CASE NUMBER:

99-070

C

Atmos energy

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PUBLIC SERVICE COMMISSION

June 22, 2004

Honorable Beth O'Donnell, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, Kentucky 40602

Subject: **Annual Report – Weather Normalization Adjustment**
Case No. 99-070

Dear Ms. O'Donnell:

Enclosed is a report summarizing Atmos Energy's Weather Normalization Adjustment for the winter of 2003-2004; the fourth season of the five-year pilot program. This report is submitted in accordance with the Commission's Order in the above-referenced Case, dated December 21, 1999.

Please contact me at your earliest convenience should the Commission or Staff have any questions regarding this matter.

Sincerely,

Gary L. Smith

Gary L. Smith
Vice President, Marketing & Regulatory Affairs

Enclosures

Cc: M. R. Hutchinson

2401 New Hartford Road, Owensboro, Kentucky 42303-1312
P 270-685-8000 F 270-685-8052 atmosenergy.com

Western Kentucky Gas
WNA Summary Report
2003-2004 Heating Season vs 2002-2003
November - April

		2003-2004 Heating Season							2002-2003 Season
		November	December	January	February	March	April	Total	Total
RESIDENTIAL									
WNA Customers		153,602	156,249	157,100	159,012	159,533	157,000	157,083	159,193
Total Customers		153,602	156,249	157,100	159,012	159,533	157,000	157,083	159,193
WNA Revenue	$	177,665	101,203	336,000	-123,323	221,352	74,024	786,922	-646,125
WNA Volume Adjustment	MCF	149,299	85,044	282,353	-103,633	186,010	62,205	661,279	-542,962
Avg. WNA / Customer	$	1.16	0.65	2.14	(0.78)	1.39	0.47	5.01	(4.06)
COMMERCIAL									
WNA Customers		17,400	17,735	17,828	17,901	17,930	17,738	17,755	17,860
Total Customers		17,412	17,746	17,839	17,911	17,941	17,749	17,766	17,872
WNA Revenue	$	65,202	32,141	117,158	-45,299	77,922	22,197	269,321	-215,869
WNA Volume Adjustment	MCF	58,009	28,596	104,233	-40,301	69,326	19,748	239,610	-189,858
Avg. WNA / Customer	$	3.75	1.81	6.57	(2.53)	4.35	1.25	15.17	(12.09)
PUBLIC AUTHORITY									
WNA Customers		1,654	1,673	1,669	1,668	1,671	1,671	1,668	1,657
Total Customers		1,654	1,673	1,669	1,668	1,671	1,671	1,668	1,657
WNA Revenue	$	19,857	9,725	30,993	-11,313	22,431	7,044	78,738	-64,362
WNA Volume Adjustment	MCF	19,335	9,469	30,179	-11,016	21,842	6,859	76,668	-60,776
Avg. WNA / Customer	$	12.01	5.81	18.57	(6.78)	13.42	4.22	47.21	(38.85)
TOTAL									
WNA Revenue	$	262,725	143,069	484,151	-179,935	321,706	103,265	1,134,981	-926,356
WNA Volume Adjustment	MCF	226,643	123,109	416,765	-154,950	277,178	88,812	977,557	-793,597
WEATHER									
Billing HDD'S Actual		239	586	874	938	600	402	3,639	4,141
Billing HDD'S Normal		320	630	996	893	683	431	3,953	3,892
Warmer(Colder) then Normal	%	25.3	7.0	12.2	-5.0	12.2	6.7	7.9	-6.4
Calendar HDD'S Actual		417	816	971	782	448	244	3,678	4,169
Calendar HDD'S Normal		516	859	1,006	797	555	247	3,980	3,980
Warmer(Colder) then Normal	%	19.2	5.0	3.5	1.9	19.3	1.2	7.6	-4.7
CUSTOMER SERVICE									
Total No. of WNA Inquiries								134	143
No. of Inquiries Not Satisfied								0	11

Western Kentucky Gas Company
Case No. 99-070
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PUBLIC SERVICE
COMMISSION

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Western Kentucky Gas Company
Case No. 99-070
Forecasted Test Period Filing Requirements
FR 10(9)(b)

Description of Filing Requirement:

The utility's most recent capital construction budget containing at a minimum a three (3) year forecast of construction expenditures;

Response:

See attached capital budget for Western for fiscal years 2000, 2001, 2002, and 2003.

WESTERN KENTUCKY GAS
Capital Budget Forecast and Test Year Calculation

Projected Overheads	50.425%
Projected Increase In Maintenance & Imporvements	0.000%
Projected Price Increases	0.000%

Line #	Budg Stat #	Acct #	Budget Category	1999 w/o O/H	Projects	Inflation	Direct Costs	O/H	1999
				Fiscal Year 1999					
1			**Vehicles**						
2	39200	392.00	Transportation	-	-	-	-	-	-
3			**Vehicles**	-	-	-	-	-	-
4									
5			**MIS**						
6	3990x	399.00	Office Equipment	-	-	-	-	-	-
7	39906	399.86	PC Hardware	35,980	-	-	35,980	18,143	54,123
8	39907	399.87	PC Software	10,000	-	-	10,000	5,043	15,043
9	39908	399.88	Application Software	-	-	-	-	-	-
10			**MIS**	45,980	-	-	45,980	23,185	69,165
11									
12			**Equipment**						
13	37000	n/a	Communication Equipment - Transmission	-	-	-	-	-	-
14	37100	n/a	Other Equipment - Storage	-	-	-	-	-	-
15	38700	384.00	Other Equipment	2,250	-	-	2,250	1,135	3,385
16	39000	390.00	Structures and Improvements	-	-	-	-	-	-
17	39003	390.03	Improvements	-	-	-	-	-	-
18	39004	390.04	Air Conditioning	-	-	-	-	-	-
19	39009	390.09	Improvements-Leased Premises	10,000	-	-	10,000	5,043	15,043
20	39100	391.83	Office Furniture	-	-	-	-	-	-
21	39103	391.00	Office Machines	1,500	-	-	1,500	756	2,256
22	39300	n/a	Stores Equipment	-	-	-	-	-	-
23	39400	394.77	Tools, Shop & Equipment	4,000	-	-	4,000	2,017	6,017
24	39600	n/a	Power Operated Equipment	-	-	-	-	-	-
25	39603	396.93	Ditchers	-	-	-	-	-	-
26	39604	396.94	Backhoes	-	-	-	-	-	-
27	39605	396.95	Welders	-	-	-	-	-	-
28	39700	397.00	Communications - Telephones	40,000	-	-	40,000	20,170	60,170
29	39701	397.20	Communications - Mobile Radios	6,000	-	-	6,000	3,026	9,026
30	39702	397.20	*Communications - Fixed Radios*	-	-	-	-	-	-
31	39705	397.22	Communications - Telemetering	-	-	-	-	-	-
32	39800	398.00	Miscellaneous	-	-	-	-	-	-
33			**Equipment**	63,750	-	-	63,750	32,146	95,896
34									
35			**System Maintenance**						
36	36701-30	367.00	Transmission - Leakage	29,750	-	-	29,750	15,001	44,751
37	37601-30	376.00	Steel Mains - Leakage	294,780	-	-	294,780	148,643	443,423
38	37602-30	376.00	Plastic Mains - Leakage	154,308	-	-	154,308	77,810	232,118
39	38000-30	380.00	Services - Leakage	330,770	-	-	330,770	166,791	497,561
40	38200-30	382.00	Meter Loops - Leakage	5,000	-	-	5,000	2,521	7,521
41	3xxxx-98	Various	Retirements	319,480	-	-	319,480	161,098	480,578
42			**System Maintenance**	1,134,088	-	-	1,134,088	571,864	1,705,952
43									
44			**System Improvements**						
45	33400-20	334.00	Field Measurement & Regulation	-	-	-	-	-	-
46	35100-20	351.20	Storage Structures and Improvements	-	-	-	-	-	-
47	35200-20	352.01	Wells	-	-	-	-	-	-
48	35200-40	352.02	Wells	-	-	-	-	-	-
49	35300-10	353.10	Field Lines	25,512	-	-	25,512	12,864	38,376
50	35300-20	353.20	Gathering Lines	5,962	-	-	5,962	3,006	8,968
51	35400-20	354.00	Compressor Station Equipment	-	-	-	-	-	-
52	35500-20	355.00	Measuring and Regulating	-	-	-	-	-	-
53	35600-20	356.00	Purification Equipment	-	-	-	-	-	-
54	36510-20	365.10	Land and Land Rights	-	-	-	-	-	-
55	36600-20	366.20	Structures and Improvements	-	-	-	-	-	-
56	36700-40	367.00	Transmission Mains - Cathodic Protection	3,037	-	-	3,037	1,531	4,568
57	36701-20	367.00	Transmission Mains - System Improvements	9,476	-	-	9,476	4,778	14,254
58	36900-20	369.10	Measurement & Regulation Stations	5,959	-	-	5,959	3,005	8,964
59	37500-20	375.10	Structures - Public Improvements	-	-	-	-	-	-
60	37600-40	376.00	Mains - Cathodic Protection	71,500	-	-	71,500	36,054	107,554
61	37600-69	376.00	Mapping Conversion	100,000	-	-	100,000	50,425	150,425
62	37600-82	376.00	Aid-In-Construction	-	-	-	-	-	-
63	37601-20	376.00	Steel System Improvements	361,230	-	-	361,230	182,150	543,380
64	37602-20	376.00	Plastic System Improvements	34,275	-	-	34,275	17,283	51,558
65	37800-20	378.00	Measurement & Regulation - System Improvements	136,000	-	-	136,000	68,578	204,578
66	37900-20	379.00	Measurement & Regulation - Equipment	23,500	-	-	23,500	11,850	35,350
67	38000-20	380.00	Services - System Improvements	-	-	-	-	-	-
68	38100-20	381.00	Meters - System Improvements	-	-	-	-	-	-
69	38200-20	382.00	Meter Loops - System Improvements	127,463	-	-	127,463	64,273	191,736
70	38300-20	383.00	House Regulators - System Improvements	-	-	-	-	-	-
71	38500-20	385.00	*Industrial Measurement & Regulation - System Impr.*	98,000	-	-	98,000	49,417	147,417
72	3xxxx-98	Various	Public Works Reimbursements	(190,579)	-	-	(190,579)	(96,099)	(286,678)
73			**System Improvements**	811,335	-	-	811,335	409,116	1,220,451
74									
75			**Growth**						
76									
77	36701-10	367.00	Steel Transmission Mains	-	-	-	-	-	-
78	36900-10	369.00	Measurement & Regulation Stations	-	-	-	-	-	-
79	37600-81	376.00	*Forfeitures*	(381,919)	-	-	(381,919)	-	(381,919)
80	37601-10	376.00	Steel Revenue Mains	83,705	-	-	83,705	42,208	125,913
81	37602-10	376.00	Plastic Revenue Mains	1,353,647	-	-	1,353,647	682,576	2,036,223
82	37800-10	378.00	Measurement & Regulation - Revenue	11,290	-	-	11,290	5,693	16,983
83	37900-10	379.00	Measurement & Regulation - City Gate	66,000	-	-	66,000	33,281	99,281
84	38000-10	380.00	Services - Revenue	1,386,012	-	-	1,386,012	698,897	2,084,909
85	38100-10	381.00	Meters - Revenue	480,431	-	-	480,431	242,257	722,688
86	38200-10	382.00	Meter Loops - Revenue	300,949	-	-	300,949	151,754	452,703
87	38300-10	383.00	House Regulators - Revenue	106,534	-	-	106,534	53,720	160,254
88	38500-10	385.00	Industrial Measurement & Regulation - Revenue	-	-	-	-	-	-
89			**Growth**	3,406,649	-	-	3,406,649	1,910,385	5,317,034
90									
91			**Total WKG**	$ 5,461,802			$ 5,461,802	$ 2,946,696	$ 8,408,498

FR 10(9)(b) *Exhibit DHD-1*
(Press "Control"+"Shift"+"P" to print individual yearly sheets!)

WESTERN KENTUCKY GAS

Capital Budget Forecast and Test Year Calculation

Projected Overheads	50.000%
Projected Increase in Maintenance & Improvements	36.250%
Projected Price Increases	3.000%

Line #	Budg Stat #	Acct #	Budget Category	Fiscal Year 2000 2000 w/o O/H	Projects	Inflation	Direct Costs	O/H	2000
1			**Vehicles**						
2	39200	392.00	Transportation	-		-	-	-	-
3			**Vehicles**	-	-	-	-	-	-
4									
5			**MIS**						
6	3990x	399.00	Office Equipment	-		-	-	-	-
7	39906	399.86	PC Hardware	35,980		1,079	37,059	18,530	55,589
8	39907	399.87	PC Software	10,000		300	10,300	5,150	15,450
9	39908	399.88	Application Software	-		-	-	-	-
10			**MIS**	45,980	-	1,379	47,359	23,680	71,039
11									
12			**Equipment**						
13	37000	n/a	Communication Equipment - Transmission	-		-	-	-	-
14	37100	n/a	Other Equipment - Storage	-		-	-	-	-
15	38700	384.00	Other Equipment	2,250		68	2,318	1,159	3,476
16	39000	390.00	Structures and Improvements	-		-	-	-	-
17	39003	390.03	Improvements	-		-	-	-	-
18	39004	390.04	Air Conditioning	-		-	-	-	-
19	39009	390.09	Improvements-Leased Premises	10,000		300	10,300	5,150	15,450
20	39100	391.83	Office Furniture	-		-	-	-	-
21	39103	391.00	Office Machines	1,500		45	1,545	773	2,318
22	39300	n/a	Stores Equipment	-		-	-	-	-
23	39400	394.77	Tools, Shop & Equipment	4,000		120	4,120	2,060	6,180
24	39600	n/a	Power Operated Equipment	-		-	-	-	-
25	39603	396.93	Ditchers	-		-	-	-	-
26	39604	396.94	Backhoes	-		-	-	-	-
27	39605	396.95	Welders	-		-	-	-	-
28	39700	397.00	Communications - Telephones	40,000		1,200	41,200	20,600	61,800
29	39701	397.20	Communications - Mobile Radios	6,000		180	6,180	3,090	9,270
30	39702	397.20	Communications - Fixed Radios	-		-	-	-	-
31	39705	397.22	Communications - Telemetering	-		-	-	-	-
32	39800	398.00	Miscellaneous	-		-	-	-	-
33			**Equipment**	63,750	-	1,913	65,663	32,831	98,494
34									
35			**System Maintenance**						
36	36701-30	367.00	Transmission - Leakage	29,750	10,784	893	41,427	20,713	62,140
37	37601-30	376.00	Steel Mains - Leakage	294,780	106,858	8,843	410,481	205,241	615,722
38	37602-30	376.00	Plastic Mains - Leakage	154,308	55,937	4,629	214,874	107,437	322,311
39	38000-30	380.00	Services - Leakage	330,770	119,904	9,923	460,597	230,299	690,896
40	38200-30	382.00	Meter Loops - Leakage	5,000	1,813	150	6,963	3,481	10,444
41	3xxxx-98	Various	Retirements	319,480	115,812	9,584	444,876	222,438	667,314
42			**System Maintenance**	1,134,088	411,107	34,023	1,579,218	789,609	2,368,826
43									
44			**System Improvements**						
45	33400-20	334.00	Field Measurement & Regulation	-	-	-	-	-	-
46	35100-20	351.20	Storage Structures and Improvements	-	-	-	-	-	-
47	35200-20	352.01	Wells	-	-	-	-	-	-
48	35200-40	352.02	Wells	-	-	-	-	-	-
49	35300-10	353.10	Field Lines	25,512	9,248	765	35,525	17,763	53,288
50	35300-20	353.20	Gathering Lines	5,962	2,161	179	8,302	4,151	12,453
51	35400-20	354.00	Compressor Station Equipment	-	-	-	-	-	-
52	35500-20	355.00	Measuring and Regulating	-	-	-	-	-	-
53	35600-20	356.00	Purification Equipment	-	-	-	-	-	-
54	36510-20	365.10	Land and Land Rights	-	-	-	-	-	-
55	36600-20	366.20	Structures and Improvements	-	-	-	-	-	-
56	36700-40	367.00	Transmission Mains - Cathodic Protection	3,037	1,101	91	4,229	2,115	6,344
57	36701-20	367.00	Transmission Mains - System Improvements	9,476	3,435	284	13,195	6,598	19,793
58	36900-20	369.10	Measurement & Regulation Stations	5,959	2,160	179	8,298	4,149	12,447
59	37500-20	375.10	Structures - Public Improvements	-	-	-	-	-	-
60	37600-40	376.00	Mains - Cathodic Protection	71,500	25,919	2,145	99,564	49,782	149,346
61	37600-69	376.00	Mapping Conversion	100,000	36,250	3,000	139,250	69,625	208,875
62	37600-82	376.00	Aid-In-Construction	-	-	-	-	-	-
63	37601-20	376.00	Steel System Improvements	361,230	130,946	10,837	503,013	251,506	754,519
64	37602-20	376.00	Plastic System Improvements	34,275	12,425	1,028	47,728	23,864	71,592
65	37800-20	378.00	Measurement & Regulation - System Improvements	136,000	49,300	4,080	189,380	94,690	284,070
66	37900-20	379.00	Measurement & Regulation - Equipment	23,500	8,519	705	32,724	16,362	49,086
67	38000-20	380.00	Services - System Improvements	-	-	-	-	-	-
68	38100-20	381.00	Meters - System Improvements	-	-	-	-	-	-
69	38200-20	382.00	Meter Loops - System Improvements	127,463	46,205	3,824	177,492	88,746	266,238
70	38300-20	383.00	House Regulators - System Improvements	-	-	-	-	-	-
71	38500-20	385.00	Industrial Measurement & Regulation - System Impr.	98,000	35,525	2,940	136,465	68,233	204,698
72	3xxxx-98	Various	Public Works Reimbursements	(190,579)	(69,085)	(5,717)	(265,381)	(132,691)	(398,072)
73			**System Improvements**	811,335	294,109	24,340	1,129,784	564,892	1,694,676
74									
75			**Growth**						
76									
77	36701-10	367.00	Steel Transmission Mains	-		-	-	-	-
78	36900-10	369.00	Measurement & Regulation Stations	-		-	-	-	-
79	37600-81	376.00	Forfeitures	(390,000)		-	(390,000)	-	(390,000)
80	37601-10	376.00	Steel Revenue Mains	83,705		2,511	86,216	43,108	129,324
81	37602-10	376.00	Plastic Revenue Mains	1,353,647		40,609	1,394,256	697,128	2,091,385
82	37800-10	378.00	Measurement & Regulation - Revenue	11,290		339	11,629	5,814	17,443
83	37900-10	379.00	Measurement & Regulation - City Gate	66,000		1,980	67,980	33,990	101,970
84	38000-10	380.00	Services - Revenue	1,386,012		41,580	1,427,592	713,796	2,141,389
85	38100-10	381.00	Meters - Revenue	480,431		14,413	494,844	247,422	742,266
86	38200-10	382.00	Meter Loops - Revenue	300,949		9,028	309,977	154,989	464,966
87	38300-10	383.00	House Regulators - Revenue	106,534		3,196	109,730	54,865	164,595
88	38500-10	385.00	Industrial Measurement & Regulation - Revenue	-		-	-	-	-
89			**Growth**	3,398,568	-	113,657	3,512,225	1,951,113	5,463,338
90									
91			**Total WKG**	$ 5,453,721	$ 705,216	$ 175,312	$ 6,334,248	$ 3,362,124	$ 9,696,373

(Press "Control"+"Shift"+"P" to print individual yearly sheets!)

