appropriate costs are allocated to the applicable utility division level in total based on the average number of customers in each operating division as a percentage of the total number of customers in all of the operating divisions.</p> <p>Other allocation methods used as appropriate include composite not including affiliates or Atmos Pipeline –Texas, composite not including affiliates, Atmos Pipeline-Texas or Mid States, composite using only West Texas, COKS, and MS utility divisions, composite using West Texas, Mid Tex, and Atmos Pipeline-Texas or Overhead rate.</p> <p>From each operating division general office charges are allocated to rate divisions using the composite rate for each rate division.</p> |

See page 12 for General Ledger Entries: Example Only.

**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</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 \$150 (3)</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: Operating Divisions Mississippi, Mid-Tex and Atmos Pipeline – Texas have 1 rate division. There is no allocation to remaining division offices (3a).

Note: Please see the allocation of expenses from General Office to State Regional Office to Rate Division on the following pages:  
West Texas - 15, Colorado/Kansas - 18, Louisiana - 20

|                                     |  |
|-------------------------------------|--|
| <b>Service:</b>                     | <b>SSU – Customer Support depreciation and taxes other than income taxes</b>   |
| <b>Description:</b>                 | Includes all depreciation and taxes other than income tax charged in Shared Services – Customer Support.   |
| <b>Current Provider Of Services</b> | Shared Services  |
| <b>Current Use of Service</b>       | West Texas Rate Divisions<br>Louisiana Rate Divisions<br>Kentucky/Mid-States Rate Divisions<br>Mid-Tex Division<br>Colorado-Kansas Rate Divisions<br>Mississippi Division  |
| <b>Basis for allocation</b>         | 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.<br>If needed number of customers in rate divisions is used to allocated from the operation division general office to rate divisions. |

**General Ledger Entries: Example Only**

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

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

**Flow of Activity**

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

Note: Please see the allocation of expenses from General Office to State Regional Office to Rate Division on the following pages:  
West Texas - 15, Colorado/Kansas - 18, Louisiana - 20

|                              |   |
|------------------------------|---|
| <b>Service:</b>              | <b>SSU – General Office depreciation and taxes other than income taxes</b>  |
| 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<br>Atmos Power Systems, Inc.<br>WKG Storage, Inc.<br>Atmos Gathering Company, LLC<br>Trans Louisiana Gas Pipeline, Inc.<br>West Texas Division<br>Mid-Tex Division<br>Atmos Pipeline – Texas Division<br>Louisiana Division<br>Kentucky/Mid-States Division<br>Colorado-Kansas Division<br>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> <p>If needed allocation from operating division general offices to rate division uses the composite rate.</p> |

See page 13 for General Ledger Entry – Example Only.

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

See Page 16 for General Ledger Entries: Example Only.

**General Ledger Entries: Example Only**

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

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

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

**Flow of Activity**

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

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

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

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

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

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

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

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

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

**General Ledger Entries: Example Only**

|   |   |  |
|---|---|--|
| <div>General Office<br/>CO/KS BU 060 Div 030</div> <div>Cash<br/>Acct. 131</div> <div>\$500 (1)</div>   | <div>General Office<br/>CO/KS BU 060</div> <div>Accounts Payable<br/>Acct. 232</div> <div>(1) \$500 \$500 (1)</div>                     | <div>General Office<br/>CO/KS BU 060</div> <div>Office Supply<br/>and Expenses *</div> <div>Acct. 921</div> <div>(1) \$500</div>         |
| <div>General Office<br/>CO/KS BU 060</div> <div>Administrative<br/>Expenses<br/>Transferred<br/>Acct. 922</div> <div>\$250 (2)<br/>\$200 (2a)<br/>\$50 (2a)</div> | <div>State Div Office<br/>CO/KS Div 031</div> <div>Administrative<br/>Expenses<br/>Transferred<br/>Acct. 922</div> <div>(2) \$250</div> | <div>State Div Office<br/>CO/KS Div 080</div> <div>Administrative<br/>Expenses<br/>Transferred<br/>Acct. 922</div> <div>(2a) \$200</div> |