WESTERN KENTUCKY GAS
Capital Budget Forecast and Test Year Calculation

				Test Year January, 2000 Through December, 2000		
			Projected Overheads Projected Increase In Maintenance & Imporvements Projected Price Increases			
Line #	Budg Stat #	Acct #	Budget Category	FY2000 Part	FY2001 Part	Test Year
1			**Vehicles**			
2	39200	392.00	Transportation	-	-	-
3			**Vehicles**	-	-	-
4						
5			**MIS**			
6	3990x	399.00	Office Equipment	-	-	-
7	39906	399.86	PC Hardware	41,692	14,314	56,006
8	39907	399.87	PC Software	11,588	3,978	15,566
9	39908	399.88	Application Software	-	-	-
10			**MIS**	53,280	18,292	71,572
11						
12			**Equipment**			
13	37000	n/a	*Communication Equipment - Transmission*	-	-	-
14	37100	n/a	Other Equipment - Storage	-	-	-
15	38700	384.00	Other Equipment	2,607	895	3,502
16	39000	390.00	Structures and Improvements	-	-	-
17	39003	390.03	Improvements	-	-	-
18	39004	390.04	Air Conditioning	-	-	-
19	39009	390.09	Improvements-Leased Premises	11,588	3,978	15,566
20	39100	391.83	Office Furniture	-	-	-
21	39103	391.00	Office Machines	1,738	597	2,335
22	39300	n/a	Stores Equipment	-	-	-
23	39400	394.77	Tools, Shop & Equipment	4,635	1,591	6,226
24	39600	n/a	Power Operated Equipment	-	-	-
25	39603	396.93	Ditchers	-	-	-
26	39604	396.94	Backhoes	-	-	-
27	39605	396.95	Welders	-	-	-
28	39700	397.00	Communications - Telephones	46,350	15,914	62,264
29	39701	397.20	*Communications - Mobile Radios*	6,953	2,387	9,340
30	39702	397.20	Communications - Fixed Radios	-	-	-
31	39705	397.22	Communications - Telemetering	-	-	-
32	39800	398.00	Miscellaneous	-	-	-
33			**Equipment**	73,871	25,362	99,233
34						
35			**System Maintenance**			
36	36701-30	367.00	Transmission - Leakage	46,605	16,001	62,606
37	37601-30	376.00	Steel Mains - Leakage	461,791	158,548	620,339
38	37602-30	376.00	Plastic Mains - Leakage	241,733	82,995	324,728
39	38000-30	380.00	Services - Leakage	518,172	177,906	696,078
40	38200-30	382.00	Meter Loops - Leakage	7,833	2,689	10,522
41	3xxxx-98	Various	Retirements	500,485	171,833	672,318
42			**System Maintenance**	1,776,619	609,972	2,386,591
43						
44			**System Improvements**			
45	33400-20	334.00	*Field Measurement & Regulation*	-	-	-
46	35100-20	351.20	Storage Structures and Improvements	-	-	-
47	35200-20	352.01	Wells	-	-	-
48	35200-40	352.02	Wells	-	-	-
49	35300-10	353.10	Field Lines	39,966	13,722	53,688
50	35300-20	353.20	Gathering Lines	9,340	3,207	12,547
51	35400-20	354.00	Compressor Station Equipment	-	-	-
52	35500-20	355.00	Measuring and Regulating	-	-	-
53	35600-20	356.00	Purification Equipment	-	-	-
54	36510-20	365.10	Land and Land Rights	-	-	-
55	36600-20	366.20	Structures and Improvements	-	-	-
56	36700-40	367.00	Transmission Mains - Cathodic Protection	4,758	1,633	6,391
57	36701-20	367.00	Transmission Mains - System Improvements	14,845	5,097	19,942
58	36900-20	369.10	Measurement & Regulation Stations	9,335	3,205	12,540
59	37500-20	375.10	Structures - Public Improvements	-	-	-
60	37600-40	376.00	Mains - Cathodic Protection	112,009	38,456	150,465
61	37600-69	376.00	Mapping Conversion	156,656	53,785	210,441
62	37600-82	376.00	Aid-In-Construction	-	-	-
63	37601-20	376.00	Steel System Improvements	565,889	194,289	760,178
64	37602-20	376.00	Plastic System Improvements	53,694	18,435	72,129
65	37800-20	378.00	Measurement & Regulation - System Improvements	213,053	73,148	286,201
66	37900-20	379.00	Measurement & Regulation - Equipment	36,814	12,640	49,454
67	38000-20	380.00	Services - System Improvements	-	-	-
68	38100-20	381.00	Meters - System Improvements	-	-	-
69	38200-20	382.00	Meter Loops - System Improvements	199,679	68,556	268,235
70	38300-20	383.00	House Regulators - System Improvements	-	-	-
71	38500-20	385.00	Industrial Measurement & Regulation - System Impr.	153,523	52,710	206,233
72	3xxxx-98	Various	Public Works Reimbursements	(298,554)	(102,504)	(401,058)
73			**System Improvements**	1,271,007	436,379	1,707,386
74						
75			**Growth**			
76						
77	36701-10	367.00	Steel Transmission Mains	-	-	-
78	36900-10	369.00	Measurement & Regulation Stations	-	-	-
79	37600-81	376.00	Forfeitures	(292,500)	(150,638)	(443,138)
80	37601-10	376.00	Steel Revenue Mains	96,993	33,301	130,294
81	37602-10	376.00	Plastic Revenue Mains	1,568,538	538,532	2,107,070
82	37800-10	378.00	Measurement & Regulation - Revenue	13,082	4,492	17,574
83	37900-10	379.00	Measurement & Regulation - City Gate	76,478	26,257	102,735
84	38000-10	380.00	Services - Revenue	1,606,041	551,408	2,157,449
85	38100-10	381.00	Meters - Revenue	556,699	191,133	747,832
86	38200-10	382.00	Meter Loops - Revenue	348,725	119,729	468,454
87	38300-10	383.00	House Regulators - Revenue	123,446	42,383	165,829
88	38500-10	385.00	*Industrial Measurement & Regulation - Revenue*	-	-	-
89			**Growth**	4,097,502	1,356,597	5,454,099
90						
91			**Total WKG**	$ 7,272,279	$ 2,446,602	$ 9,718,881

(Press "Control"+"Shift"+"P" to print individual yearly sheets!)

WESTERN KENTUCKY GAS

Capital Budget Forecast and Test Year Calculation

Projected Overheads	50.000%
Projected Increase In Maintenance & Imporvements	0.000%
Projected Price Increases	3.000%

Line #	Budg Stat #	Acct #	Budget Category	Fiscal Year 2001 2001 w/o O/H	Projects	Inflation	Direct Costs	O/H	2001
1			**Vehicles**						
2	39200	392.00	Transportation	-	-	-	-	-	-
3			**Vehicles**	-	-	-	-	-	-
4									
5			**MIS**						
6	3990x	399.00	Office Equipment	-	-	-	-	-	-
7	39906	399.86	PC Hardware	37,059	-	1,112	38,171	19,086	57,257
8	39907	399.87	PC Software	10,300	-	309	10,609	5,305	15,914
9	39908	399.88	Application Software	-	-	-	-	-	-
10			**MIS**	47,359	-	1,421	48,780	24,390	73,170
11									
12			**Equipment**						
13	37000	n/a	Communication Equipment - *Transmission*	-	-	-	-	-	-
14	37100	n/a	Other Equipment - Storage	-	-	-	-	-	-
15	38700	384.00	Other Equipment	2,318	-	70	2,387	1,194	3,581
16	39000	390.00	Structures and Improvements	-	-	-	-	-	-
17	39003	390.03	Improvements	-	-	-	-	-	-
18	39004	390.04	Air Conditioning	-	-	-	-	-	-
19	39009	390.09	Improvements-Leased Premises	10,300	-	309	10,609	5,305	15,914
20	39100	391.83	Office Furniture	-	-	-	-	-	-
21	39103	391.00	Office Machines	1,545	-	46	1,591	796	2,387
22	39300	n/a	Stores Equipment	-	-	-	-	-	-
23	39400	394.77	Tools, Shop & Equipment	4,120	-	124	4,244	2,122	6,365
24	39600	n/a	Power Operated Equipment	-	-	-	-	-	-
25	39603	396.93	Ditchers	-	-	-	-	-	-
26	39604	396.94	Backhoes	-	-	-	-	-	-
27	39605	396.95	Welders	-	-	-	-	-	-
28	39700	397.00	Communications - Telephones	41,200	-	1,236	42,436	21,218	63,654
29	39701	397.20	Communications - Mobile Radios	6,180	-	185	6,365	3,183	9,548
30	39702	397.20	Communications - Fixed Radios	-	-	-	-	-	-
31	39705	397.22	Communications - Telemetering	-	-	-	-	-	-
32	39800	398.00	Miscellaneous	-	-	-	-	-	-
33			**Equipment**	65,663	-	1,970	67,632	33,816	101,449
34									
35			**System Maintenance**						
36	36701-30	367.00	Transmission - Leakage	41,427	-	1,243	42,670	21,335	64,005
37	37601-30	376.00	Steel Mains - Leakage	410,481	-	12,314	422,796	211,398	634,193
38	37602-30	376.00	Plastic Mains - Leakage	214,874	-	6,446	221,320	110,660	331,980
39	38000-30	380.00	Services - Leakage	460,597	-	13,818	474,415	237,208	711,623
40	38200-30	382.00	Meter Loops - Leakage	6,963	-	209	7,171	3,586	10,757
41	3xxxx-98	Various	Retirements	444,876	-	13,346	458,222	229,111	687,333
42			**System Maintenance**	1,579,218	-	47,377	1,626,594	813,297	2,439,891
43									
44			**System Improvements**						
45	33400-20	334.00	Field Measurement & Regulation	-	-	-	-	-	-
46	35100-20	351.20	Storage Structures and Improvements	-	-	-	-	-	-
47	35200-20	352.01	Wells	-	-	-	-	-	-
48	35200-40	352.02	Wells	-	-	-	-	-	-
49	35300-10	353.10	Field Lines	35,525	-	1,066	38,591	18,296	54,887
50	35300-20	353.20	Gathering Lines	8,302	-	249	8,551	4,276	12,827
51	35400-20	354.00	Compressor Station Equipment	-	-	-	-	-	-
52	35500-20	355.00	Measuring and Regulating	-	-	-	-	-	-
53	35600-20	356.00	Purification Equipment	-	-	-	-	-	-
54	36510-20	365.10	Land and Land Rights	-	-	-	-	-	-
55	36600-20	366.20	Structures and Improvements	-	-	-	-	-	-
56	36700-40	367.00	Transmission Mains - Cathodic Protection	4,229	-	127	4,356	2,178	6,534
57	36701-20	367.00	Transmission Mains - System Improvements	13,195	-	396	13,591	6,796	20,387
58	36900-20	369.10	Measurement & Regulation Stations	8,298	-	249	8,547	4,273	12,820
59	37500-20	375.10	Structures - Public Improvements	-	-	-	-	-	-
60	37600-40	376.00	Mains - Cathodic Protection	99,564	-	2,987	102,551	51,275	153,826
61	37600-69	376.00	Mapping Conversion	139,250	-	4,178	143,428	71,714	215,141
62	37600-82	376.00	Aid-In-Construction	-	-	-	-	-	-
63	37601-20	376.00	Steel System Improvements	503,013	-	15,090	518,103	259,052	777,155
64	37602-20	376.00	Plastic System Improvements	47,728	-	1,432	49,160	24,580	73,740
65	37800-20	378.00	Measurement & Regulation - System Improvements	189,380	-	5,681	195,061	97,531	292,592
66	37900-20	379.00	Measurement & Regulation - Equipment	32,724	-	982	33,705	16,853	50,558
67	38000-20	380.00	Services - System Improvements	-	-	-	-	-	-
68	38100-20	381.00	Meters - System Improvements	-	-	-	-	-	-
69	38200-20	382.00	Meter Loops - System Improvements	177,492	-	5,325	182,817	91,408	274,225
70	38300-20	383.00	House Regulators - System Improvements	-	-	-	-	-	-
71	38500-20	385.00	Industrial Measurement & Regulation - System Impr.	136,465	-	4,094	140,559	70,279	210,838
72	3xxxx-98	Various	Public Works Reimbursements	(265,381)	-	(7,961)	(273,343)	(136,671)	(410,014)
73			**System Improvements**	1,129,784	-	33,894	1,163,678	581,839	1,745,516
74									
75			**Growth**						
76									
77	36701-10	367.00	Steel Transmission Mains	-	-	-	-	-	-
78	36900-10	369.00	Measurement & Regulation Stations	-	-	-	-	-	-
79	37600-81	376.00	Forfeitures	(390,000)	-	(11,700)	(401,700)	(200,850)	(602,550)
80	37601-10	376.00	Steel Revenue Mains	86,216	-	2,586	88,803	44,401	133,204
81	37602-10	376.00	Plastic Revenue Mains	1,394,256	-	41,828	1,436,084	718,042	2,154,126
82	37800-10	378.00	Measurement & Regulation - Revenue	11,629	-	349	11,978	5,989	17,966
83	37900-10	379.00	Measurement & Regulation - City Gate	67,980	-	2,039	70,019	35,010	105,029
84	38000-10	380.00	Services - Revenue	1,427,592	-	42,828	1,470,420	735,210	2,205,630
85	38100-10	381.00	Meters - Revenue	494,844	-	14,845	509,689	254,845	764,534
86	38200-10	382.00	Meter Loops - Revenue	309,977	-	9,299	319,277	159,638	478,915
87	38300-10	383.00	House Regulators - Revenue	109,730	-	3,292	113,022	56,511	169,533
88	38500-10	385.00	Industrial Measurement & Regulation - Revenue	-	-	-	-	-	-
89			**Growth**	3,512,225	-	105,367	3,617,592	1,808,796	5,426,388
90									
91			**Total WKG**	$ 6,334,248	$ -	$ 190,027	$ 6,524,276	$ 3,262,138	$ 9,786,414

FR 10(9)(b) *Exhibit DHD-1*

(Press "Control"+"Shift"+"P" to print individual yearly sheets!)

WESTERN KENTUCKY GAS

Capital Budget Forecast and Test Year Calculation

Projected Overheads	50.000%
Projected Increase In Maintenance & Imporvements	0.000%
Projected Price Increases	3.000%

Line #	Budg Stat #	Acct #	Budget Category	2002 w/o O/H	Projects	Inflation	Direct Costs	O/H	2002
				Fiscal Year 2002					
1			**Vehicles**						
2	39200	392.00	Transportation	-		-	-	-	-
3			**Vehicles**	-	-	-	-	-	-
4									
5			**MIS**						
6	3990x	399.00	Office Equipment	-		-	-	-	-
7	39906	399.86	PC Hardware	38,171	-	1,145	39,316	19,658	58,974
8	39907	399.87	PC Software	10,609	-	318	10,927	5,464	16,391
9	39908	399.88	Application Software	-		-	-	-	-
10			**MIS**	48,780	-	1,463	50,244	25,122	75,365
11									
12			**Equipment**						
13	37000	n/a	Communication Equipment - Transmission	-	-	-	-	-	-
14	37100	n/a	Other Equipment - Storage	-	-	-	-	-	-
15	38700	384.00	Other Equipment	2,387	-	72	2,459	1,229	3,688
16	39000	390.00	Structures and Improvements	-	-	-	-	-	-
17	39003	390.03	Improvements	-	-	-	-	-	-
18	39004	390.04	Air Conditioning	-	-	-	-	-	-
19	39009	390.09	Improvements-Leased Premises	10,609	-	318	10,927	5,464	16,391
20	39100	391.83	Office Furniture	-	-	-	-	-	-
21	39103	391.00	Office Machines	1,591	-	48	1,639	820	2,459
22	39300	n/a	Stores Equipment	-	-	-	-	-	-
23	39400	394.77	Tools, Shop & Equipment	4,244	-	127	4,371	2,185	6,556
24	39600	n/a	Power Operated Equipment	-	-	-	-	-	-
25	39603	396.93	Ditchers	-	-	-	-	-	-
26	39604	396.94	Backhoes	-	-	-	-	-	-
27	39605	396.95	Welders	-	-	-	-	-	-
28	39700	397.00	Communications - Telephones	42,436	-	1,273	43,709	21,855	65,564
29	39701	397.20	Communications - Mobile Radios	6,365	-	191	6,556	3,278	9,835
30	39702	397.20	*Communications - Fixed Radios*	-	-	-	-	-	-
31	39705	397.22	Communications - Telemetering	-	-	-	-	-	-
32	39800	398.00	Miscellaneous	-	-	-	-	-	-
33			**Equipment**	67,632	-	2,029	69,661	34,831	104,492
34									
35			**System Maintenance**						
36	36701-30	367.00	Transmission - Leakage	42,670	-	1,280	43,950	21,975	65,925
37	37601-30	376.00	Steel Mains - Leakage	422,796	-	12,684	435,479	217,740	653,219
38	37602-30	376.00	Plastic Mains - Leakage	221,320	-	6,640	227,960	113,980	341,940
39	38000-30	380.00	Services - Leakage	474,415	-	14,232	488,648	244,324	732,971
40	38200-30	382.00	Meter Loops - Leakage	7,171	-	215	7,387	3,693	11,080
41	3xxxx-98	Various	Retirements	458,222	-	13,747	471,969	235,984	707,953
42			**System Maintenance**	1,626,594	-	48,798	1,675,392	837,696	2,513,088
43									
44			**System Improvements**						
45	33400-20	334.00	Field Measurement & Regulation	-	-	-	-	-	-
46	35100-20	351.20	Storage Structures and Improvements	-	-	-	-	-	-
47	35200-20	352.01	Wells	-	-	-	-	-	-
48	35200-40	352.02	Wells	-	-	-	-	-	-
49	35300-10	353.10	Field Lines	36,591	-	1,098	37,689	18,844	56,533
50	35300-20	353.20	Gathering Lines	8,551	-	257	8,808	4,404	13,212
51	35400-20	354.00	Compressor Station Equipment	-	-	-	-	-	-
52	35500-20	355.00	Measuring and Regulating	-	-	-	-	-	-
53	35600-20	356.00	Purification Equipment	-	-	-	-	-	-
54	36510-20	365.10	Land and Land Rights	-	-	-	-	-	-
55	36600-20	366.20	*Structures and Improvements*	-	-	-	-	-	-
56	36700-40	367.00	Transmission Mains - Cathodic Protection	4,356	-	131	4,487	2,243	6,730
57	36701-20	367.00	Transmission Mains - System Improvements	13,591	-	408	13,999	6,999	20,998
58	36900-20	369.10	Measurement & Regulation Stations	8,547	-	256	8,803	4,402	13,205
59	37500-20	375.10	Structures - Public Improvements	-	-	-	-	-	-
60	37600-40	376.00	Mains - Cathodic Protection	102,551	-	3,077	105,627	52,814	158,441
61	37600-69	376.00	Mapping Conversion	143,428	-	4,303	147,730	73,865	221,595
62	37600-82	376.00	Aid-In-Construction	-	-	-	-	-	-
63	37601-20	376.00	Steel System Improvements	518,103	-	15,543	533,646	266,823	800,469
64	37602-20	376.00	Plastic System Improvements	49,160	-	1,475	50,635	25,317	75,952
65	37800-20	378.00	Measurement & Regulation - System Improvements	195,061	-	5,852	200,913	100,457	301,370
66	37900-20	379.00	Measurement & Regulation - Equipment	33,705	-	1,011	34,717	17,358	52,075
67	38000-20	380.00	Services - System Improvements	-	-	-	-	-	-
68	38100-20	381.00	Meters - System Improvements	-	-	-	-	-	-
69	38200-20	382.00	Meter Loops - System Improvements	182,817	-	5,485	188,302	94,151	282,452
70	38300-20	383.00	House Regulators - System Improvements	-	-	-	-	-	-
71	38500-20	385.00	Industrial Measurement & Regulation - System Impr.	140,559	-	4,217	144,776	72,388	217,164
72	3xxxx-98	Various	Public Works Reimbursements	(273,343)	-	(8,200)	(281,543)	(140,771)	(422,314)
73			**System Improvements**	1,163,678	-	34,910	1,198,588	599,294	1,797,882
74									
75			**Growth**						
76									
77	36701-10	367.00	Steel Transmission Mains	-	-	-	-	-	-
78	36900-10	369.00	Measurement & Regulation Stations	-	-	-	-	-	-
79	37600-81	376.00	Forfeitures	(401,700)	-	(12,051)	(413,751)	(206,876)	(620,627)
80	37601-10	376.00	Steel Revenue Mains	88,803	-	2,664	91,467	45,733	137,200
81	37602-10	376.00	Plastic Revenue Mains	1,436,084	-	43,083	1,479,167	739,583	2,218,750
82	37800-10	378.00	Measurement & Regulation - Revenue	11,978	-	359	12,337	6,168	18,505
83	37900-10	379.00	Measurement & Regulation - City Gate	70,019	-	2,101	72,120	36,060	108,180
84	38000-10	380.00	Services - Revenue	1,470,420	-	44,113	1,514,533	757,266	2,271,799
85	38100-10	381.00	Meters - Revenue	509,689	-	15,291	524,980	262,490	787,470
86	38200-10	382.00	Meter Loops - Revenue	319,277	-	9,578	328,855	164,428	493,283
87	38300-10	383.00	House Regulators - Revenue	113,022	-	3,391	116,413	58,206	174,619
88	38500-10	385.00	Industrial Measurement & Regulation - Revenue	-	-	-	-	-	-
89			**Growth**	3,617,592	-	108,528	3,726,120	1,863,060	5,589,179
90									
91			**Total WKG**	$ 6,524,276	$ -	$ 195,728	$ 6,720,004	$ 3,360,002	$ 10,080,006

(Press "Control"+"Shift"+"P" to print individual yearly sheets!)