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

**Flow of Activity**

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

|                                    |  |
|------------------------------------|--|
| <b>Service:</b>                    | <b>Colorado-Kansas Division state regional office division level expenses to rate division level</b>   |
| <b>Description:</b>                | Allocation of state regional office division level expenses to rate division levels.   |
| <b>Current Provider of Service</b> | Colorado-Kansas Division regional division office  |
| <b>Current Use of Service</b>      | Colorado-Kansas Division rate divisions  |
| <b>Basis for allocation</b>        | 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:<br><br>The percentage of Gross Direct Property Plant and Equipment in each state rate division as a percentage of the total Direct Property Plant and Equipment in each state.<br><br>The number of customers in each state rate division as a percentage of the total number of customers in each state.<br><br>The total direct O&M expense in each state rate division as a percentage of the total direct O&M expense in each state. |

**General Ledger Entries: Example Only**

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

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

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

**Flow of Activity**

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



|                                    |  |
|------------------------------------|--|
| <b>Service:</b>                    | <b>Kentucky/Mid-States Division operating division general office expenses to rate division level</b>  |
| <b>Description:</b>                | Allocation of operating division general office expenses to rate division levels   |
| <b>Current Provider Of Service</b> | Kentucky/Mid-States Division operating division general office   |
| <b>Current Use of Service</b>      | Kentucky/Mid-States Division rate divisions  |
| <b>Basis for allocation</b>        | 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:<br><br>The percentage of Gross Direct Property Plant and Equipment in each rate division as a percentage of the total Direct Property Plant and Equipment in Kentucky/Mid-States Division.<br><br>The number of customers in each rate division as a percentage of the total number of customers in Kentucky/Mid-States Division.<br><br>The total direct O&M expense in each rate division as a percentage of the total direct O&M expense in Kentucky/Mid-States Division. |

**General Ledger Entries: Example Only**

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

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

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

**Flow of Activity**

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

**Service:** Louisiana Division operating division general office expenses to rate division level

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

**Current Provider of Service** Louisiana Division operating division general office

**Current Use of Service** Louisiana Division rate divisions

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

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

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

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

**General Ledger Entries: Example Only**

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

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

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

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

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

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

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

**Description:** Mid-Tex employees' labor supporting APT operations

**Current Provider Of Service** Mid-Tex

**Current Use of Service** Atmos Pipeline – Texas

**Basis for allocation** Mid-Tex direct Company and/or contractor actual labor

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

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

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

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

| Mid-Tex BU 080    |       |     |
|-------------------|-------|-----|
| Cash<br>Acct. 131 |       |     |
|                   | \$800 | (1) |

| Mid-Tex BU 080                |       |     |
|-------------------------------|-------|-----|
| Accounts Payable<br>Acct. 232 |       |     |
| (1)                           | \$800 |     |
|                               | \$800 | (2) |

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

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

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

**Flow of Activity:**

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

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

| Mid-Tex BU 080    |         |     |
|-------------------|---------|-----|
| Cash<br>Acct. 131 |         |     |
|                   | \$1,000 | (1) |

| Mid-Tex BU 080                |         |     |
|-------------------------------|---------|-----|
| Accounts Payable<br>Acct. 232 |         |     |
| (1)                           | \$1,000 |     |
|                               | \$1,000 | (2) |

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

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

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

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

**Flow of Activity:**

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

|                                    |  |
|------------------------------------|--|
| <b>Service:</b>                    | <b>Mid-Tex/Atmos Pipeline – Texas Division - Non Labor Expenses</b>  |
| <b>Description:</b>                | Rents, heavy equipment, utilities, telecom, transportation (vehicles), uniforms, vehicle insurance, printing and postage.  |
| <b>Current Provider Of Service</b> | Mid-Tex  |
| <b>Current Use of Service</b>      | Atmos Pipeline – Texas Division  |
| <b>Basis for allocation</b>        | Factors are primarily based on direct employee labor and contractor labor. The vehicle allocation is based on Company labor only. Allocations vary based on the cost center and sub account. |

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

| Mid-Tex BU 080    |             |
|-------------------|-------------|
| Cash<br>Acct. 131 |             |
|                   | \$1,000 (1) |

| Mid-Tex BU 080                                      |           |
|---|-----------|
| O&M Transportation<br>Acct. 853<br>Cost Center 4XXX |           |
| (1) \$1,000   | (2) \$780 |

| APT BU 180  |  |
|---|--|
| Construction work<br>In Progress<br>Acct. 107<br>Cost Center 9XXX |  |
| (3) \$ 220  |  |

| APT BU 180  |           |
|---|-----------|
| O&M Transportation<br>Acct. 853<br>Cost Center 9XXX |           |
| (2) \$780   | (3) \$220 |

**Flow of Activity**

- (1) \$1,000 in transportation expense is incurred
- (2) \$780 is allocated from Mid-Tex O&M to APT O&M
- (3) A portion of the cost is capitalized.

**Service: Benefits cost allocation**

**Description:** Accumulates fringe benefits (workers compensation, basic life insurance, SFAS/106, medical/dental insurance, long term disability, 401(k), 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** An allocation of fringe benefits from Shared Services to the divisions and subsidiaries is calculated based on the ratio of employees for each division or subsidiary to total employees that receive their benefits from Atmos Energy Corporation. 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.

**General Ledger Entries: Example Only**

|   |   |  |
|---|---|--|
| <div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;"> <b>SSU BU 010</b><br/>           Cash<br/>           Acct. 131         </div> <div style="border-top: 1px solid black; margin-top: 5px;"> <div style="float: right;">\$1,000 (1)</div> <div style="clear: both;"></div> </div>  | <div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;"> <b>SSU BU 010</b><br/>           Clearing Account<br/>           Acct. 184         </div> <div style="border-top: 1px solid black; margin-top: 5px;"> <div style="float: left;">(1) \$1,000</div> <div style="float: right;">\$1,000 (1)</div> <div style="clear: both;"></div> </div>  | <div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;"> <b>SSU BU 010</b><br/>           Employee Pensions<br/>           and Benefits *<br/>           Acct. 926         </div> <div style="border-top: 1px solid black; margin-top: 5px;"> <div style="float: left;">(1) \$1,000</div> <div style="clear: both;"></div> </div>   |
| <div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;"> <b>SSU BU 010</b><br/>           Administrative<br/>           Expenses<br/>           Transferred<br/>           Acct. 922         </div> <div style="border-top: 1px solid black; margin-top: 5px;"> <div style="float: right;">\$ 200 (2)</div> <div style="float: right;">\$ 800 (2a)</div> <div style="clear: both;"></div> </div> | <div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;"> <b>General Office</b><br/> <b>Mid States - Div 091</b><br/>           Administrative<br/>           Expenses<br/>           Transferred<br/>           Acct. 922         </div> <div style="border-top: 1px solid black; margin-top: 5px;"> <div style="float: left;">(2) \$200</div> <div style="float: right;">\$50 (3)</div> <div style="float: right;">\$150 (3a)</div> <div style="clear: both;"></div> </div> | <div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;"> <b>Rate Div Office</b><br/> <b>Mid States Div 009 **</b><br/>           Administrative<br/>           Expenses<br/>           Transferred<br/>           Acct. 922         </div> <div style="border-top: 1px solid black; margin-top: 5px;"> <div style="float: left;">(3) \$50</div> <div style="clear: both;"></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 an affiliate, the labor costs for the services will be charged to the appropriate affiliate.

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

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

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

**General Ledger Entries: Example Only**

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

**Flow of Activity**

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

**Service: Installing yard lines**

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

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

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

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

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

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

(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<br>for Uncollectible Accounts<br>Acct. 144 sub aaaaa |     | Customer Accounts -<br>Uncollectible Accounts<br>Acct. 904 |       | Cistpmer Accpimts<br>Receivable<br>Acct. 142 sub bbbbb |            |
| (2) \$   | 250 | (1) \$   | 1,000 |  | \$ 250 (2) |

\* Each rate division has a different allocation rate.

**Flow of Activity**

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

|   |   |
|---|---|
| <b>Service:</b>                           | <b>Intra-company labor allocation – other than operating division general office labor</b>  |
| <b>Description:</b>                       | Certain employee activities cross multiple rate divisions within an operating division. The costs associated with such activities include labor, benefits and associated taxes.   |
| <b>Current Provider of Service</b>        | Atmos Pipeline – Texas Division<br>West Texas Division<br>Louisiana Division<br>Kentucky/Mid-States Division<br>Mid-Tex Division<br>Colorado-Kansas Division<br>Mississippi Division  |
| <b>Current Use of Service</b>             | Atmos Pipeline – Texas Division<br>West Texas Division<br>Louisiana Division<br>Kentucky/Mid-States Division<br>Mid-Tex Division<br>Colorado-Kansas Division<br>Mississippi Division  |
| <b>Basis of Intra-company Allocations</b> | Labor associated with cross-jurisdictional activities is charged to each jurisdiction based on the level of employee activity. The costs are captured either through direct time sheet entries or fixed labor distribution percentages. |