WESTERN KENTUCKY GAS

Capital Budget Forecast and Test Year Calculation

Projected Overheads	50.000%
Projected Increase In Maintenance & Imporvements	0.000%
Projected Price Increases	3.000%

Line #	Budg Stat #	Acct #	Budget Category	Fiscal Year 2003: 2003 w/o O/H	Projects	Inflation	Direct Costs	O/H	2003
1			**Vehicles**						
2	39200	392.00	Transportation	-	-	-	-	-	-
3			**Vehicles**	-	-	-	-	-	-
4									
5			**MIS**						
6	3990x	399.00	Office Equipment	-	-	-	-	-	-
7	39906	399.86	PC Hardware	39,316	-	1,179	40,496	20,248	60,744
8	39907	399.87	PC Software	10,927	-	328	11,255	5,628	16,883
9	39908	399.88	Application Software	-	-	-	-	-	-
10			**MIS**	50,244	-	1,507	51,751	25,875	77,626
11									
12			**Equipment**						
13	37000	n/a	Communication Equipment - Transmission	-	-	-	-	-	-
14	37100	n/a	Other Equipment - Storage	-	-	-	-	-	-
15	38700	384.00	Other Equipment	2,459	-	74	2,532	1,266	3,799
16	39000	390.00	Structures and Improvements	-	-	-	-	-	-
17	39003	390.03	Improvements	-	-	-	-	-	-
18	39004	390.04	Air Conditioning	-	-	-	-	-	-
19	39009	390.09	Improvements-Leased Premises	10,927	-	328	11,255	5,628	16,883
20	39100	391.83	Office Furniture	-	-	-	-	-	-
21	39103	391.00	Office Machines	1,639	-	49	1,688	844	2,532
22	39300	n/a	Stores Equipment	-	-	-	-	-	-
23	39400	394.77	Tools, Shop & Equipment	4,371	-	131	4,502	2,251	6,753
24	39600	n/a	Power Operated Equipment	-	-	-	-	-	-
25	39603	396.93	Ditchers	-	-	-	-	-	-
26	39604	396.94	Backhoes	-	-	-	-	-	-
27	39605	396.95	Welders	-	-	-	-	-	-
28	39700	397.00	Communications - Telephones	43,709	-	1,311	45,020	22,510	67,531
29	39701	397.20	Communications - Mobile Radios	6,556	-	197	6,753	3,377	10,130
30	39702	397.20	Communications - Fixed Radios	-	-	-	-	-	-
31	39705	397.22	Communications - Telemetering	-	-	-	-	-	-
32	39800	398.00	Miscellaneous	-	-	-	-	-	-
33			**Equipment**	69,661	-	2,090	71,751	35,876	107,627
34									
35			**System Maintenance**						
36	36701-30	367.00	Transmission - Leakage	43,950	-	1,318	45,268	22,634	67,902
37	37601-30	376.00	Steel Mains - Leakage	435,479	-	13,064	448,544	224,272	672,816
38	37602-30	376.00	Plastic Mains - Leakage	227,960	-	6,839	234,799	117,399	352,198
39	38000-30	380.00	Services - Leakage	488,648	-	14,659	503,307	251,654	754,961
40	38200-30	382.00	Meter Loops - Leakage	7,387	-	222	7,608	3,804	11,412
41	3xxxx-98	Various	Retirements	471,969	-	14,159	486,128	243,064	729,192
42			**System Maintenance**	1,675,392	-	50,262	1,725,654	862,827	2,588,480
43									
44			**System Improvements**						
45	33400-20	334.00	Field Measurement & Regulation	-	-	-	-	-	-
46	35100-20	351.20	Storage Structures and Improvements	-	-	-	-	-	-
47	35200-20	352.01	Wells	-	-	-	-	-	-
48	35200-40	352.02	Wells	-	-	-	-	-	-
49	35300-10	353.10	Field Lines	37,689	-	1,131	38,820	19,410	58,229
50	35300-20	353.20	Gathering Lines	8,808	-	264	9,072	4,536	13,608
51	35400-20	354.00	Compressor Station Equipment	-	-	-	-	-	-
52	35500-20	355.00	Measuring and Regulating	-	-	-	-	-	-
53	35600-20	356.00	Purification Equipment	-	-	-	-	-	-
54	36510-20	365.10	Land and Land Rights	-	-	-	-	-	-
55	36600-20	366.20	Structures and Improvements	-	-	-	-	-	-
56	36700-40	367.00	Transmission Mains - Cathodic Protection	4,487	-	135	4,621	2,311	6,932
57	36701-20	367.00	Transmission Mains - System Improvements	13,999	-	420	14,419	7,209	21,628
58	36900-20	369.10	Measurement & Regulation Stations	8,803	-	264	9,067	4,534	13,601
59	37500-20	375.10	Structures - Public Improvements	-	-	-	-	-	-
60	37600-40	376.00	Mains - Cathodic Protection	105,627	-	3,169	108,796	54,398	163,194
61	37600-69	376.00	Mapping Conversion	147,730	-	4,432	152,162	76,081	228,243
62	37600-82	376.00	Aid-In-Construction	-	-	-	-	-	-
63	37601-20	376.00	Steel System Improvements	533,646	-	16,009	549,656	274,828	824,483
64	37602-20	376.00	Plastic System Improvements	50,635	-	1,519	52,154	26,077	78,230
65	37800-20	378.00	Measurement & Regulation - System Improvements	200,913	-	6,027	206,941	103,470	310,411
66	37900-20	379.00	Measurement & Regulation - Equipment	34,717	-	1,041	35,758	17,879	53,637
67	38000-20	380.00	Services - System Improvements	-	-	-	-	-	-
68	38100-20	381.00	Meters - System Improvements	-	-	-	-	-	-
69	38200-20	382.00	Meter Loops - System Improvements	188,302	-	5,649	193,951	96,975	290,926
70	38300-20	383.00	House Regulators - System Improvements	-	-	-	-	-	-
71	38500-20	385.00	Industrial Measurement & Regulation - System Impr.	144,776	-	4,343	149,119	74,559	223,678
72	3xxxx-98	Various	Public Works Reimbursements	(281,543)	-	(8,446)	(289,989)	(144,995)	(434,984)
73			**System Improvements**	1,198,588	-	35,958	1,234,545	617,273	1,851,818
74									
75			**Growth**						
76									
77	36701-10	367.00	Steel Transmission Mains	-	-	-	-	-	-
78	36900-10	369.00	Measurement & Regulation Stations	-	-	-	-	-	-
79	37600-81	376.00	Forfeitures	(413,751)	-	(12,413)	(426,164)	(213,082)	(639,245)
80	37601-10	376.00	Steel Revenue Mains	91,467	-	2,744	94,211	47,105	141,316
81	37602-10	376.00	Plastic Revenue Mains	1,479,167	-	44,375	1,523,542	761,771	2,285,312
82	37800-10	378.00	Measurement & Regulation - Revenue	12,337	-	370	12,707	6,353	19,060
83	37900-10	379.00	Measurement & Regulation - City Gate	72,120	-	2,164	74,284	37,142	111,425
84	38000-10	380.00	Services - Revenue	1,514,533	-	45,436	1,559,969	779,984	2,339,953
85	38100-10	381.00	Meters - Revenue	524,980	-	15,749	540,729	270,365	811,094
86	38200-10	382.00	Meter Loops - Revenue	328,855	-	9,866	338,721	169,360	508,081
87	38300-10	383.00	House Regulators - Revenue	116,413	-	3,492	119,905	59,952	179,857
88	38500-10	385.00	Industrial Measurement & Regulation - Revenue	-	-	-	-	-	-
89			**Growth**	3,726,120	-	111,784	3,837,903	1,918,952	5,756,855
90									
91			**Total WKG**	$ 6,720,004	$ -	$ 201,600	$ 6,921,604	$ 3,460,802	$ 10,382,406

FR 10(9)(b) *Exhibit DHD-1*

(Press "Control"+"Shift"+"P" to print individual yearly sheets!)

2

Western Kentucky Gas Company
Case No. 99-070
Forecasted Test Period Filing Requirements
FR 10(9)(c)

Description of Filing Requirement:

A complete description, which may be filed in prefiled testimony form, of all factors used in preparing the utility's forecast period. All econometric models, variables, assumptions, escalation factors, contingency provisions, and changes in activity levels shall be quantified, explained, and properly supported;

Response:

See the testimony of Mr. Gary Smith for factors pertaining to all forecasted revenues & volumes.

See the testimony of Ms. Betty Adams for factors pertaining to operating & maintenance expenses, income statement, balance sheet, cash flows, and employee and labor expenses.

See the testimony of Mr. David Doggette for factors pertaining to capital investments.

See the testimony of Mr. John Hack for factors pertaining to gas supply.

See the testimony of Mr. Patrick Reddy and Dr. Donald Murry for factors pertaining to capital structure, cost of debt and cost of shareholder equity.

3

Western Kentucky Gas Company
Case No. 99-070
Forecasted Test Period Filing Requirements
FR 10(9)(d)

Description of Filing Requirement:

The utility's annual and monthly budget for the twelve (12) months preceding the filing date, the base period and forecasted period.

Response:

See attached schedules for base and forecasted budget periods.

For twelve (12) preceding months, refer to Filing Requirements FR10(9)(n) and FR10(9)(o).

WESTERN KENTUCKY GAS COMPANY

Case #99-070

Base Year Oct 1998 - Sep 1999

FR10(9)(d)

	Oct	Nov	Dec	Jan	Feb	Mch	Apr	May	Jun	Jul	Aug	Sep	Total
INCOME STATEMENT	ACT	ACT	ACT	ACT	ACT	ACT							
Operating Revenues:													
Gas service revenue	$5,922	$9,635	$12,444	$15,777	$10,855	$11,446	$8,459	$5,380	$3,789	$3,736	$3,726	$4,239	$95,408
Transportation	739	686	778	840	754	843	703	658	634	633	633	641	8,542
Other revenue	64	97	82	73	58	75	60	60	60	55	60	60	804
Total Operating Revenues	6,725	10,418	13,304	16,690	11,667	12,364	9,222	6,098	4,483	4,424	4,419	4,940	104,754
Purchase gas	4,072	6,324	8,356	10,788	7,145	7,763	5,818	3,418	2,189	2,153	2,149	2,549	62,724
Gross Profit	2,653	4,094	4,948	5,902	4,522	4,601	3,404	2,680	2,294	2,271	2,270	2,391	42,030
Operating expenses:													
Direct O&M	1,395	1,080	1,076	1,235	827	1,065	1,263	1,253	1,106	1,231	1,220	1,257	14,008
Shared Services Billing	904	854	945	854	1,121	654	796	763	767	790	775	780	10,003
Depreciation & amortization	574	564	569	569	666	575	764	764	764	765	764	765	8,103
Taxes - other than income	173	162	194	306	213	219	160	160	160	160	160	160	2,227
Provision for income taxes	(353)	407	837	1,114	725	616	41	(237)	(337)	(413)	(394)	(340)	1,666
Total operating expenses	2,693	3,067	3,621	4,078	3,552	3,129	3,024	2,703	2,460	2,533	2,525	2,622	36,007
Operating income(loss)	(40)	1,027	1,327	1,824	970	1,472	380	(23)	(166)	(262)	(255)	(231)	6,023
Other income:													
Merchandising	(56)	(61)	240	13	8	22	30	30	30	30	30	30	346
Interest and dividends	1	13	7	6	5	4	2	2	2	2	2	2	48
Other non-operating inc/exp	(32)	(35)	(302)	(22)	(22)	(18)	(9)	(9)	(9)	(9)	(9)	(9)	(485)
PBR	91	373	363	127	363	127	131	123	118	103	123	180	2,222
Total other income	4	290	308	124	354	135	154	146	141	126	146	203	2,131
Interest Charges:	524	560	446	427	456	451	474	474	474	474	473	473	5,706
Total interest charges	524	560	446	427	456	451	474	474	474	474	473	473	5,706
Net Income	($560)	$757	$1,189	$1,521	$868	$1,156	$60	($351)	($499)	($610)	($582)	($501)	$2,448

FR10(9)(d)

WESTERN KENTUCKY GAS COMPANY
Case #99-070
Test Year Jan 2000 - Dec 2000

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
INCOME STATEMENT													
Operating Revenues:													
Gas service revenue	$20,306	$16,405	$12,552	$7,436	$4,876	$3,389	$3,383	$3,342	$3,781	$7,051	$11,815	$17,657	$111,993
Transportation	804	752	694	621	580	558	557	557	564	616	684	768	7,755
Other revenue	61	66	62	55	50	48	47	50	59	70	109	78	755
Total Operating Revenues	21,171	17,223	13,308	8,112	5,506	3,995	3,987	3,949	4,404	7,737	12,608	18,503	120,503
Purchase gas	14,996	11,919	8,922	4,962	2,993	1,860	1,863	1,832	2,169	4,699	8,386	12,921	77,522
Gross Profit	6,175	5,304	4,386	3,150	2,513	2,135	2,124	2,117	2,235	3,038	4,222	5,582	42,981
Operating expenses:													
Direct O&M	1,378	1,339	1,238	1,338	1,381	1,226	1,347	1,382	1,191	1,357	1,348	1,295	15,820
Shared Services Billing	833	817	811	846	813	817	840	825	830	903	858	860	10,053
Depreciation & amortization	817	817	817	817	817	817	817	818	818	818	818	818	9,809
Taxes - other than income	163	163	163	163	163	163	163	162	162	162	162	163	1,952
Provision for income taxes	1,059	734	398	(161)	(425)	(519)	(587)	(590)	(445)	(218)	272	826	344
Total operating expenses	4,250	3,870	3,427	3,003	2,749	2,504	2,580	2,597	2,556	3,022	3,458	3,962	37,978
Operating income(loss)	1,925	1,434	959	147	(236)	(369)	(456)	(480)	(321)	16	764	1,620	5,003
Other income:													
Merchandising	29	30	30	30	30	30	30	30	30	30	30	29	358
Interest and dividends	2	2	2	2	2	3	3	3	3	3	3	2	30
Other non-operating inc/exp	(9)	(9)	(9)	(9)	(8)	(8)	(8)	(8)	(9)	(9)	(9)	(9)	(104)
PBR	158	168	146	131	123	118	103	123	180	178	155	117	1,700
Total other income	180	191	169	154	147	143	128	148	204	202	179	139	1,984
Interest Charges:													
Total interest charges	540	540	540	540	540	540	540	540	540	540	540	539	6,479
Total interest charges	540	540	540	540	540	540	540	540	540	540	540	539	6,479
Net Income	1,565	$1,085	$588	($239)	($629)	($766)	($868)	($872)	($657)	($322)	$403	1,220	$508

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Western Kentucky Gas Company
Case No. 99-070
Forecasted Test Period Filing Requirements
FR 10(9)(e)1-3

Description of Filing Requirement:

A statement of attestation signed by the utility's chief officer in charge of Kentucky operations which shall provide:

1. The forecast presented in this rate application is reasonable, reliable, and made in good faith, and all basic assumptions used in the forecast have been identified and justified; and

2. The forecast contains the same assumptions and methodologies as used in the forecast prepared for use by management, and any differences that exist have been identified and explained; and

3. All productivity and efficiency gains are included in the forecast.

Response:

See attached statement of attestation signed by Mr. Conrad E. Gruber, President – Western Kentucky Gas Company.

Western Kentucky Gas Company
Case No. 99-070
Forecasted Test Period Filing Requirements
FR 10(9)(e)

STATEMENT OF ATTESTATION
OF THE OFFICER IN CHARGE OF KENTUCKY OPERATIONS

1. The forecast presented in this rate application is reasonable, reliable, and made in good faith, and all basic assumptions used in the forecast have been identified and justified; and

2. The forecast contains the same assumptions and methodologies as used in the forecast prepared for use by management, and any differences that exist have been identified and explained; and

3. All productivity and efficiency gains are included in the forecast.

Conrad E. Gruber
Conrad E. Gruber
President
Western Kentucky Gas Company
May 14, 1999

COMMONWEALTH OF KENTUCKY)
) S.S.
COUNTY OF DAVIESS)

SUBSCRIBED AND SWORN TO before me by Conrad E. Gruber, on this 14th day of May, 1999.

Pearl Ann Simon
Pearl Ann Simon
Notary Public
State of Kentucky at Large.

My Commission expires: September 26, 2001.

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Western Kentucky Gas Company
Case No. 99-070
Forecasted Test Period Filing Requirements
FR 10(9)(f)

Description of Filing Requirement:

Detailed information for each major construction project constituting more than five percent (5%) of the annual construction budget within the three (3) year forecast;

Response:

Western's direct capital spending included in the forecast does not include any major construction projects. The construction projects are an aggregate of projects constituting less than five percent of the annual construction budget. Detailed information on Western's shared investment in technology through the IT strategy program is discussed in Mr. Gruber's testimony, and to a lesser extent in Mr. Doggette's testimony.