General Ledger Entries: Example Only

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

|                             |  |
|-----------------------------|--|
| <b>Service:</b>             | <b>Other income and interest expense(All below the line accounts)</b>  |
| Description:                | Allocation of Shared Services' other income and interest expense(All below the line accounts)  |
| Current Provider of Service | Shared Services  |
| Current Use of Service      | West Texas Division<br>Louisiana Division<br>Kentucky/Mid-States Division<br>Mid-Tex Division<br>Colorado-Kansas Division<br>Mississippi Division<br>Atmos Pipeline – Texas Division   |
| Basis for allocation        | Interest Expense, Interest Income and Other Non-Operating Income in shared services are allocated to each utility division based on the budget allocation percentages. The budget allocation is based on net investment by business unit as of the latest month available when the budget is prepared, with normalizing or averaging adjustments to working capital. Net investment is defined as total assets less, liabilities (excluding long-term debt, notes payable and current maturities.) The allocation factors are the same for the whole year. The allocation stays in the account the charge was originally booked in. Headquarter allocation of below the line accounts to rate divisions follows the same process as described above. |

See page 30 for General Ledger Entries: Example Only.

**General Ledger Entries:**  
**Example Only**

|  |  |  |   |
|--|--|--|---|
| <div>SSU BU 010</div> <div>Cash</div> <div>Acct. 131</div> <div>\$1,000</div> <div>(1)</div>             | <div>SSU BU 010</div> <div>Accounts Receivable</div> <div>Acct. 232</div> <div>\$1,000</div> <div>\$1,000</div> <div>(1)</div> | <div>SSU BU 010</div> <div>Interest and Dividend Income</div> <div>Acct. 419</div> <div>\$20</div> <div>\$1,000</div> <div>(1)</div> | <div>Div 033</div> <div>Interest and Dividend Income</div> <div>Acct. 419</div> <div></div> <div>\$20</div> <div>(2)</div>  |
| <div>SSU BU 010</div> <div>Cash</div> <div>Acct. 131</div> <div></div> <div>\$2,000</div> <div>(3)</div> | <div>SSU BU 010</div> <div>Accounts Receivable</div> <div>Acct. 232</div> <div>\$2,000</div> <div>\$2,000</div> <div>(3)</div> | <div>SSU BU 010</div> <div>Other Deductions *</div> <div>Acct. 426.5</div> <div>\$2,000</div> <div>\$40</div> <div>(3)</div>         | <div>Div 033</div> <div>Other Deductions</div> <div>Acct. 426.5</div> <div>\$40</div> <div></div> <div>(4)</div>            |
| <div>SSU BU 010</div> <div>Cash</div> <div>Acct. 131</div> <div></div> <div>\$3,000</div> <div>(5)</div> | <div>SSU BU 010</div> <div>Accounts Receivable</div> <div>Acct. 232</div> <div>\$3,000</div> <div>\$3,000</div> <div>(5)</div> | <div>SSU BU 010</div> <div>Interest Expense</div> <div>Acct. 431 (Short Term)</div> <div>\$600</div> <div>\$12</div> <div>(5)</div>  | <div>Div 033</div> <div>Interest Expense</div> <div>Acct. 431 (Short Term)</div> <div>\$12</div> <div></div> <div>(6)</div> |
|  |  | <div>SSU BU 010</div> <div>Interest Expense</div> <div>Acct. 427 (Long Term)</div> <div>\$2,400</div> <div>\$48</div> <div>(5)</div> | <div>Div 033</div> <div>Interest Expense</div> <div>Acct. 427 (Long Term)</div> <div>\$48</div> <div></div> <div>(6)</div>  |

\* Includes various accounts but cleared out of account 426.5

**Flow of Activity**

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

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

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

**Current Provider of Service** Atmos Energy Services, LLC

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

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

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

**General Ledger Entries: Example Only**

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

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

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

**Flow of Activity**

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

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

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

|                                    |  |
|------------------------------------|--|
| <b>Service:</b>                    | <b>Gas cost between state jurisdictions for contiguous systems</b>   |
| <b>Description:</b>                | Gas costs that apply to contiguous systems that cross state jurisdictional boundaries are allocated between those rate jurisdictions.  |
| <b>Current Provider of Service</b> | West Texas Division<br>Colorado-Kansas Division<br>Kentucky/Mid-States Division  |
| <b>Current Use of Service</b>      | West Texas Division<br>Colorado-Kansas Division<br>Kentucky/Mid-States Division  |
| <b>Basis of Allocations</b>        | 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)**

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

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

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

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

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

**Current Use of Service** Kentucky/Mid-States Division

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

#### General Ledger Entries: Example Only

|  |   |
|--|---|
| <div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;"> <b>WKG Storage BU 233</b><br/> <b>Other Gas Revenues</b><br/> <b>Acct. 495</b> </div> <div style="display: flex; justify-content: space-between; border-top: 1px solid black; padding-top: 5px;"> <span></span> <span>\$100 (1)</span> </div>         | <div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;"> <b>KY/Mid-State BU 050, Div 009</b><br/> <b>Transportation to City Gate</b><br/> <b>Acct. 8580</b> </div> <div style="display: flex; justify-content: space-between; border-top: 1px solid black; padding-top: 5px;"> <span>(1)</span> <span>\$100</span> </div> |
| <div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;"> <b>WKG Storage BU 233, Div 002</b><br/> <b>A/R from Assoc Co.</b><br/> <b>Acct. 146</b> </div> <div style="display: flex; justify-content: space-between; border-top: 1px solid black; padding-top: 5px;"> <span>(2)</span> <span>\$100</span> </div> | <div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;"> <b>KY/Mid-State BU 050, Div 002</b><br/> <b>A/R from Assoc Co.</b><br/> <b>Acct. 146</b> </div> <div style="display: flex; justify-content: space-between; border-top: 1px solid black; padding-top: 5px;"> <span></span> <span>\$100 (2)</span> </div>          |

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

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

---

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

#### Flow of Activity - Barnsley Storage Facility

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

**Service: Working capital funds management**

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

Current Provider of Service: Atmos Energy Corporation

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

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 75 to 300 basis points.

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

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

|   |           |  |           |
|---|-----------|--|-----------|
| <b>Atmos Energy Marketing, LLC BU 212</b><br><b>Cash</b><br><b>Acct. 131</b>  |           | <b>Atmos Energy Marketing, LLC BU 212</b><br><b>Accounts Payable</b><br><b>Net Payroll Accrual</b><br><b>Acct. 232</b>                 |           |
|   | \$200 (3) | (2)  | \$200     |
|   | \$200 (3) | (4)  | \$600     |
|   | \$600 (4) |  | \$800 (1) |
| <b>Atmos Energy Marketing, LLC BU 212</b><br><b>A&amp;G-Administrative &amp; general salaries</b><br><b>Non-project Labor</b><br><b>Acct. 920</b> |           | <b>Atmos Energy Marketing, LLC BU 212</b><br><b>Clearing Account</b><br><b>Employer FICA Clearing</b><br><b>Acct. 184</b>              |           |
| (1)   | \$800     | (2)  | \$200     |
| Alloc to Var. States (6)  | \$500     |  | \$200 (5) |
| Alloc to TLGP (6)   | \$100     |  |           |
| Alloc to New Orleans I (6)  | \$50      |  |           |
| Alloc to AES (6)  | \$50      |  |           |
|   | \$800 (6) |  |           |
| <b>Atmos Energy Marketing, LLC BU 212</b><br><b>Accounts Payable</b><br><b>Empr Fica-Accrual</b><br><b>Acct. 236</b>                              |           | <b>Atmos Energy Marketing, LLC BU 212</b><br><b>Accounts Payable</b><br><b>Emp Fica-Accrual</b><br><b>Acct. 241</b>                    |           |
| (3)   | \$200     | (3)  | \$200     |
|   |           |  | \$200 (2) |
| <b>Atmos Energy Marketing, LLC BU 212</b><br><b>Taxes other than Income Taxes</b><br><b>Fica Load</b><br><b>Acct. 408</b>                         |           | <b>BU 303 (TLGP), 221(APS)</b><br><b>A&amp;G-Administrative &amp; general salaries</b><br><b>Non-project Labor</b><br><b>Acct. 920</b> |           |
| (5)   | \$200     | (6)  | \$100     |
| Alloc to Var. States (6)  | \$40      |  |           |
| Alloc to TLGP (6)   | \$40      |  |           |
| Alloc to New Orleans I (6)  | \$40      |  |           |
| Alloc to AES (6)  | \$40      |  |           |
|   | \$200 (6) |  |           |
|   |           | <b>BU 303 (TLGP), 221(APS)</b><br><b>Taxes other than Income Taxes</b><br><b>Fica Load</b><br><b>Acct. 408</b>                         |           |
|   |           | (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><br><b>Administrative Expenses Transferred - CR</b><br><b>Acct. 922</b>   |             | <b>Atmos Energy Holdings, Inc. BU 312</b><br><b>Administrative Expenses Transferred - CR</b><br><b>Acct. 922</b> |                     |
|  | \$1,000 (1) | (1)  | \$1,000 \$1,000 (1) |
| <b>Atmos Energy Services, LLC BU 301</b><br><b>Administrative Expenses Transferred - CR</b><br><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  
Shared Services  
Louisiana Division  
Mississippi Division  
Mid-Tex Division  
West Texas Division  
Atmos Pipeline – Texas Division  
Atmos Energy Marketing, LLC  
Atmos Exploration & Production, Inc.  
Atmos Energy Services, LLC  
Atmos Power Systems, Inc.  
Trans Louisiana Gas Pipeline, Inc.  
Trans Louisiana Gas Storage, Inc.  
UCG Storage, Inc.  
WKG Storage, Inc.  
Atmos Gathering Company, LLC