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Western Kentucky Gas Company
Case No. 99-070
Forecasted Test Period Filing Requirements
FR 10(9)(g)

Description of Filing Requirement:

Detailed information for the aggregrate of construction projects constituting less than five percent (5%) of the annual construction budget within the three (3) year forecast;

Response:

See attached response which is also the response to FR 10(9)(b) and Exhibit DHD-1 to Mr. Doggette's testimony. The aggregated construction projects are provided by budget category and NARUC account number.

WESTERN KENTUCKY GAS

Capital Budget Forecast and Test Year Calculation

Projected Overheads	50.425%
Projected Increase In Maintenance & Imporvements	0.000%
Projected Price Increases	0.000%

				Fiscal Year 1999					
Line #	Budg Stat #	Acct #	Budget Category	1999 w/o O/H	Projects	Inflation	Direct Costs	O/H	1999
1			**Vehicles**						
2	39200	392.00	Transportation	-	-	-	-	-	-
3			**Vehicles**	-	-	-	-	-	-
4									
5			**MIS**						
6	3990x	399.00	Office Equipment	-	-	-	-	-	-
7	39906	399.86	PC Hardware	35,980	-	-	35,980	18,143	54,123
8	39907	399.87	PC Software	10,000	-	-	10,000	5,043	15,043
9	39908	399.88	Application Software	-	-	-	-	-	-
10			**MIS**	45,980	-	-	45,980	23,185	69,165
11									
12			**Equipment**						
13	37000	n/a	Communication Equipment - Transmission	-	-	-	-	-	-
14	37100	n/a	Other Equipment - Storage	-	-	-	-	-	-
15	38700	384.00	Other Equipment	2,250	-	-	2,250	1,135	3,385
16	39000	390.00	Structures and Improvements	-	-	-	-	-	-
17	39003	390.03	Improvements	-	-	-	-	-	-
18	39004	390.04	Air Conditioning	-	-	-	-	-	-
19	39009	390.09	Improvements-Leased Premises	10,000	-	-	10,000	5,043	15,043
20	39100	391.83	Office Furniture	-	-	-	-	-	-
21	39103	391.00	Office Machines	1,500	-	-	1,500	756	2,256
22	39300	n/a	Stores Equipment	-	-	-	-	-	-
23	39400	394.77	Tools, Shop & Equipment	4,000	-	-	4,000	2,017	6,017
24	39600	n/a	Power Operated Equipment	-	-	-	-	-	-
25	39603	396.93	Ditchers	-	-	-	-	-	-
26	39604	396.94	Backhoes	-	-	-	-	-	-
27	39605	396.95	Welders	-	-	-	-	-	-
28	39700	397.00	Communications - Telephones	40,000	-	-	40,000	20,170	60,170
29	39701	397.20	Communications - Mobile Radios	6,000	-	-	6,000	3,026	9,026
30	39702	397.20	Communications - Fixed Radios	-	-	-	-	-	-
31	39705	397.22	Communications - Telemetering	-	-	-	-	-	-
32	39800	398.00	Miscellaneous	-	-	-	-	-	-
33			**Equipment**	63,750	-	-	63,750	32,146	95,896
34									
35			**System Maintenance**						
36	36701-30	367.00	Transmission - Leakage	29,750	-	-	29,750	15,001	44,751
37	37601-30	376.00	Steel Mains - Leakage	294,780	-	-	294,780	148,643	443,423
38	37602-30	376.00	Plastic Mains - Leakage	154,308	-	-	154,308	77,810	232,118
39	38000-30	380.00	Services - Leakage	330,770	-	-	330,770	166,791	497,561
40	38200-30	382.00	Meter Loops - Leakage	5,000	-	-	5,000	2,521	7,521
41	3xxxx-98	Various	Retirements	319,480	-	-	319,480	161,098	480,578
42			**System Maintenance**	1,134,088	-	-	1,134,088	571,864	1,705,952
43									
44			**System Improvements**						
45	33400-20	334.00	Field Measurement & Regulation	-	-	-	-	-	-
46	35100-20	351.20	Storage Structures and Improvements	-	-	-	-	-	-
47	35200-20	352.01	Wells	-	-	-	-	-	-
48	35200-40	352.02	Wells	-	-	-	-	-	-
49	35300-10	353.10	Field Lines	25,512	-	-	25,512	12,864	38,376
50	35300-20	353.20	Gathering Lines	5,962	-	-	5,962	3,006	8,968
51	35400-20	354.00	Compressor Station Equipment	-	-	-	-	-	-
52	35500-20	355.00	Measuring and Regulating	-	-	-	-	-	-
53	35600-20	356.00	Purification Equipment	-	-	-	-	-	-
54	36510-20	365.10	Land and Land Rights	-	-	-	-	-	-
55	36600-20	366.20	Structures and Improvements	-	-	-	-	-	-
56	36700-40	367.00	Transmission Mains - Cathodic Protection	3,037	-	-	3,037	1,531	4,568
57	36701-20	367.00	Transmission Mains - System Improvements	9,476	-	-	9,476	4,778	14,254
58	36900-20	369.10	Measurement & Regulation Stations	5,959	-	-	5,959	3,005	8,964
59	37500-20	375.10	Structures - Public Improvements	-	-	-	-	-	-
60	37600-40	376.00	Mains - Cathodic Protection	71,500	-	-	71,500	36,054	107,554
61	37600-69	376.00	Mapping Conversion	100,000	-	-	100,000	50,425	150,425
62	37600-82	376.00	Aid-In-Construction	-	-	-	-	-	-
63	37601-20	376.00	Steel System Improvements	361,230	-	-	361,230	182,150	543,380
64	37602-20	376.00	Plastic System Improvements	34,275	-	-	34,275	17,283	51,558
65	37800-20	378.00	Measurement & Regulation - System Improvements	136,000	-	-	136,000	68,578	204,578
66	37900-20	379.00	Measurement & Regulation - Equipment	23,500	-	-	23,500	11,850	35,350
67	38000-20	380.00	Services - System Improvements	-	-	-	-	-	-
68	38100-20	381.00	Meters - System Improvements	-	-	-	-	-	-
69	38200-20	382.00	Meter Loops - System Improvements	127,463	-	-	127,463	64,273	191,736
70	38300-20	383.00	House Regulators - System Improvements	-	-	-	-	-	-
71	38500-20	385.00	Industrial Measurement & Regulation - System Impr.	98,000	-	-	98,000	49,417	147,417
72	3xxxx-98	Various	Public Works Reimbursements	(190,579)	-	-	(190,579)	(96,099)	(286,678)
73			**System Improvements**	811,335	-	-	811,335	409,116	1,220,451
74									
75			**Growth**						
76									
77	36701-10	367.00	Steel Transmission Mains	-	-	-	-	-	-
78	36900-10	369.00	Measurement & Regulation Stations	-	-	-	-	-	-
79	37600-81	376.00	Forfeitures	(381,919)	-	-	(381,919)	-	(381,919)
80	37601-10	376.00	Steel Revenue Mains	83,705	-	-	83,705	42,208	125,913
81	37602-10	376.00	Plastic Revenue Mains	1,353,647	-	-	1,353,647	682,576	2,036,223
82	37800-10	378.00	Measurement & Regulation - Revenue	11,290	-	-	11,290	5,693	16,983
83	37900-10	379.00	Measurement & Regulation - City Gate	66,000	-	-	66,000	33,281	99,281
84	38000-10	380.00	Services - Revenue	1,386,012	-	-	1,386,012	698,897	2,084,909
85	38100-10	381.00	Meters - Revenue	480,431	-	-	480,431	242,257	722,688
86	38200-10	382.00	Meter Loops - Revenue	300,949	-	-	300,949	151,754	452,703
87	38300-10	383.00	House Regulators - Revenue	106,534	-	-	106,534	53,720	160,254
88	38500-10	385.00	Industrial Measurement & Regulation - Revenue	-	-	-	-	-	-
89			**Growth**	3,406,649	-	-	3,406,649	1,910,385	5,317,034
90									
91			**Total WKG**	$ 5,461,802			$ 5,461,802	$ 2,946,696	$ 8,408,498

WESTERN KENTUCKY GAS

Capital Budget Forecast and Test Year Calculation

Line #	Budg Stat #	Acct #	Budget Category	2000 w/o O/H	Projects	Inflation	Direct Costs	O/H	2000
			Projected Overheads						50.000%
			Projected Increase In Maintenance & Imporvements						36.250%
			Projected Price Increases						3.000%
				Fiscal Year 2000					
1			**Vehicles**						
2	39200	392.00	Transportation	-		-	-	-	-
3			**Vehicles**	-	-	-	-	-	-
4									
5			**MIS**						
6	3990x	399.00	Office Equipment	-		-	-	-	-
7	39906	399.86	PC Hardware	35,980		1,079	37,059	18,530	55,589
8	39907	399.87	PC Software	10,000		300	10,300	5,150	15,450
9	39908	399.88	Application Software	-		-	-	-	-
10			**MIS**	45,980	-	1,379	47,359	23,680	71,039
11									
12			**Equipment**						
13	37000	n/a	Communication Equipment - Transmission	-		-	-	-	-
14	37100	n/a	Other Equipment - Storage	-		-	-	-	-
15	38700	384.00	Other Equipment	2,250		68	2,318	1,159	3,476
16	39000	390.00	Structures and Improvements	-		-	-	-	-
17	39003	390.03	Improvements	-		-	-	-	-
18	39004	390.04	Air Conditioning	-		-	-	-	-
19	39009	390.09	Improvements-Leased Premises	10,000		300	10,300	5,150	15,450
20	39100	391.83	Office Furniture	-		-	-	-	-
21	39103	391.00	Office Machines	1,500		45	1,545	773	2,318
22	39300	n/a	Stores Equipment	-		-	-	-	-
23	39400	394.77	Tools, Shop & Equipment	4,000		120	4,120	2,060	6,180
24	39600	n/a	Power Operated Equipment	-		-	-	-	-
25	39603	396.93	Ditchers	-		-	-	-	-
26	39604	396.94	Backhoes	-		-	-	-	-
27	39605	396.95	Welders	-		-	-	-	-
28	39700	397.00	Communications - Telephones	40,000		1,200	41,200	20,600	61,800
29	39701	397.20	Communications - Mobile Radios	6,000		180	6,180	3,090	9,270
30	39702	397.20	Communications - Fixed Radios	-		-	-	-	-
31	39705	397.22	Communications - Telemetering	-		-	-	-	-
32	39800	398.00	Miscellaneous	-		-	-	-	-
33			**Equipment**	63,750	-	1,913	65,663	32,831	98,494
34									
35			**System Maintenance**						
36	36701-30	367.00	Transmission - Leakage	29,750	10,784	893	41,427	20,713	62,140
37	37601-30	376.00	Steel Mains - Leakage	294,780	106,858	8,843	410,481	205,241	615,722
38	37602-30	376.00	Plastic Mains - Leakage	154,308	55,937	4,629	214,874	107,437	322,311
39	38000-30	380.00	Services - Leakage	330,770	119,904	9,923	460,597	230,299	690,896
40	38200-30	382.00	Meter Loops - Leakage	5,000	1,813	150	6,963	3,481	10,444
41	3xxxx-98	Various	Retirements	319,480	115,812	9,584	444,876	222,438	667,314
42			**System Maintenance**	1,134,088	411,107	34,023	1,579,218	789,609	2,368,826
43									
44			**System Improvements**						
45	33400-20	334.00	Field Measurement & Regulation	-	-	-	-	-	-
46	35100-20	351.20	Storage Structures and Improvements	-	-	-	-	-	-
47	35200-20	352.01	Wells	-	-	-	-	-	-
48	35200-40	352.02	Wells	-	-	-	-	-	-
49	35300-10	353.10	Field Lines	25,512	9,248	765	35,525	17,763	53,288
50	35300-20	353.20	Gathering Lines	5,962	2,161	179	8,302	4,151	12,453
51	35400-20	354.00	Compressor Station Equipment	-	-	-	-	-	-
52	35500-20	355.00	Measuring and Regulating	-	-	-	-	-	-
53	35600-20	356.00	Purification Equipment	-	-	-	-	-	-
54	36510-20	365.10	Land and Land Rights	-	-	-	-	-	-
55	36600-20	366.20	Structures and Improvements	-	-	-	-	-	-
56	36700-40	367.00	Transmission Mains - Cathodic Protection	3,037	1,101	91	4,229	2,115	6,344
57	36701-20	367.00	Transmission Mains - System Improvements	9,476	3,435	284	13,195	6,598	19,793
58	36900-20	369.10	Measurement & Regulation Stations	5,959	2,160	179	8,298	4,149	12,447
59	37500-20	375.10	Structures - Public Improvements	-	-	-	-	-	-
60	37600-40	376.00	Mains - Cathodic Protection	71,500	25,919	2,145	99,564	49,782	149,346
61	37600-69	376.00	Mapping Conversion	100,000	36,250	3,000	139,250	69,625	208,875
62	37600-82	376.00	Aid-In-Construction	-	-	-	-	-	-
63	37601-20	376.00	Steel System Improvements	361,230	130,946	10,837	503,013	251,506	754,519
64	37602-20	376.00	Plastic System Improvements	34,275	12,425	1,028	47,728	23,864	71,592
65	37800-20	378.00	Measurement & Regulation - System Improvements	136,000	49,300	4,080	189,380	94,690	284,070
66	37900-20	379.00	Measurement & Regulation - Equipment	23,500	8,519	705	32,724	16,362	49,086
67	38000-20	380.00	Services - System Improvements	-	-	-	-	-	-
68	38100-20	381.00	Meters - System Improvements	-	-	-	-	-	-
69	38200-20	382.00	Meter Loops - System Improvements	127,463	46,205	3,824	177,492	88,746	266,238
70	38300-20	383.00	House Regulators - System Improvements	-	-	-	-	-	-
71	38500-20	385.00	Industrial Measurement & Regulation - System Impr.	98,000	35,525	2,940	136,465	68,233	204,698
72	3xxxx-98	Various	Public Works Reimbursements	(190,579)	(69,085)	(5,717)	(265,381)	(132,691)	(398,072)
73			**System Improvements**	611,335	294,109	24,340	1,129,784	564,892	1,694,676
74									
75			**Growth**						
76									
77	36701-10	367.00	Steel Transmission Mains	-		-	-	-	-
78	36900-10	369.00	Measurement & Regulation Stations	-		-	-	-	-
79	37600-81	376.00	Forfeitures	(390,000)		-	(390,000)	-	(390,000)
80	37601-10	376.00	Steel Revenue Mains	83,705		2,511	86,216	43,108	129,324
81	37602-10	376.00	Plastic Revenue Mains	1,353,647		40,609	1,394,256	697,128	2,091,385
82	37800-10	378.00	Measurement & Regulation - Revenue	11,290		339	11,629	5,814	17,443
83	37900-10	379.00	Measurement & Regulation - City Gate	66,000		1,980	67,980	33,990	101,970
84	38000-10	380.00	Services - Revenue	1,386,012		41,580	1,427,592	713,796	2,141,389
85	38100-10	381.00	Meters - Revenue	480,431		14,413	494,844	247,422	742,266
86	38200-10	382.00	Meter Loops - Revenue	300,949		9,028	309,977	154,989	464,966
87	38300-10	383.00	House Regulators - Revenue	106,534		3,196	109,730	54,865	164,595
88	38500-10	385.00	Industrial Measurement & Regulation - Revenue	-		-	-	-	-
89			**Growth**	3,398,568	-	113,657	3,512,225	1,951,113	5,463,338
90									
91			**Total WKG**	$ 5,453,721	$ 705,216	$ 175,312	$ 6,334,248	$ 3,362,124	$ 9,696,373

WESTERN KENTUCKY GAS
Capital Budget Forecast and Test Year Calculation

Line #	Budg Stat #	Acct #	Budget Category	FY2000 Part	FY2001 Part	Test Year
			Projected Overheads			
			Projected Increase In Maintenance & Imporvements			
			Projected Price Increases			
				Test Year January, 2000 Through December, 2000		
1			**Vehicles**			
2	39200	392.00	Transportation	-	-	-
3			**Vehicles**	-	-	-
4						
5			**MIS**			
6	3990x	399.00	Office Equipment	-	-	-
7	39906	399.86	PC Hardware	41,692	14,314	56,006
8	39907	399.87	PC Software	11,588	3,978	15,566
9	39908	399.88	Application Software	-	-	-
10			**MIS**	53,280	18,292	71,572
11						
12			**Equipment**			
13	37000	n/a	Communication Equipment - Transmission	-	-	-
14	37100	n/a	Other Equipment - Storage	-	-	-
15	38700	384.00	Other Equipment	2,607	895	3,502
16	39000	390.00	Structures and Improvements	-	-	-
17	39003	390.03	Improvements	-	-	-
18	39004	390.04	Air Conditioning	-	-	-
19	39009	390.09	Improvements-Leased Premises	11,588	3,978	15,566
20	39100	391.83	Office Furniture	-	-	-
21	39103	391.00	Office Machines	1,738	597	2,335
22	39300	n/a	Stores Equipment	-	-	-
23	39400	394.77	Tools, Shop & Equipment	4,635	1,591	6,226
24	39600	n/a	Power Operated Equipment	-	-	-
25	39603	396.93	Ditchers	-	-	-
26	39604	396.94	Backhoes	-	-	-
27	39605	396.95	Welders	-	-	-
28	39700	397.00	Communications - Telephones	46,350	15,914	62,264
29	39701	397.20	Communications - Mobile Radios	6,953	2,387	9,340
30	39702	397.20	Communications - Fixed Radios	-	-	-
31	39705	397.22	Communications - Telemetering	-	-	-
32	39800	398.00	Miscellaneous	-	-	-
33			**Equipment**	73,871	25,362	99,233
34						
35			**System Maintenance**			
36	36701-30	367.00	Transmission - Leakage	46,605	16,001	62,606
37	37601-30	376.00	Steel Mains - Leakage	461,791	158,548	620,339
38	37602-30	376.00	Plastic Mains - Leakage	241,733	82,995	324,728
39	38000-30	380.00	Services - Leakage	518,172	177,906	696,078
40	38200-30	382.00	Meter Loops - Leakage	7,833	2,689	10,522
41	3xxxx-98	Various	Retirements	500,485	171,833	672,318
42			**System Maintenance**	1,776,619	609,972	2,386,591
43						
44			**System Improvements**			
45	33400-20	334.00	Field Measurement & Regulation	-	-	-
46	35100-20	351.20	Storage Structures and Improvements	-	-	-
47	35200-20	352.01	Wells	-	-	-
48	35200-40	352.02	Wells	-	-	-
49	35300-10	353.10	Field Lines	39,966	13,722	53,688
50	35300-20	353.20	Gathering Lines	9,340	3,207	12,547
51	35400-20	354.00	Compressor Station Equipment	-	-	-
52	35500-20	355.00	Measuring and Regulating	-	-	-
53	35600-20	356.00	Purification Equipment	-	-	-
54	36510-20	365.10	Land and Land Rights	-	-	-
55	36600-20	366.20	Structures and Improvements	-	-	-
56	36700-40	367.00	Transmission Mains - Cathodic Protection	4,758	1,633	6,391
57	36701-20	367.00	Transmission Mains - System Improvements	14,845	5,097	19,942
58	36900-20	369.10	Measurement & Regulation Stations	9,335	3,205	12,540
59	37500-20	375.10	Structures - Public Improvements	-	-	-
60	37600-40	376.00	Mains - Cathodic Protection	112,009	38,456	150,465
61	37600-69	376.00	Mapping Conversion	156,656	53,785	210,441
62	37600-82	376.00	Aid-In-Construction	-	-	-
63	37601-20	376.00	Steel System Improvements	565,889	194,289	760,178
64	37602-20	376.00	Plastic System Improvements	53,694	18,435	72,129
65	37800-20	378.00	Measurement & Regulation - System Improvements	213,053	73,148	286,201
66	37900-20	379.00	Measurement & Regulation - Equipment	36,814	12,640	49,454
67	38000-20	380.00	Services - System Improvements	-	-	-
68	38100-20	381.00	Meters - System Improvements	-	-	-
69	38200-20	382.00	Meter Loops - System Improvements	199,679	68,556	268,235
70	38300-20	383.00	House Regulators - System Improvements	-	-	-
71	38500-20	385.00	Industrial Measurement & Regulation - System Impr.	153,523	52,710	206,233
72	3xxxx-98	Various	Public Works Reimbursements	(298,554)	(102,504)	(401,058)
73			**System Improvements**	1,271,007	436,379	1,707,386
74						
75			**Growth**			
76						
77	36701-10	367.00	Steel Transmission Mains	-	-	-
78	36900-10	369.00	Measurement & Regulation Stations	-	-	-
79	37600-81	376.00	Forfeitures	(292,500)	(150,638)	(443,138)
80	37601-10	376.00	Steel Revenue Mains	96,993	33,301	130,294
81	37602-10	376.00	Plastic Revenue Mains	1,568,538	538,532	2,107,070
82	37800-10	378.00	Measurement & Regulation - Revenue	13,082	4,492	17,574
83	37900-10	379.00	Measurement & Regulation - City Gate	76,478	26,257	102,735
84	38000-10	380.00	Services - Revenue	1,606,041	551,408	2,157,449
85	38100-10	381.00	Meters - Revenue	556,699	191,133	747,832
86	38200-10	382.00	Meter Loops - Revenue	348,725	119,729	468,454
87	38300-10	383.00	House Regulators - Revenue	123,446	42,383	165,829
88	38500-10	385.00	Industrial Measurement & Regulation - Revenue	-	-	-
89			**Growth**	4,097,502	1,356,597	5,454,099
90						
91			**Total WKG**	$ 7,272,279	$ 2,446,602	$ 9,718,881

WESTERN KENTUCKY GAS
Capital Budget Forecast and Test Year Calculation

Projected Overheads	50.000%
Projected Increase In Maintenance & Imporvements	0.000%
Projected Price Increases	3.000%

Line #	Budg Stat #	Acct #	Budget Category	Fiscal Year 2001: 2001 w/o O/H	Projects	Inflation	Direct Costs	O/H	2001
1			**Vehicles**						
2	39200	392.00	Transportation	-	-	-	-	-	-
3			**Vehicles**	-	-	-	-	-	-
4									
5			**MIS**						
6	3990x	399.00	Office Equipment	-	-	-	-	-	-
7	39906	399.86	PC Hardware	37,059	-	1,112	38,171	19,086	57,257
8	39907	399.87	PC Software	10,300	-	309	10,609	5,305	15,914
9	39908	399.88	Application Software	-	-	-	-	-	-
10			**MIS**	47,359	-	1,421	48,780	24,390	73,170
11									
12			**Equipment**						
13	37000	n/a	Communication Equipment - Transmission	-	-	-	-	-	-
14	37100	n/a	Other Equipment - Storage	-	-	-	-	-	-
15	38700	384.00	Other Equipment	2,318	-	70	2,387	1,194	3,581
16	39000	390.00	Structures and Improvements	-	-	-	-	-	-
17	39003	390.03	Improvements	-	-	-	-	-	-
18	39004	390.04	Air Conditioning	-	-	-	-	-	-
19	39009	390.09	Improvements-Leased Premises	10,300	-	309	10,609	5,305	15,914
20	39100	391.83	Office Furniture	-	-	-	-	-	-
21	39103	391.00	Office Machines	1,545	-	46	1,591	796	2,387
22	39300	n/a	Stores Equipment	-	-	-	-	-	-
23	39400	394.77	Tools, Shop & Equipment	4,120	-	124	4,244	2,122	6,365
24	39600	n/a	Power Operated Equipment	-	-	-	-	-	-
25	39603	396.93	Ditchers	-	-	-	-	-	-
26	39604	396.94	Backhoes	-	-	-	-	-	-
27	39605	396.95	Welders	-	-	-	-	-	-
28	39700	397.00	Communications - Telephones	41,200	-	1,236	42,436	21,218	63,654
29	39701	397.20	Communications - Mobile Radios	6,180	-	185	6,365	3,183	9,548
30	39702	397.20	Communications - Fixed Radios	-	-	-	-	-	-
31	39705	397.22	Communications - Telemetering	-	-	-	-	-	-
32	39800	398.00	Miscellaneous	-	-	-	-	-	-
33			**Equipment**	65,663	-	1,970	67,632	33,816	101,449
34									
35			**System Maintenance**						
36	36701-30	367.00	Transmission - Leakage	41,427	-	1,243	42,670	21,335	64,005
37	37601-30	376.00	Steel Mains - Leakage	410,481	-	12,314	422,796	211,398	634,193
38	37602-30	376.00	Plastic Mains - Leakage	214,874	-	6,446	221,320	110,660	331,980
39	38000-30	380.00	Services - Leakage	460,597	-	13,818	474,415	237,208	711,623
40	38200-30	382.00	Meter Loops - Leakage	6,963	-	209	7,171	3,586	10,757
41	3xxxx-98	Various	Retirements	444,876	-	13,346	458,222	229,111	687,333
42			**System Maintanance**	1,579,218	-	47,377	1,626,594	813,297	2,439,891
43									
44			**System Improvements**						
45	33400-20	334.00	Field Measurement & Regulation	-	-	-	-	-	-
46	35100-20	351.20	Storage Structures and Improvements	-	-	-	-	-	-
47	35200-20	352.01	Wells	-	-	-	-	-	-
48	35200-40	352.02	Wells	-	-	-	-	-	-
49	35300-10	353.10	Field Lines	35,525	-	1,066	36,591	18,296	54,887
50	35300-20	353.20	Gathering Lines	8,302	-	249	8,551	4,276	12,827
51	35400-20	354.00	Compressor Station Equipment	-	-	-	-	-	-
52	35500-20	355.00	Measuring and Regulating	-	-	-	-	-	-
53	35600-20	356.00	Purification Equipment	-	-	-	-	-	-
54	36510-20	365.10	Land and Land Rights	-	-	-	-	-	-
55	36600-20	366.20	Structures and Improvements	-	-	-	-	-	-
56	36700-40	367.00	Transmission Mains - Cathodic Protection	4,229	-	127	4,356	2,178	6,534
57	36701-20	367.00	Transmission Mains - System Improvements	13,195	-	396	13,591	6,796	20,387
58	36900-20	369.10	Measurement & Regulation Stations	8,298	-	249	8,547	4,273	12,820
59	37500-20	375.10	Structures - Public Improvements	-	-	-	-	-	-
60	37600-40	376.00	Mains - Cathodic Protection	99,564	-	2,987	102,551	51,275	153,826
61	37600-69	376.00	Mapping Conversion	139,250	-	4,178	143,428	71,714	215,141
62	37600-82	376.00	Aid-In-Construction	-	-	-	-	-	-
63	37601-20	376.00	Steel System Improvements	503,013	-	15,090	518,103	259,052	777,155
64	37602-20	376.00	Plastic System Improvements	47,728	-	1,432	49,160	24,580	73,740
65	37800-20	378.00	Measurement & Regulation - System Improvements	189,380	-	5,681	195,061	97,531	292,592
66	37900-20	379.00	Measurement & Regulation - Equipment	32,724	-	982	33,705	16,853	50,558
67	38000-20	380.00	Services - System Improvements	-	-	-	-	-	-
68	38100-20	381.00	Meters - System Improvements	-	-	-	-	-	-
69	38200-20	382.00	Meter Loops - System Improvements	177,492	-	5,325	182,817	91,408	274,225
70	38300-20	383.00	House Regulators - System Improvements	-	-	-	-	-	-
71	38500-20	385.00	Industrial Measurement & Regulation - System Impr.	136,465	-	4,094	140,559	70,279	210,838
72	3xxxx-98	Various	Public Works Reimbursements	(265,381)	-	(7,961)	(273,343)	(136,671)	(410,014)
73			**System Improvements**	1,129,784	-	33,894	1,163,678	581,839	1,745,516
74									
75			**Growth**						
76									
77	36701-10	367.00	Steel Transmission Mains	-	-	-	-	-	-
78	36900-10	369.00	Measurement & Regulation Stations	-	-	-	-	-	-
79	37600-81	376.00	Forfeitures	(390,000)	-	(11,700)	(401,700)	(200,850)	(602,550)
80	37601-10	376.00	Steel Revenue Mains	86,216	-	2,586	88,803	44,401	133,204
81	37602-10	376.00	Plastic Revenue Mains	1,394,256	-	41,828	1,436,084	718,042	2,154,126
82	37800-10	378.00	Measurement & Regulation - Revenue	11,629	-	349	11,978	5,989	17,966
83	37900-10	379.00	Measurement & Regulation - City Gate	67,980	-	2,039	70,019	35,010	105,029
84	38000-10	380.00	Services - Revenue	1,427,592	-	42,828	1,470,420	735,210	2,205,630
85	38100-10	381.00	Meters - Revenue	494,844	-	14,845	509,689	254,845	764,534
86	38200-10	382.00	Meter Loops - Revenue	309,977	-	9,299	319,277	159,638	478,915
87	38300-10	383.00	House Regulators - Revenue	109,730	-	3,292	113,022	56,511	169,533
88	38500-10	385.00	Industrial Measurement & Regulation - Revenue	-	-	-	-	-	-
89			**Growth**	3,512,225	-	105,367	3,617,592	1,808,796	5,426,388
90									
91			**Total WKG**	$ 6,334,248	$ -	$ 190,027	$ 6,524,276	$ 3,262,138	$ 9,786,414

WESTERN KENTUCKY GAS

Capital Budget Forecast and Test Year Calculation

			Projected Overheads						50.000%
			Projected Increase In Maintenance & Imporvements						0.000%
			Projected Price Increases						3.000%
				Fiscal Year 2002					
Line #	Budg Stat #	Acct #	Budget Category	2002 w/o O/H	Projects	Inflation	Direct Costs	O/H	2002
1			**Vehicles**						
2	39200	392.00	Transportation	-	-	-	-	-	-
3			**Vehicles**	-	-	-	-	-	-
4									
5			**MIS**						
6	3990x	399.00	Office Equipment	-	-	-	-	-	-
7	39906	399.86	PC Hardware	38,171	-	1,145	39,316	19,658	58,974
8	39907	399.87	PC Software	10,609	-	318	10,927	5,464	16,391
9	39908	399.88	Application Software	-	-	-	-	-	-
10			**MIS**	48,780	-	1,463	50,244	25,122	75,365
11									
12			**Equipment**						
13	37000	n/a	Communication Equipment - Transmission	-	-	-	-	-	-
14	37100	n/a	Other Equipment - Storage	-	-	-	-	-	-
15	38700	384.00	Other Equipment	2,387	-	72	2,459	1,229	3,688
16	39000	390.00	Structures and Improvements	-	-	-	-	-	-
17	39003	390.03	Improvements	-	-	-	-	-	-
18	39004	390.04	Air Conditioning	-	-	-	-	-	-
19	39009	390.09	Improvements-Leased Premises	10,609	-	318	10,927	5,464	16,391
20	39100	391.83	Office Furniture	-	-	-	-	-	-
21	39103	391.00	Office Machines	1,591	-	48	1,639	820	2,459
22	39300	n/a	Stores Equipment	-	-	-	-	-	-
23	39400	394.77	Tools, Shop & Equipment	4,244	-	127	4,371	2,185	6,556
24	39600	n/a	Power Operated Equipment	-	-	-	-	-	-
25	39603	396.93	Ditchers	-	-	-	-	-	-
26	39604	396.94	Backhoes	-	-	-	-	-	-
27	39605	396.95	Welders	-	-	-	-	-	-
28	39700	397.00	Communications - Telephones	42,436	-	1,273	43,709	21,855	65,564
29	39701	397.20	Communications - Mobile Radios	6,365	-	191	6,556	3,278	9,835
30	39702	397.20	Communications - Fixed Radios	-	-	-	-	-	-
31	39705	397.22	Communications - Telemetering	-	-	-	-	-	-
32	39800	398.00	Miscellaneous	-	-	-	-	-	-
33			**Equipment**	67,632	-	2,029	69,661	34,831	104,492
34									
35			**System Maintenance**						
36	36701-30	367.00	Transmission - Leakage	42,670	-	1,280	43,950	21,975	65,925
37	37601-30	376.00	Steel Mains - Leakage	422,796	-	12,684	435,479	217,740	653,219
38	37602-30	376.00	Plastic Mains - Leakage	221,320	-	6,640	227,960	113,980	341,940
39	38000-30	380.00	Services - Leakage	474,415	-	14,232	488,648	244,324	732,971
40	38200-30	382.00	Meter Loops - Leakage	7,171	-	215	7,387	3,693	11,080
41	3xxxx-98	Various	Retirements	458,222	-	13,747	471,969	235,984	707,953
42			**System Maintenance**	1,626,594	-	48,798	1,675,392	837,696	2,513,088
43									
44			**System Improvements**						
45	33400-20	334.00	Field Measurement & Regulation	-	-	-	-	-	-
46	35100-20	351.20	Storage Structures and Improvements	-	-	-	-	-	-
47	35200-20	352.01	Wells	-	-	-	-	-	-
48	35200-40	352.02	Wells	-	-	-	-	-	-
49	35300-10	353.10	Field Lines	36,591	-	1,098	37,689	18,844	56,533
50	35300-20	353.20	Gathering Lines	8,551	-	257	8,808	4,404	13,212
51	35400-20	354.00	Compressor Station Equipment	-	-	-	-	-	-
52	35500-20	355.00	Measuring and Regulating	-	-	-	-	-	-
53	35600-20	356.00	Purification Equipment	-	-	-	-	-	-
54	36510-20	365.10	Land and Land Rights	-	-	-	-	-	-
55	36600-20	366.20	Structures and Improvements	-	-	-	-	-	-
56	36700-40	367.00	Transmission Mains - Cathodic Protection	4,356	-	131	4,487	2,243	6,730
57	36701-20	367.00	Transmission Mains - System Improvements	13,591	-	408	13,999	6,999	20,998
58	36900-20	369.10	Measurement & Regulation Stations	8,547	-	256	8,803	4,402	13,205
59	37500-20	375.10	Structures - Public Improvements	-	-	-	-	-	-
60	37600-40	376.00	Mains - Cathodic Protection	102,551	-	3,077	105,627	52,814	158,441
61	37600-69	376.00	Mapping Conversion	143,428	-	4,303	147,730	73,865	221,595
62	37600-82	376.00	Aid-In-Construction	-	-	-	-	-	-
63	37601-20	376.00	Steel System Improvements	518,103	-	15,543	533,646	266,823	800,469
64	37602-20	376.00	Plastic System Improvements	49,160	-	1,475	50,635	25,317	75,952
65	37800-20	378.00	Measurement & Regulation - System Improvements	195,061	-	5,852	200,913	100,457	301,370
66	37900-20	379.00	Measurement & Regulation - Equipment	33,705	-	1,011	34,717	17,358	52,075
67	38000-20	380.00	Services - System Improvements	-	-	-	-	-	-
68	38100-20	381.00	Meters - System Improvements	-	-	-	-	-	-
69	38200-20	382.00	Meter Loops - System Improvements	182,817	-	5,485	188,302	94,151	282,452
70	38300-20	383.00	House Regulators - System Improvements	-	-	-	-	-	-
71	38500-20	385.00	Industrial Measurement & Regulation - System Impr.	140,559	-	4,217	144,776	72,388	217,164
72	3xxxx-98	Various	Public Works Reimbursements	(273,343)	-	(8,200)	(281,543)	(140,771)	(422,314)
73			**System Improvements**	1,163,678	-	34,910	1,198,588	599,294	1,797,882
74									
75			**Growth**						
76									
77	36701-10	367.00	Steel Transmission Mains	-	-	-	-	-	-
78	36900-10	369.00	Measurement & Regulation Stations	-	-	-	-	-	-
79	37600-81	376.00	Forfeitures	(401,700)	-	(12,051)	(413,751)	(206,876)	(620,627)
80	37601-10	376.00	Steel Revenue Mains	88,803	-	2,664	91,467	45,733	137,200
81	37602-10	376.00	Plastic Revenue Mains	1,436,084	-	43,083	1,479,167	739,583	2,218,750
82	37800-10	378.00	Measurement & Regulation - Revenue	11,978	-	359	12,337	6,168	18,505
83	37900-10	379.00	Measurement & Regulation - City Gate	70,019	-	2,101	72,120	36,060	108,180
84	38000-10	380.00	Services - Revenue	1,470,420	-	44,113	1,514,533	757,266	2,271,799
85	38100-10	381.00	Meters - Revenue	509,689	-	15,291	524,980	262,490	787,470
86	38200-10	382.00	Meter Loops - Revenue	319,277	-	9,578	328,855	164,428	493,283
87	38300-10	383.00	House Regulators - Revenue	113,022	-	3,391	116,413	58,206	174,619
88	38500-10	385.00	Industrial Measurement & Regulation - Revenue	-	-	-	-	-	-
89			**Growth**	3,617,592	-	108,528	3,726,120	1,863,060	5,589,179
90									
91			**Total WKG**	$ 6,524,276	$ -	$ 195,728	$ 6,720,004	$ 3,360,002	$ 10,080,006

WESTERN KENTUCKY GAS

Capital Budget Forecast and Test Year Calculation

Projected Overheads	50.000%
Projected Increase In Maintenance & Imporvements	0.000%
Projected Price Increases	3.000%