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

**General Ledger Entries: Example Only**

|  |  |  |
|--|--|--|
| <div>SSU BU 010</div> <div>Cash</div> <div>Acct. 131</div> <div>\$100 (1)</div>  | <div>SSU BU 010</div> <div>Accounts Payable</div> <div>Acct. 232</div> <div>\$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, LLCCurrent 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 by service areas which represent corresponding service areas at the utility level. Some of the revenue is reclassified to utility levels on a one to one basis. I.e. Colorado retail services post to service area 813 within Atmos Energy Services, LLC books and is simply reclassified to Colorado/Kansas Division, service area 030 (Colorado operating division general office).
  2. Revenue balance in Atmos Energy Services, LLC service area 055001 (Retail – AES) is allocated to the above referenced divisions based on the net income of Atmos Energy Services, LLC service areas 811-813 as a percentage of their combined net income.

**General Ledger Entries: Example Only**

| BU 301<br>Service areas 811-813 |       |       |     | General Office         |       |     |  |
|---------------------------------|-------|-------|-----|------------------------|-------|-----|--|
| Revenues from                   |       |       |     | Revenues from          |       |     |  |
| Non-utility Operations          |       |       |     | Non-utility Operations |       |     |  |
| Acct. 417                       |       |       |     | Acct. 417              |       |     |  |
| (1)                             | \$600 | \$600 | (1) |                        | \$600 | (1) |  |
| (1)                             | \$300 | \$300 | (1) |                        | \$300 | (1) |  |
| (1)                             | \$100 | \$100 | (1) |                        | \$100 | (1) |  |

---

| BU 301<br>Service area 055 |         |         |     | General Office         |         |  |            |
|----------------------------|---------|---------|-----|------------------------|---------|--|------------|
| Revenues from              |         |         |     | Revenues from          |         |  |            |
| Non-utility Operations     |         |         |     | Non-utility Operations |         |  |            |
| Acct. 417                  |         |         |     | Acct. 417              |         |  |            |
| (2)                        | \$2,000 | \$2,000 | (2) | (2)                    | \$1,000 |  | West Texas |
|                            |         |         |     | (2)                    | \$750   |  | Colorado   |
|                            |         |         |     | (2)                    | \$250   |  | Kansas     |

**Flow of Activity**

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

**Service: Intercompany Interest on Notes Payable**

Description: Intercompany Interest on Notes Payable

Current Provider  
Of Services Shared ServicesCurrent Use of  
Service Atmos Energy Holdings, Inc.Basis for  
allocation Interest expense is recognized monthly at the subsidiaries' level based on the monthly rate from the Short Term Debt report plus 3%. Interest income is recognized monthly at the subsidiaries' level based on the monthly rate from Short Term Debt report.**General Ledger Entries: Example Only**

|  |     |   |  |
|--|-----|---|--|
| <div> <div>Shared Services</div> <div>Accounts Receivable from Associated Company</div> <div>Acct. 146</div> <hr/> <div>\$1,000 (1)</div> </div>             |     | <div> <div>Shared Services</div> <div>Interest on Debt to Associated Companies</div> <div>Acct. 431</div> <hr/> <div>\$1,000</div> </div>     |  |
|  | (1) |   |  |
| <div> <div>Atmos Energy Holdings, Inc.</div> <div>Accounts Receivable from Associated Company</div> <div>Acct. 146</div> <hr/> <div>(1) \$1,000</div> </div> |     | <div> <div>Atmos Energy Holdings, Inc.</div> <div>Interest and Dividend Income</div> <div>Acct. 419</div> <hr/> <div>\$1,000 (1)</div> </div> |  |
|  |     |   |  |

**Flow of Activity**

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

## Appendix A