Line #	Budg Stat #	Acct #	Budget Category	Fiscal Year 2003 2003 w/o O/H	Projects	Inflation	Direct Costs	O/H	2003
1			**Vehicles**						
2	39200	392.00	Transportation	-	-	-	-	-	-
3			**Vehicles**	-	-	-	-	-	-
4									
5			**MIS**						
6	3990x	399.00	Office Equipment	-	-	-	-	-	-
7	39906	399.86	PC Hardware	39,316	-	1,179	40,496	20,248	60,744
8	39907	399.87	PC Software	10,927	-	328	11,255	5,628	16,883
9	39908	399.88	Application Software	-	-	-	-	-	-
10			**MIS**	50,244	-	1,507	51,751	25,875	77,626
11									
12			**Equipment**						
13	37000	n/a	Communication Equipment - Transmission	-	-	-	-	-	-
14	37100	n/a	Other Equipment - Storage	-	-	-	-	-	-
15	38700	384.00	Other Equipment	2,459	-	74	2,532	1,266	3,799
16	39000	390.00	Structures and Improvements	-	-	-	-	-	-
17	39003	390.03	Improvements	-	-	-	-	-	-
18	39004	390.04	Air Conditioning	-	-	-	-	-	-
19	39009	390.09	Improvements-Leased Premises	10,927	-	328	11,255	5,628	16,883
20	39100	391.83	Office Furniture	-	-	-	-	-	-
21	39103	391.00	Office Machines	1,639	-	49	1,688	844	2,532
22	39300	n/a	Stores Equipment	-	-	-	-	-	-
23	39400	394.77	Tools, Shop & Equipment	4,371	-	131	4,502	2,251	6,753
24	39600	n/a	Power Operated Equipment	-	-	-	-	-	-
25	39603	396.93	Ditchers	-	-	-	-	-	-
26	39604	396.94	Backhoes	-	-	-	-	-	-
27	39605	396.95	Welders	-	-	-	-	-	-
28	39700	397.00	Communications - Telephones	43,709	-	1,311	45,020	22,510	67,531
29	39701	397.20	Communications - Mobile Radios	6,556	-	197	6,753	3,377	10,130
30	39702	397.20	Communications - Fixed Radios	-	-	-	-	-	-
31	39705	397.22	Communications - Telemetering	-	-	-	-	-	-
32	39800	398.00	Miscellaneous	-	-	-	-	-	-
33			**Equipment**	69,661	-	2,090	71,751	35,876	107,627
34									
35			**System Maintenance**						
36	36701-30	367.00	Transmission - Leakage	43,950	-	1,318	45,268	22,634	67,902
37	37601-30	376.00	Steel Mains - Leakage	435,479	-	13,064	448,544	224,272	672,816
38	37602-30	376.00	Plastic Mains - Leakage	227,960	-	6,839	234,799	117,399	352,198
39	38000-30	380.00	Services - Leakage	488,648	-	14,659	503,307	251,654	754,961
40	38200-30	382.00	Meter Loops - Leakage	7,387	-	222	7,608	3,804	11,412
41	3xxxx-98	Various	Retirements	471,969	-	14,159	486,128	243,064	729,192
42			**System Maintenance**	1,675,392	-	50,262	1,725,654	862,827	2,588,480
43									
44			**System Improvements**						
45	33400-20	334.00	Field Measurement & Regulation	-	-	-	-	-	-
46	35100-20	351.20	Storage Structures and Improvements	-	-	-	-	-	-
47	35200-20	352.01	Wells	-	-	-	-	-	-
48	35200-40	352.02	Wells	-	-	-	-	-	-
49	35300-10	353.10	Field Lines	37,689	-	1,131	38,820	19,410	58,229
50	35300-20	353.20	Gathering Lines	8,808	-	264	9,072	4,536	13,608
51	35400-20	354.00	Compressor Station Equipment	-	-	-	-	-	-
52	35500-20	355.00	Measuring and Regulating	-	-	-	-	-	-
53	35600-20	356.00	Purification Equipment	-	-	-	-	-	-
54	36510-20	365.10	Land and Land Rights	-	-	-	-	-	-
55	36600-20	366.20	Structures and Improvements	-	-	-	-	-	-
56	36700-40	367.00	Transmission Mains - Cathodic Protection	4,487	-	135	4,621	2,311	6,932
57	36701-20	367.00	Transmission Mains - System Improvements	13,999	-	420	14,419	7,209	21,628
58	36900-20	369.10	Measurement & Regulation Stations	8,803	-	264	9,067	4,534	13,601
59	37500-20	375.10	Structures - Public Improvements	-	-	-	-	-	-
60	37600-40	376.00	Mains - Cathodic Protection	105,627	-	3,169	108,796	54,398	163,194
61	37600-69	376.00	Mapping Conversion	147,730	-	4,432	152,162	76,081	228,243
62	37600-82	376.00	Aid-In-Construction	-	-	-	-	-	-
63	37601-20	376.00	Steel System Improvements	533,646	-	16,009	549,656	274,828	824,483
64	37602-20	376.00	Plastic System Improvements	50,635	-	1,519	52,154	26,077	78,230
65	37800-20	378.00	Measurement & Regulation - System Improvements	200,913	-	6,027	206,941	103,470	310,411
66	37900-20	379.00	Measurement & Regulation - Equipment	34,717	-	1,041	35,758	17,879	53,637
67	38000-20	380.00	Services - System Improvements	-	-	-	-	-	-
68	38100-20	381.00	Meters - System Improvements	-	-	-	-	-	-
69	38200-20	382.00	Meter Loops - System Improvements	188,302	-	5,649	193,951	96,975	290,926
70	38300-20	383.00	House Regulators - System Improvements	-	-	-	-	-	-
71	38500-20	385.00	Industrial Measurement & Regulation - System Impr.	144,776	-	4,343	149,119	74,559	223,678
72	3xxxx-98	Various	Public Works Reimbursements	(281,543)	-	(8,446)	(289,989)	(144,995)	(434,984)
73			**System Improvements**	1,198,588	-	35,958	1,234,545	617,273	1,851,818
74									
75			**Growth**						
76									
77	36701-10	367.00	Steel Transmission Mains	-	-	-	-	-	-
78	36900-10	369.00	Measurement & Regulation Stations	-	-	-	-	-	-
79	37600-81	376.00	Forfeitures	(413,751)	-	(12,413)	(426,164)	(213,082)	(639,245)
80	37601-10	376.00	Steel Revenue Mains	91,467	-	2,744	94,211	47,105	141,316
81	37602-10	376.00	Plastic Revenue Mains	1,479,167	-	44,375	1,523,542	761,771	2,285,312
82	37800-10	378.00	Measurement & Regulation - Revenue	12,337	-	370	12,707	6,353	19,060
83	37900-10	379.00	Measurement & Regulation - City Gate	72,120	-	2,164	74,284	37,142	111,425
84	38000-10	380.00	Services - Revenue	1,514,533	-	45,436	1,559,969	779,984	2,339,953
85	38100-10	381.00	Meters - Revenue	524,980	-	15,749	540,729	270,365	811,094
86	38200-10	382.00	Meter Loops - Revenue	328,855	-	9,866	338,721	169,360	508,081
87	38300-10	383.00	House Regulators - Revenue	116,413	-	3,492	119,905	59,952	179,857
88	38500-10	385.00	Industrial Measurement & Regulation - Revenue	-	-	-	-	-	-
89			**Growth**	3,726,120	-	111,784	3,837,903	1,918,952	5,756,855
90									
91			**Total WKG**	$ 6,720,004	$ -	$ 201,600	$ 6,921,604	$ 3,460,802	$ 10,382,406

Western Kentucky Gas Company
Case No. 99-070
Forecasted Test Period Filing Requirements
FR 10(9)(h)1

Description of Filing Requirement:

Operating income statement (exclusive of dividends per share or earnings per share).

Response:

See attached schedule that includes four (4) fiscal years of forecasted net income.

Western Kentucky Gas Co

Case #99-070

FR10(9)(h)1
FR10(10)(l)1

	1994	1995	1996	1997	1998	Base FY 1999	Test Cal 2000	2000	2001	2002	2003
INCOME STATEMENT											
Operating Revenues											
Gas service revenue	$132,789	$108,196	$146,788	$135,664	$113,554	$95,408	$111,993	$111,828	$112,487	$113,251	$113,933
Transportation	10,370	8,594	5,756	7,217	8,831	8,542	7,755	7,975	7,757	7,762	7,766
Other revenue	349	364	660	1,258	1,203	804	755	755	755	755	755
Total Operating Revenues	143,508	117,154	153,204	144,139	123,588	104,754	120,503	120,558	120,999	121,768	122,454
Purchase gas	102,479	78,268	107,850	99,082	79,996	62,724	77,522	77,354	77,997	78,755	79,437
Gross Profit	41,029	38,886	45,354	45,057	43,592	42,030	42,981	43,204	43,002	43,013	43,017
Operating Expenses											
Direct O&M	18,717	17,494	17,070	19,096	15,261	14,008	15,820	15,820	15,820	15,820	15,820
Shared Services Billing	5,650	5,627	5,925	5,722	6,928	10,003	10,053	9,970	10,302	10,448	10,494
Depreciation & amortization	5,818	6,488	5,647	6,087	6,487	8,103	9,809	9,808	10,376	10,955	11,545
Taxes - other than income	1,693	2,084	1,716	1,894	1,909	2,227	1,952	1,991	1,991	2,031	2,072
Total Operating Expenses	31,878	31,693	30,358	32,799	30,585	34,341	37,634	37,589	38,489	39,254	39,931
Operating income(loss)	9,151	7,193	14,996	12,258	13,007	7,689	5,347	5,615	4,513	3,759	3,086
Other Income											
Merchandising	(172)	(40)	66	340	162	346	358	360	360	360	360
Interest and dividends	29	136	31	29	48	48	30	30	30	30	30
Other non-operating inc/exp	(58)	(164)	(107)	(1,247)	141	(485)	(104)	(108)	(108)	(108)	(108)
Performance based rates	0	0	0	0	0	2,222	1,700	1,700	1,295	0	0
Other Income	0	0	0	0	0	0	0				
Total other income	(201)	(68)	(10)	(878)	351	2,131	1,984	1,982	1,577	282	282
Interest Charges											
Total interest charges	3,514	3,681	3,893	4,109	5,151	5,706	6,479	6,571	6,668	6,829	6,971
Income Before Taxes	5,436	3,444	11,093	7,271	8,207	4,114	852	1,026	(577)	(2,787)	(3,603)
Provision for income taxes	1,998	1,270	4,139	3,338	3,276	1,666	344	414	(233)	(1,125)	(1,454)
Net Income	$3,438	$2,174	$6,954	$3,933	$4,931	$2,448	$508	$612	($344)	($1,662)	($2,149)

Western Kentucky Gas Company
Case No. 99-070
Forecasted Test Period Filing Requirements
FR 10(9)(h)(2)

Description of Filing Requirement:

Balance sheet.

Response:

See attached schedule that includes four (4) fiscal years of forecasted balance sheets.

Western Kentucky Gas Co
Case #99-070

FR10(9)(h)2

	1995	1996	1997	1998	Base FY 1999	Test Cal 2000	2000	2001	2002	2003
BALANCE SHEET I										
Property plant & equipment										
Gross plant investment-BU	$162,888	$175,771	$190,169	$200,370	$229,323	$241,466	$239,019	$248,805	$258,884	$269,267
Gross plant investment-SSU	7,956	11,680	11,699	21,642	10,097	12,415	12,081	13,594	15,388	15,805
Total Gross Plant	170,844	187,451	201,868	222,012	239,420	253,881	251,100	262,399	274,272	285,072
Non-utility Plant	3,337	3,337	3,337	3,337	3,337	3,337	3,337	3,337	3,337	3,337
Total PP&E	174,181	190,788	205,205	225,349	242,757	257,218	254,437	265,736	277,609	288,409
Accumulated depreciation-BU	79,344	83,646	88,677	94,060	99,465	111,714	109,273	119,649	130,603	142,148
Accumulated depreciation-SSU	3,626	3,773	2,721	3,138	3,902	5,325	5,255	6,608	8,107	9,653
Total Accum depreciation	82,970	87,419	91,398	97,198	103,367	117,039	114,528	126,257	138,710	151,801
Net PP&E	91,211	103,369	113,807	128,151	139,390	140,179	139,909	139,479	138,899	136,608
Other LT investments	0	0	0	0	0	0	0	0	0	0
Current assets										
Cash & equivalents	609	953	$590	(453)	600	600	600	600	600	600
A/R	3,518	5,483	10,427	(2,004)	9,855	10,126	9,765	10,208	10,302	10,430
Inventories	964	1,093	1,297	1,249	1,297	1,336	1,309	1,376	1,417	1,460
Gas in storage	9,278	12,734	11,778	11,344	11,778	9,564	11,006	11,006	11,006	11,006
Other current assets	640	307	1,796	379	1,779	1,779	1,779	1,779	1,779	1,779
Total Current assets	15,009	20,570	25,888	10,515	25,309	23,405	24,459	24,969	25,104	25,275
Deferred debits										
Integration def. balance	0	$0	$2,589		1,490	1,184	1,184	878	572	266
Other deferred debits	17,002	$17,128	$18,829	19,828	18,616	18,829	18,829	18,829	18,829	18,829
Total deferred debits	17,002	17,128	21,418	19,828	20,106	20,013	20,013	19,707	19,401	19,095
Total assets	$123,222	$141,067	$161,113	$158,494	$184,805	$183,597	$184,381	$184,155	$183,404	$180,978

Western Kentucky Gas Co
Case #99-070

FR10(9)(h)2

	1995	1996	1997	1998	Base FY 1999	Test Cal 2000	2000	2001	2002	2003
BALANCE SHEET II										
Total Capitalization	89,801	100,183	118,246	113,394	142,390	139,354	140,625	138,142	136,001	132,217
Current liabilities										
A/P	11,696	15,298	11,251	13,673	10,634	10,928	10,854	11,106	11,117	11,256
Customer deposits	1,789	1,902	1,793	1,309	1,593	1,593	1,593	1,593	1,593	1,593
Taxes payable	(1,166)	(1,433)	(2,395)	(500)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)
Accrued Taxes	682	851	585	781	600	600	600	600	600	600
Other current liabilities	3,404	3,344	7,712	4,830	5,600	5,600	5,600	5,600	5,600	5,600
Total current liabilities	16,405	19,962	18,946	20,093	16,427	16,721	16,647	16,899	16,910	17,049
Deferred credits	11,671	12,696	13,403	14,995	14,722	14,912	14,787	15,412	15,912	16,412
Deferred income taxes	5,345	8,226	10,518	10,012	11,266	12,610	12,322	13,702	14,581	15,300
Total liabilities and equity	$123,222	$141,067	$161,113	$158,494	$184,805	$183,597	$184,381	$184,155	$183,404	$180,978

Western Kentucky Gas Company
Case No. 99-070
Forecasted Test Period Filing Requirements
FR 10(9)(h)(3)

Description of Filing Requirement:
Statement of cash flows.

Response:
See attached schedule that includes four (4) fiscal years of forecasted cash flows.

Western Kentucky Gas Co
Case #99-070

FR10(9)(h)3

	1996	1997	1998	Base FY 1999	Test Cal 2000	2000	2001	2002	2003
CASH FLOW									
Cash Flow from Operations									
Net Income	6,954	3,933	4,931	2,448	508	612	(344)	(1,662)	(2,149)
Add: Deferred Income Taxes	2,881	2,292	(506)	1,254	1,344	1,056	1,380	879	719
Depreciation	4,449	3,979	5,800	6,169	10,981	11,161	11,729	12,454	13,091
Cash Flow from Operations	14,284	10,204	10,225	9,871	12,833	12,829	12,764	11,670	11,661
Effect of Balance Sheet Accounts									
Changes in current assets	(5,217)	(5,681)	14,330	(13,741)	1,904	850	(510)	(135)	(171)
Changes in current liabilities	3,557	(1,016)	1,147	(3,666)	294	220	252	11	139
Changes in deferred debits	(126)	(4,290)	1,590	(278)	93	93	306	306	306
Changes in deferred credits	1,025	707	1,592	(273)	190	65	625	500	500
Total Cash Flow from change in Balance Sheet Accounts	(761)	(10,280)	18,659	(17,958)	2,481	1,228	673	682	774
Operating Cash Flow	13,523	(76)	28,884	(8,087)	15,314	14,057	13,437	12,352	12,435
Cash Flow from Investing Activities									
Capital Expenditures, BU	12,883	14,398	10,201	31,150	9,719	9,696	9,786	10,079	10,383
Capital Expenditures, IT Initatives	0	0	0	0	1,763	1,910	1,439	1,720	342
Capital Expenditures, SSU	3,724	19	9,943	(11,545)	68	74	74	74	75
Retirements	0	0	0	(2,197)	220	0	0	0	0
Total Cash from Investments	16,607	14,417	20,144	17,408	11,770	11,680	11,299	11,873	10,800
Free Cash Flow	(3,084)	(14,493)	8,740	(25,495)	3,544	2,377	2,138	479	1,635
Cash from Financing									
S-T Debt	11,666	7,646	(21,086)	41,571	3,661	5,049	5,288	7,168	7,314
L-T Debt Issued, Net of Retired	(3,407)	8,459	12,009	(11,816)	(2,162)	(2,162)	(2,162)	(2,162)	(3,242)
Common Stock - Net Issued	163	2,019	2,804	1,639	0	0	0	0	0
Dividends Paid-External	(4,994)	(3,994)	(3,510)	(4,846)	(5,043)	(5,265)	(5,265)	(5,486)	(5,707)
Intra-company dividends	0	0	0	0	0	0	0	0	0
Total Cash from Financing	3,428	14,130	(9,783)	26,548	(3,544)	(2,377)	(2,138)	(479)	(1,635)
Total Increase / (Decr.) in Cash	344	(363)	(1,043)	1,053	(0)	0	0	0	(0)
Add Beginning Cash	609	953	590	(453)	600	600	600	600	600
Ending Cash	$953	$590	($453)	$600	$600	$600	$600	$600	$600
Free Cash Flow AD (after dividends)	(8,078)	(18,487)	5,230	(30,341)	(1,499)	(2,888)	(3,126)	(5,006)	(4,072)

Western Kentucky Gas Company
Case No. 99-070
Forecasted Test Period Filing Requirements
FR 10(9)(h)4

Description of Filing Requirement:

Revenue requirements necessary to support the forecasted rate of return;

Response:

See response to Filing Requirement FR 10(9)(h)1 Operating Income Statement.

Western Kentucky Gas Company
Case No. 99-070
Forecasted Test Period Filing Requirements
FR 10(9)(h)8

Description of Filing Requirement:
Mix of gas supply.

Response:
See the testimony of Mr. John W. Hack.

Western Kentucky Gas Company
Case No. 99-070
Forecasted Test Period Filing Requirements
FR 10(9)(h)(9)

Description of Filing Requirement:
Employee level.

Response:
See attached schedule for explanation of employee levels.

WESTERN KENTUCKY GAS COMPANY
CASE NO. 99-070
FORECAST TEST PERIOD FILING REQUIREMENTS
FR10(9)(H)9

Description of Filing Requirement:

Financial Forecast for 2000 – 2003:

Employee Level

Response:

	2000	2001	2002	2003
Number of Employees:				
Regular	282	282	282	282

Western Kentucky Gas Company
Case No. 99-070
Forecasted Test Period Filing Requirements
FR 10(9)(h)(10)

Description of Filing Requirement:

Labor cost changes.

Response:

See attached schedule for labor cost change projections.

WESTERN KENTUCKY GAS COMPANY
CASE NO. 99-070
FORECAST TEST PERIOD FILING REQUIREMENTS
FR10(9)(H)10

Description of Filing Requirement:

Financial Forecast for 2000 – 2003:

Labor Cost Changes

Response:

	2000	2001	2002	2003
Labor Expense	$11,718,375	$12,187,110	$12,674,594	$13,181,578

Labor expense included in the current Financial Forecast is based on 282 regular employees for each of the four years. An average of 4% increase is given on employee's anniversary date, based on merit.

Western Kentucky Gas Company
Case No. 99-070
Forecasted Test Period Filing Requirements
FR 10(9)(h)11

Description of Filing Requirement:
Capital structure requirements;

Response:
See attached Capital Structure Summary and Assumptions.

Western Kentucky Gas Company
Case No. 99-070
Capital Structure Summary
Base Year

FR10(9)(h) 11 Sheet 1 of 3

Line No.	Atmos Consolidated	9/30/98	10/31/98	11/30/98	12/31/98	1/31/99	2/28/99	3/31/99	4/30/99	5/31/99	6/30/99	7/31/99	8/30/99	9/30/99	13 MO. AVERAGE	13-MO. AVG CAP STRUCT	
1	Shareholders Equity:																
2	Common stock	151,992	152,197	152,598	153,122	153,249	153,364	154,139	154,497	154,855	155,186	155,493	155,789	156,078			
3	Paid in capital	271,637,624	272,821,596	275,210,978	278,173,251	278,952,207	279,590,719	283,061,974	284,781,026	286,500,078	288,219,157	289,938,259	291,657,373	293,376,496			
4	Retained earnings	99,368,877	97,292,171	91,621,540	106,509,126	120,040,472	118,070,884	126,715,164	129,056,486	119,568,760	117,008,082	114,772,404	106,032,352	105,859,994			
5	Total equity	371,158,493	370,265,964	366,985,116	384,835,499	399,145,928	397,814,967	409,931,277	413,992,009	406,223,693	405,380,425	404,866,157	397,845,514	399,392,566	394,449,047	42.7%	Equity
6	Long term debt	456,330,720	453,705,720	413,649,433	408,346,227	407,794,591	405,729,509	405,635,567	405,329,597	399,746,751	399,606,584	398,757,791	397,422,286	395,330,967	411,337,365	44.5%	LT Debt
7	Total capitalization	827,489,213	823,971,684	780,634,549	793,181,726	806,940,519	803,544,476	815,566,844	819,321,606	805,970,444	804,987,009	803,623,948	795,267,800	794,723,532			
8	Short term debt	66,400,000	89,730,500	144,190,110	167,993,587	159,597,825	125,926,367	112,147,281	89,580,325	101,279,650	113,048,328	116,294,005	121,841,683	126,824,361	118,065,694	12.8%	ST Debt
9	Total	893,889,213	913,702,184	924,824,659	961,175,313	966,538,344	929,470,843	927,714,125	908,901,931	907,250,094	918,035,337	919,917,954	917,109,483	921,547,894	923,852,106	100.0%	

ASSUMPTIONS:

1 All numbers are actual through March 1999
2 Assumes a base stock capital growth rate of $20 million per year via various plans
3 1999 monthly Net Income is per monthly budget
4 2000 monthly net income is patterned after 1999 budget
5 Net income is adjusted monthly for 1) additional short-term interest based on 6% annual rate on $22,000,000 overall Net Income shortfall do to warm weather, 2) reduced short term interest due to any issuance of equity (assumed to pay down ST debt), and 3) additional depreciation related to various service initiaves.
6 Dividends are adjusted to reflect any new issuance of equity; they are calculated on the monthly ending shares outstanding
7 Assumed div. rate is $1.10 for FY 1999, $1.14 for 2000, and $1.18 for 2001
8 Long-term debt balances are per financial plan, with no additional issuances for acquisitions
9 Short-term debt is per the 5-year financial plan, reduced for equity issuances, increased for Net Income shortfall due to warm weather in 1999, increased for additional dividends related to stock issuances, and increased or decreased for tax-effected change in short term interest (one iteration only)

Western Kentucky Gas Company
Case No. 99-070
Capital Structure Summary
Test Year

FR10(9)(h) 11 Sheet 2 of 3

Line No.	Atmos Consolidated	12/31/99	1/31/00	2/29/00	3/31/00	4/30/00	5/31/00	6/30/00	7/31/00	8/31/00	9/30/00	10/31/00	11/30/00	12/31/00	13 MO. AVERAGE	13-MO. AVG CAP STRUCTURE	
1	Shareholders Equity:																
2	Common stock	161,270	161,557	161,844	162,131	162,418	162,705	162,992	163,279	163,566	163,853	164,140	164,427	164,714			
3	Paid in capital	324,529,532	326,248,655	327,967,777	329,686,900	331,406,023	333,125,146	334,844,269	336,563,392	338,282,515	340,001,637	341,720,760	343,439,883	345,159,006			
4	Retained earnings	120,217,152	139,702,074	146,177,984	156,548,906	159,485,828	149,161,735	146,407,658	144,005,580	132,403,483	129,342,405	129,617,327	128,654,384	145,519,306			
5	Total equity	444,907,954	466,112,286	474,307,606	486,397,937	491,054,269	482,449,586	481,414,918	480,732,250	470,849,563	469,507,895	471,502,227	472,258,694	490,843,026	475,564,478	50.2%	Equity
6	Long term debt	387,523,571	386,994,023	385,924,288	385,827,611	385,731,941	383,519,517	383,374,590	382,890,775	381,550,450	379,454,280	376,854,735	376,781,276	369,632,467	382,004,579	40.4%	LT Debt
7	Total capitalization	832,431,525	853,106,309	860,231,894	872,225,548	876,786,210	865,969,103	864,789,508	863,623,025	852,400,013	848,962,175	848,356,962	849,039,970	860,475,493			
8	Short term debt	116,519,195	94,873,273	75,727,351	70,709,429	65,693,507	71,259,584	81,977,662	84,878,740	89,349,818	93,843,896	95,229,974	111,298,718	104,868,796	88,940,765	9.4%	ST Debt
9	Total	948,950,720	947,979,581	935,959,244	942,934,977	942,479,717	937,228,688	946,767,171	948,501,766	941,749,831	942,806,071	943,586,936	960,338,689	965,344,289	946,509,822	100.0%	

ASSUMPTIONS:

1 All numbers are actual through March 1999
2 Assumes a base stock capital growth rate of $20 million per year via various plans
3 1999 monthly Net Income is per monthly budget
4 2000 monthly net income is patterned after 1999 budget
5 Net Income is adjusted monthly for 1) additional short-term interest based on 6% annual rate on $22,000,000 overall Net Income shortfall do to warm weather, 2) reduced short-term interest due to any issuance of equity (assumed to pay down ST debt), and 3) additional depreciation related to various service initiaves.
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9 Short term debt is per the 5-year financial plan, reduced for equity issuances, increased for Net Income shortfall due to warm weather in 1999, increased for additional dividends related to stock issuances, and increased or decreased for tax-effected change in short term interest (one iteration only)

Western Kentucky Gas Company
Case No. 99-070
Capital Structure Summary
Four Fiscal Years

FR10(9)(h) 11 Sheet 3 of 3

Atmos Consolidated

	FY 2000	FY 2001	FY 2002	FY 2003
Shareholders Equity:				
Common stock	163,853	163,970	164,109	164,305
Paid in capital	340,001,637	341,056,520	342,415,382	344,496,185
Retained earnings	129,342,405	158,516,405	194,655,405	237,367,405
Total equity	469,507,895	499,736,895	537,234,895	582,027,895
Long term debt	379,454,280	361,886,147	347,970,911	324,885,319
Total capitalization	848,962,175	861,623,042	885,205,807	906,913,214
Short term debt	93,843,896	81,201,896	59,869,896	33,350,896
Total	942,806,071	942,824,938	945,075,703	940,264,110
Ending Capital Structure:				
Equity %	49.8%	53.0%	56.8%	61.9%
LTD %	40.2%	38.4%	36.8%	34.6%
STD %	10.0%	8.6%	6.3%	3.5%
Total	100.0%	100.0%	100.0%	100.0%

Western Kentucky Gas Company
Case No. 99-070
Forecasted Test Period Filing Requirements
FR 10(9)(h)(12)

Description of Filing Requirement:
Rate base.

Response:
See attached schedule of rates of return on rate base.

WESTERN KENTUCKY GAS COMPANY
RATES OF RETURN
RATE BASE

FR10(9)(H)12

	FY 2000	FY 2001	FY 2002	FY 2003
NET PROPERTY				
PRIOR YEAR ENDING BALANCE	136,053	136,572	136,142	135,562
PLUS ESTIMATED PLANT ADDITIONS	11,680	11,299	11,873	10,800
LESS BOOKED DEPRECIATION	11,161	11,729	12,453	13,091
NET PROPERTY ESTIMATE	136,572	136,142	135,562	133,271
AVERAGE NET PROPERTY	136,313	136,357	135,852	134,417
LESS ESTIMATED DEFERRED INCOME TAX	12,829	14,266	15,181	15,929
CURRENT YEAR WORKING CAPITAL				
CASH WORKING CAPITAL ALLOWANCE	3,224	3,265	3,284	3,289
INVENTORIES				
AVERAGE STORAGE BALANCE	11,006	11,006	11,006	11,006
MATERIAL & SUPPLIES	1,309	1,376	1,417	1,460
CUSTOMER ADVANCES	(6,170)	(6,530)	(6,856)	(7,199)
PROJECTED RATE BASE	132,853	131,208	129,522	127,044
OPERATING INCOME	5,197	4,742	4,880	4,535
RATE OF RETURN - RATE BASE	3.912%	3.614%	3.768%	3.570%

Western Kentucky Gas Company
Case No. 99-070
Forecasted Test Period Filing Requirements
FR 10(9)(h)14

Description of Filing Requirement:

Customer forecast.

Response:

See attached schedule FR10(9)(h)14 and the testimony of Mr. Gary L. Smith, Vice President, Marketing.

Western Kentucky Gas Company
Case No. 99-070
CUSTOMER FORECAST - Total Company
For the THREE FORECASTED YEARS, FY 2000-2003 ending September 30

Line No.	Description	FY 2000	FY 2001	FY 2002	FY 2003	Comments
		(a)	(b)	(c)	(d)	(e)
1	Average Sales Customers-					
2						
3	Residential	158,061	159,761	161,461	163,161	Growth rate 1,700 per year, see Testimony of
4						Mr. Gary L Smith for underlying assumptions.
5						
6	Commercial	18,005	18,235	18,465	18,695	Growth rate 230 per year, see Testimony of
7						Mr. Gary L Smith for underlying assumptions.
8						
9	Industrial	268	268	268	268	See Testimony of Mr. Gary L. Smith for
10						underlying assumptions.
11						
12	Public Authority	1,541	1,541	1,541	1,541	See Testimony of Mr. Gary L. Smith for
13						underlying assumptions.
14						
15	Total Sales Customers-	177,875	179,805	181,735	183,665	
16						
17						
18	Average Transportation Customers-	153	153	153	153	See Testimony of Mr. Gary L. Smith for
19						underlying assumptions.
20						
21	Total Annual Average Customers	178,028	179,958	181,888	183,818	

Western Kentucky Gas Company
Case No. 99-070
Forecasted Test Period Filing Requirements
FR 10(9)(h)15

Description of Filing Requirement:
Mcf Sales forecasts.

Response:
See attached schedule FR10(9)(h)15 and the testimony of Mr. Gary L. Smith, Vice President, Marketing.

Western Kentucky Gas Company
Case No. 99-070
MCF SALES FORECAST - Total Company
For the THREE FORECASTED YEARS, FY 2000-2003 ending September 30
All Volumes at Standard Conditions

Line No.	Description	FY 2000	FY 2001	FY 2002	FY 2003	Comments
		(a)	(b)	(c)	(d)	(e)
1	Sales Volumes-					
2						
3	Residential	13,070,683	12,934,860	12,793,172	12,645,602	Reference the Testimony of Mr. Gary L. Smith
4						for underlying assumptions.
5						
6	Commercial	5,662,435	5,693,264	5,724,264	5,755,264	Reference the Testimony of Mr. Gary L. Smith
7						for underlying assumptions.
8						
9	Industrial	2,348,435	2,348,435	2,348,435	2,348,435	Reference the Testimony of Mr. Gary L. Smith
10						for underlying assumptions.
11						
12	Public Authority	1,538,588	1,528,732	1,518,016	1,506,609	Reference the Testimony of Mr. Gary L. Smith
13						for underlying assumptions.
14						
15	Total Sales Volumes-	22,620,141	22,505,291	22,383,886	22,255,910	
16						
17						
18	Transportation Volumes-	25,701,430	25,701,430	25,701,430	25,701,430	Reference the Testimony of Mr. Gary L. Smith
19						for underlying assumptions.
20						
21	Total Volumes	48,321,571	48,206,721	48,085,316	47,957,340	

Western Kentucky Gas Company
Case No. 99-070
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Volume 4

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Western Kentucky Gas Company
Case No. 99-070
Forecasted Test Period Filing Requirements
FR10 (9)(j)

Description of Filing Requirement:

The prospectuses of the most recent stock or bond offerings;

Response:

The requested documents are enclosed. Please refer to the testimony of Mr. Donald Burman.

PROSPECTUS SUPPLEMENT
(To Prospectus Dated June 25, 1998)

$150,000,000

Atmos Energy Corporation

ATMOS

6¾% Debentures due 2028

Interest on the Debentures is payable semi-annually on January 15 and July 15 of each year, commencing January 15, 1999. The Debentures may be redeemed at any time at the option of Atmos Energy Corporation (the "Company"), in whole or in part, at a Redemption Price equal to the sum of (i) the principal amount of the Debentures being redeemed plus any accrued interest thereon to but not including the Redemption Date and (ii) the Make-Whole Premium (as hereinafter defined), if any. See "Description of Debentures".

The Debentures initially will be represented by a single global security registered in the name of The Depository Trust Company ("DTC"), or its nominee. Except under the limited circumstances described herein, beneficial interests in the Debentures will be shown on, and transfers thereof will be effected only through, records maintained by DTC or its participants. Except as described herein, Debentures in definitive form will not be issued. See "Description of Debt Securities — Book-Entry Debt Securities" in the accompanying Prospectus. The Debentures have been approved for listing on the New York Stock Exchange, subject to official notice of issuance.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS SUPPLEMENT OR THE PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Price to Public(1)	Underwriting Discount(2)	Proceeds to Company(1)(3)
Per Debenture	99.115%	.875%	98.240%
Total	$148,672,500	$1,312,500	$147,360,000

(1) Plus accrued interest, if any, from July 27, 1998.

(2) The Company has agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended. See "Underwriting".

(3) Before deducting expenses payable by the Company estimated at $240,000.

The Debentures are offered by the several Underwriters, subject to prior sale, when, as and if issued to and accepted by the Underwriters, subject to approval of certain legal matters by counsel for the Underwriters and certain other conditions. The Underwriters reserve the right to withdraw, cancel or modify such offer, and to reject orders in whole or in part. It is expected that delivery of the Debentures will be made through the book-entry facilities of DTC on or about July 27, 1998.

Merrill Lynch & Co. **NationsBanc Montgomery Securities LLC**
Edward D. Jones & Co., L.P.

The date of this Prospectus Supplement is July 22, 1998.

CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE DEBENTURES. SUCH TRANSACTIONS MAY INCLUDE OVERALLOTMENT, STABILIZING AND THE PURCHASE OF THE DEBENTURES TO COVER SYNDICATE SHORT POSITIONS. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "UNDERWRITING".

THE COMPANY

Atmos Energy Corporation (the "Company") distributes and sells natural gas and propane to approximately 1.02 million residential, commercial, industrial, agricultural and other customers. The Company distributes and sells natural gas through its five operating divisions to approximately 985,000 customers in 802 cities, towns and communities in service areas located in Colorado, Georgia, Illinois, Iowa, Kansas, Kentucky, Louisiana, Missouri, South Carolina, Tennessee, Texas and Virginia. The Company also transports natural gas for others through parts of its distribution system. It also distributes propane to approximately 31,000 customers in Kentucky, North Carolina, Tennessee and Virginia. For the six months ended March 31, 1998, such utility business generated approximately 95% of the Company's operating revenues and approximately 94% of its net income.

The Company, through various wholly-owned subsidiaries, conducts operations that complement its natural gas and propane distribution business. One subsidiary, United Cities Gas Storage Company, owns natural gas storage fields in Kansas and Kentucky, which are used to supplement natural gas used by customers in those states. Another subsidiary, UCG Energy Corporation ("UCG Energy"), leases appliances, real estate, equipment and vehicles to the United Cities Gas Company division and others, and owns a small interest in a partnership engaged in exploration and production activities. UCG Energy also owns a 45% interest in Woodward Marketing, L.L.C. ("WMLLC"), which conducts a gas marketing business. WMLLC provides gas marketing services to industrial customers, municipalities and local distribution companies, including the United Cities Gas Company division.

UCG Energy also owns Atmos Propane, Inc. (the "Propane Division"), which is engaged in the retail distribution of propane ("LP") gas, the wholesale supply and transportation of LP gas, the transportation of certain petroleum products for other companies and the direct merchandising and repair of propane gas appliances. The Propane Division has LP storage facilities in 16 towns in which it operates, with a total storage capacity of approximately 2,209,000 gallons.

The Company's principal executive offices are located at 1800 Three Lincoln Centre, 5430 LBJ Freeway, Dallas, Texas 75240, and its telephone number is (972) 934-9227.

RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth the ratio of earnings to fixed charges for the Company for the periods indicated:

	Year Ended September 30,					Six Months Ended March 31,	
	1993	1994	1995	1996	1997	1997	1998
Ratio of Earnings to Fixed Charges	2.35x	2.30x	2.31x	2.82x	1.95x	5.13x	5.09x

For purposes of computing the foregoing ratios, (i) "earnings" represent the Company's net income from continuing operations plus applicable income taxes and fixed charges and (ii) "fixed charges" represent interest expense, amortization of debt discount, premium and expense, capitalized interest and a portion of lease payments considered to represent an interest factor.

USE OF PROCEEDS

The Company expects to use the net proceeds from the sale of the Debentures to repay outstanding short-term indebtedness under its revolving credit facility and uncommitted lines of credit. The revolving credit facility matures on August 7, 1998 and provides for a fluctuating interest rate per annum based upon LIBOR. The interest rate on such indebtedness was 5.855% on July 7, 1998. As of such date, the Company had drawn down $100 million under the revolving credit facility. The interest rate on the uncommitted lines of credit fluctuates daily based on rates quoted by participating lenders and as of July 7, 1998 had a weighted average of 5.749%. As of such date, the Company had drawn down $60.6 million under these uncommitted lines of credit. The short-term indebtedness incurred by the Company under the revolving credit facility and the uncommitted lines of credit (i) was incurred primarily in connection with the Company's customer service initiative, including the establishment of a new customer service center located in Amarillo, Texas, and (ii) represents transaction costs incurred in connection with the merger of United Cities Gas Company with and into the Company.

CAPITALIZATION

The following table sets forth the consolidated capitalization of the Company as of March 31, 1998 and as adjusted to give effect to the sale by the Company of the Debentures offered hereby (as if such sale occurred on such date) and the application of the net proceeds thereof as described in "Use of Proceeds". This capitalization table should be read in conjunction with the Company's consolidated financial statements and notes thereto incorporated by reference in this Prospectus Supplement.

	March 31, 1998	
	Actual	As Adjusted
	(In thousands)	
Short-term debt:		
Current portion of long-term debt	$ 57,508	$ 57,508
Other short-term debt	146,843	—
Total short-term debt	204,351	57,508
Long-term debt:		
Debentures offered hereby	—	150,000
Other long-term debt, less current portion	252,152	252,152
Total long-term debt	252,152	402,152
Total debt	$456,503	$459,660
Shareholders' equity:		
Common Stock, no par value; 75,000,000 shares authorized; 30,056,436 shares issued and outstanding at March 31, 1998	150	150
Additional paid-in capital	262,295	262,295
Retained earnings	117,630	117,630
Total shareholders' equity	380,075	380,075
Total capitalization(1)	$632,227	$782,227

(1) Excludes short-term debt.

SELECTED CONSOLIDATED FINANCIAL DATA

The selected historical consolidated financial data of the Company for each of the five years in the period ended September 30, 1997 has been derived from the audited consolidated financial statements of the Company included in the documents incorporated by reference in the accompanying Prospectus. The selected historical consolidated financial data for the six months ended March 31, 1997 and 1998 is unaudited; however, in the opinion of management, all adjustments, consisting of normal recurring accruals, necessary for a fair presentation of the consolidated financial position and results of operations for these periods have been included. The following data should be read in conjunction with the consolidated financial statements and related notes thereto included in its Annual Report on Form 10-K for the fiscal year ended September 30, 1997 and its Quarterly Reports on Form 10-Q for the quarters ended December 31, 1997 and March 31, 1998. Amounts for 1997 reflect the pooled operations of the Company and United Cities Gas Company. Prior year amounts have been restated for the pooling.

	Year Ended September 30,					Six Months Ended March 31,	
	1993	1994	1995	1996	1997	1997	1998
	(In thousands, except per share data)						
Operating revenues	$794,893	$826,302	$749,555	$886,691	$906,835	$643,261	$583,881
Net income	29,694	26,772	28,808	41,151	23,838	48,781	57,520
Net income per share	1.21	1.05	1.06	1.42	.81	1.66	1.94
Cash dividends per share	.82	.91	.96	.98	1.01	.50	.53
Total assets at end of year	786,739	829,385	900.948	1,010,610	1,088,311	1,053,304	1,148,174
Long-term debt at end of year	257,696	282,647	294,463	276,162	302,981	325,495	252,152

DESCRIPTION OF DEBENTURES

The Debentures are to be issued under the Indenture dated as of July 15, 1998 (the "Indenture") between the Company and U.S. Bank Trust National Association, Trustee, which Indenture is more fully described in the Prospectus. The following description of the particular terms of the Debentures offered hereby supplements, and to the extent inconsistent therewith replaces, the description of the general terms and provisions of Debt Securities set forth in the Prospectus under the caption "Description of Debt Securities". Whenever particular defined terms of the Indenture are referred to, such defined terms are incorporated herein by reference.

The Debentures will be issued only in fully registered form, without coupons, in denominations of $1,000 and integral multiples thereof. The Debentures will be represented by a single permanent global Debenture registered in the name of DTC or its nominee, and payment of principal of, and interest on, the Debentures will be made in immediately available funds to DTC or its nominee, as the case may be, as the registered holder thereof. See "Description of Debt Securities — Book-Entry Debt Securities" in the Prospectus.

The Debentures will mature on July 15, 2028 and will be limited to an aggregate principal amount of $150,000,000. Each Debenture will bear interest at the rate per annum stated on the cover page hereof from July 27, 1998 or from the most recent interest payment date to which interest has been paid, payable on each January 15 and July 15, commencing January 15, 1999, to the person in whose name the Debenture (or any predecessor Debenture) is registered at the close of business on the next preceding January 1 and July 1, respectively. The Debentures will be unsecured and unsubordinated obligations of the Company.

The defeasance and covenant defeasance provisions of the Indenture described under "Description of Debt Securities — Defeasance and Covenant Defeasance" in the Prospectus will apply to the Debentures.

Redemption

The Debentures will be redeemable at the option of the Company, in whole or in part, in principal amounts of $1,000 or any integral multiple thereof at any time at a Redemption Price equal to the sum of (i) an amount equal to 100% of the principal amount thereof and (ii) the Make-Whole Premium, together with accrued and unpaid interest to the Redemption Date.

In the event that less than all of the Debentures are to be redeemed at any time, selection of such Debentures for redemption will be made by the Trustee on a *pro rata* basis, by lot or by such method as the Trustee shall deem fair and appropriate; *provided, however,* that no Debentures of a principal amount of $1,000 or less shall be redeemed in part. Notice of redemption shall be given by first-class mail, postage prepaid, mailed not less than 30 nor more than 60 days before the Redemption Date, to each Holder of Debentures to be redeemed, at its address as shown in the Security Register. If any Debenture is to be redeemed in part only, the notice of redemption that relates to such Debenture shall state the portion of the principal amount thereof to be redeemed. A new Debenture in a principal amount equal to the unredeemed portion thereof will be issued in the name of the Holder thereof upon surrender for cancellation of the original Debenture. On and after the Redemption Date, interest will cease to accrue on Debentures or portions thereof called for redemption unless the Company defaults in the payment of the Redemption Price.

As used herein:

"Make-Whole Premium" means, in connection with any optional redemption of any Debenture, the excess, if any, of (i) the aggregate present value as of the Redemption Date of each dollar of principal of such Debentures being redeemed and the amount of interest (exclusive of interest accrued to the Redemption Date) that would have been payable in respect of such dollar if such redemption had not been made, determined by discounting, on a semi-annual basis, such principal and interest at a rate equal to the sum of the Treasury Yield (determined on the Business Day immediately preceding the Redemption Date) plus .25% from the respective dates on which such principal and interest would have been payable if such redemption had not been made, over (ii) the aggregate principal amount of such Debentures being redeemed.

"Treasury Yield" means, in connection with the calculation of any Make-Whole Premium on any Debenture, the yield to maturity at the time of computation of United States Treasury securities with a constant maturity (as compiled by and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days prior to the Redemption Date (or, if such Statistical Release is no longer published, any publicly available source of similar data)) equal to the then remaining maturity of such Debenture; *provided* that if no United States Treasury security is available with such a constant maturity and for which a closing yield is given, the Treasury Yield shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the closing yields of United States Treasury securities for which such yields are given, except that if the remaining maturity of such Debenture is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year shall be used.

Settlement for the Debentures will be made by the Underwriters in immediately available funds. So long as the Debentures are represented by a permanent global Debenture, all payments of principal and interest will be made by the Company in immediately available funds.

The Debentures have been approved for listing on the New York Stock Exchange, subject to official notice of issuance.

UNDERWRITING

Subject to the terms and conditions set forth in a Purchase Agreement, dated the date hereof, the Company has agreed to sell to each of the Underwriters named below (the "Underwriters"), and each of the Underwriters has severally agreed to purchase, the respective principal amount of the Debentures set forth opposite its name below:

Underwriters	Principal Amount of Debentures
Merrill Lynch, Pierce, Fenner & Smith Incorporated	$ 50,000,000
NationsBanc Montgomery Securities LLC	50,000,000
Edward D. Jones & Co., L.P.	50,000,000
Total	$150,000,000

In the Purchase Agreement, the Underwriters have agreed, subject to terms and conditions set forth therein, to purchase all of the Debentures offered hereby, if any Debentures are purchased. The Underwriters have advised the Company that they propose initially to offer the Debentures to the public at the initial public offering price set forth on the cover page of this Prospectus Supplement and to certain securities dealers at such price less a concession not in excess of .50% of the principal amount of each Debenture. The Underwriters may allow, and such dealers may reallow, a concession not in excess of .25% of the principal amount of each Debenture to certain brokers and dealers. After the initial public offering, the public offering price, concession and discount may be changed.

In connection with the offering of the Debentures, the Underwriters may engage in overallotment, stabilizing transactions and syndicate covering transactions in accordance with Regulation M under the Securities Exchange Act of 1934, as amended. Overallotment involves sales in excess of the offering size, which creates a short position for the Underwriters. Stabilizing transactions involve bids to purchase the Debentures in the open market for the purpose of pegging, fixing or maintaining the price of the Debentures. Syndicate covering transactions involve purchases of the Debentures in the open market after the distribution has been completed in order to cover short positions. These activities may cause the price of the Debentures to be higher than it would otherwise be in the absence of such transactions. Such activities, if commenced, may be discontinued at any time.

The Debentures are a new issue of securities with no established trading market. The Company has been advised by the Underwriters that the Underwriters intend to make a market in the Debentures but are not obligated to do so and may discontinue market making at any time without notice. No assurance can be given as to the liquidity of the trading market for the Debentures.

The Company has agreed to indemnify the several Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended, and to contribute to payments the Underwriters may be required to make in respect thereof.

Merrill Lynch, Pierce, Fenner & Smith Incorporated and affiliates of NationsBanc Montgomery Securities LLC have provided from time to time, and expect to provide in the future, investment or commercial banking services to the Company and its affiliates for which they have received or will receive customary fees and commissions. Because more than 10% of the net proceeds of this offering will be paid to NationsBank, N.A. , an affiliate of NationsBanc Montgomery Securities LLC, the offering will be conducted in accordance with National Association of Securities Dealers Conduct Rule 2710(c)(8).

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PROSPECTUS

Atmos Energy Corporation

$150,000,000

Debt Securities

Atmos Energy Corporation, a Texas and Virginia corporation (the "Company"), may offer from time to time, together or separately, its debt securities ("Debt Securities") on terms to be determined at the time of offering. Debt Securities with an aggregate issue price of up to $150,000,000 may be issued, in one or more series, under this Prospectus. The Debt Securities will be unsecured and will rank equally with all other unsecured and unsubordinated indebtedness of the Company.

The prospectus supplement ("Prospectus Supplement") accompanying this Prospectus sets forth, with respect to the particular series or issue of Debt Securities for which this Prospectus and the Prospectus Supplement are being delivered ("Offered Securities"): the terms of the Debt Securities offered, including, where applicable, their title, aggregate principal amount, maturity, rate of any interest (or the manner of calculation and time of payment thereof), any redemption or repayment terms, any index, formula or other method pursuant to which principal, premium or interest may be determined and the form of such Debt Securities (which may be in registered or global form), any initial public offering price, the purchase price and net proceeds to the Company and the other specific terms of such offering.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Offered Securities may be sold directly to purchasers or to or through underwriters, dealers or agents. If any underwriters, dealers or agents are involved in the offering of any Offered Securities, their names and any applicable fee, commission or discount arrangements will be set forth in the Prospectus Supplement. See "Plan of Distribution".

The date of this Prospectus is June 25, 1998.

AVAILABLE INFORMATION

The Company is subject to the informational requirements of the Securities Exchange Act of 1934 (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"), which may be inspected and copied at the public reference facilities maintained by the Commission at Judiciary Plaza, 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, and at the following regional offices of the Commission: New York Office (Seven World Trade Center, Suite 1300, New York, New York 10048) and Chicago Office (500 W. Madison St., Suite 1400, Chicago, Illinois 60621-2511). Copies of such materials also can be obtained upon request from the Public Reference Section of the Commission at Judiciary Plaza, 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, at prescribed rates. In addition, such materials may also be inspected and copied at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005, on which exchange one or more of the Company's securities are listed. Finally, copies of reports, proxy statements and other information filed with the Commission electronically by the Company may be inspected by accessing the Commission's Internet site at http://www.sec.gov.

The Company has filed with the Commission a registration statement on Form S-3 (herein, together with all amendments and exhibits, referred to as the "Registration Statement") under the Securities Act of 1933, as amended (the "Securities Act"). This Prospectus does not contain all the information set forth in the Registration Statement, certain parts of which are omitted in accordance with the rules and regulations of the Commission. For further information, reference is hereby made to the Registration Statement. Such additional information may be obtained from the Commission's principal office in Washington, D.C. Statements contained in this Prospectus as to the contents of any contract or other document referred to herein or therein are not necessarily complete, and in each instance reference is made to the copy of such contract or other document filed as an exhibit to the Registration Statement or such other document. A copy of the Registration Statement and the exhibits and schedules thereto may be examined without charge at the Commission's principal offices at Judiciary Plaza, 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, and copies of such materials can be obtained from the Public Reference Section of the Commission at prescribed rates.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents, which have heretofore been filed by the Company with the Commission pursuant to the Exchange Act, are incorporated herein by reference and are deemed to be a part hereof:

(a) Annual Report on Form 10-K for the fiscal year ended September 30, 1997;

(b) Quarterly Reports on Form 10-Q for the quarters ended December 31, 1997 and March 31, 1998; and

(c) Current Report on Form 8-K dated November 13, 1997.

All documents filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this Prospectus and prior to the termination of the offering of the Debt Securities offered hereby also shall be deemed to be incorporated by reference herein and to be a part hereof from the date of filing of such documents.

The Company will provide without charge to each person to whom this Prospectus is delivered, upon the written or oral request of any such person, a copy of any or all of the foregoing documents incorporated herein by reference, other than exhibits to such documents (unless such exhibits are specifically incorporated by reference into such documents). Such requests should be directed to: Atmos Energy Corporation, 1800 Three Lincoln Centre, 5430 LBJ Freeway, Dallas, Texas 75240, Attention: Investor Relations.

Any statement contained in a document all or a portion of which is incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified shall not be deemed to constitute a part of this Prospectus except as so modified, and any statement so superseded shall not be deemed to constitute part of this Prospectus.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

Statements contained in this Prospectus, including the documents that are incorporated by reference as set forth in "Incorporation of Certain Documents by Reference," that are not historical facts are forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on management's beliefs as well as assumptions made by and information currently available to management. Because such statements are based on expectations as to future economic performance and are not statements of fact, actual results may differ materially from those projected. Important factors that could cause future results to differ include, but are not limited to, national, regional and local economic competitive conditions, regulatory and business trends and decisions, technological developments, Year 2000 issues, inflation rates, weather conditions, and other factors discussed in this and other filings by the Company with the Commission, all of which are difficult to predict and many of which are beyond the control of the Company. Accordingly, while the Company believes these forward-looking statements to be reasonable, there can be no assurance that they will approximate actual experience or that the expectations derived from them will be realized. When used in the Company's documents or oral presentations, the words "anticipate," "estimate," "expect," "objective," "projection," "forecast," "goal" or similar words are intended to identify forward-looking statements.

THE COMPANY

The Company distributes and sells natural gas and propane to approximately 1.02 million residential, commercial, industrial, agricultural, and other customers. The Company distributes and sells natural gas through its five operating divisions to approximately 985,000 customers in 802 cities, towns, and communities in service areas located in Colorado, Georgia, Illinois, Iowa, Kansas, Kentucky, Louisiana, Missouri, South Carolina, Tennessee, Texas and Virginia. The Company also transports gas for others through parts of its distribution system. It also distributes propane to approximately 31,000 customers in Kentucky, North Carolina, Tennessee and Virginia.

The Company, through various wholly-owned subsidiaries, conducts operations that complement its natural gas and propane distribution business. One subsidiary, United Cities Gas Storage Company, owns natural gas storage fields in Kansas and Kentucky, which are used to supplement natural gas used by customers in those states. Another subsidiary, UCG Energy Corporation ("UCG Energy"), leases appliances, real estate, equipment, and vehicles to the United Cities Gas Company division and others, and owns a small interest in a partnership engaged in exploration and production activities. UCG Energy also owns a 45% interest in Woodward Marketing, L.L.C. ("WMLLC"), which conducts a gas marketing business. WMLLC provides gas marketing services to industrial customers, municipalities and local distribution companies, including the United Cities Gas Company division.

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The Company's principal executive offices are located at 1800 Three Lincoln Centre, 5430 LBJ Freeway, Dallas, Texas 75240, and its telephone number is (972) 934-9227.

RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth the ratio of earnings to fixed charges for the Company for the periods indicated:

	Year Ended September 30,					Six Months Ended March 31,	
	1993	1994	1995	1996	1997	1997	1998
Ratio of Earnings to Fixed Charges	2.35	2.30	2.31	2.82	1.95	5.13	5.09

For purposes of computing the foregoing ratios, (i) "earnings" represent the Company's net income from continuing operations plus applicable income taxes and fixed charges, and (ii) "fixed charges" represent interest expense, amortization of debt discount, premium and expense, capitalized interest, and a portion of lease payments considered to represent an interest factor.

USE OF PROCEEDS

Unless otherwise specified in the applicable Prospectus Supplement, the net proceeds received by the Company from the sale of the Debt Securities will be used for the repayment of short-term debt (i) incurred in connection with the establishment of a new customer service center located in Amarillo, Texas and (ii) representing transaction costs incurred in connection with the merger of United Cities Gas Company with and into the Company. If the Company elects at the time of an issuance of the Debt Securities to make a different or more specific use of proceeds other than that set forth herein, such use will be described in the Prospectus Supplement.

DESCRIPTION OF DEBT SECURITIES

The Debt Securities will be issued under an Indenture ("Indenture") between the Company and U.S. Bank Trust National Association, Trustee ("Trustee"). The form of the Indenture has been filed as an exhibit to the Registration Statement. The Indenture is subject to and governed by the Trust Indenture Act of 1939, as amended ("TIA"). The following summary of certain provisions of the Indenture does not purport to be complete and is subject to, and qualified in its entirety by reference to, the Indenture, including the definitions of certain terms therein. Whenever particular sections or defined terms of the Indenture are referred to, such sections or defined terms are incorporated by reference herein as part of the statement made, and the statement is qualified in its entirety by such reference.

General

The Indenture provides that any Offered Securities may be issued in one or more series, in each case as authorized from time to time by the Company; the Indenture does not limit the aggregate principal amount of debt securities that may be issued thereunder. Reference is made to the Prospectus Supplement relating to the Offered Securities for the following:

(1) The title of such Debt Securities.

(2) The aggregate principal amount of such Debt Securities, the percentage of their principal amount at which such Debt Securities will be issued and the date or dates on which the principal of such Debt Securities will be payable or the method by which such date or dates will be determined or extended.

(3) The rate or rates (which may be fixed or variable) at which such Debt Securities will bear interest, if any, and, if variable, the method by which such rate or rates will be determined.

(4) The date or dates from which any interest will accrue or the method by which such date or dates will be determined, the date or dates on which any interest will be payable (including the Regular

Record Dates for such Interest Payment Dates) and the basis on which any interest will be calculated if other than on the basis of a 360-day year of twelve 30-day months.

(5) The place or places, if any, other than or in addition to New York City, where the principal of (and premium, if any, on) and interest, if any, on such Debt Securities will be payable; where any Debt Securities may be surrendered for registration of transfer, where such Debt Securities may be surrendered for exchange and where notices or demands to or upon the Company in respect of such Debt Securities may be served.

(6) The period or periods within which, the price or prices at which and the other terms and conditions upon which, such Debt Securities may be redeemed, in whole or in part, at the option of the Company, if the Company is to have that option.

(7) The obligation, if any, of the Company to redeem, purchase or repay such Debt Securities, in whole or in part, pursuant to any sinking fund or analogous provision or at the option of a holder thereof, and the period or periods within which, the price or prices at which and the other terms and conditions upon which, such Debt Securities will be so redeemed, purchased or repaid.

(8) Whether the amount of payments of principal of (and premium, if any, on) and interest, if any, on such Debt Securities may be determined with reference to an index, formula or other method (which index, formula or method may, without limitation, be based on one or more commodities, equity indices or other indices) and the manner in which such amounts will be determined.

(9) Any deletions from, modifications of or additions to the Events of Default or covenants of the Company with respect to such Debt Securities (which Events of Default or covenants may not be consistent with the Events of Default or covenants set forth in the general provisions of the Indenture).

(10) If other than the entire principal amount thereof, the portion of the principal amount of such Debt Securities that will be payable upon declaration of acceleration of the maturity thereof or the method by which such portion will be determined.

(11) Any provisions in modification of, in addition to or in lieu of any of the provisions concerning defeasance and covenant defeasance contained in the Indenture that will be applicable to such Debt Securities.

(12) Any provisions granting special rights to the holders of such Debt Securities upon the occurrence of such events as may be specified.

(13) If other than the Trustee, the designation of any Paying Agent or Security Registrar for such Debt Securities, and the designation of any transfer or other agents or depositories for such Debt Securities.

(14) Whether such Debt Securities will be issuable initially in temporary global form, whether any such Debt Security is to be issuable in permanent global form (a "Global Security") and, if so, whether beneficial owners of interests in any Global Security may exchange such interests for Debt Securities of like tenor of any authorized form and denomination and the circumstances under which any such exchanges may occur, if other than in the manner provided in the Indenture, and, if such Debt Securities are to be issuable as a Global Security, the identity of the depository for such Debt Securities.

(15) The person to whom any interest on any Debt Security will be payable, if other than the person in whose name such Debt Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest, or the manner in which any interest payable on a temporary Debt Security issued in global form will be paid (if other than as described in "Book-Entry Debt Securities" below).

(16) The denomination or denominations in which such Debt Securities will be issuable, if other than $1,000 or any integral multiple thereof.

(17) Whether and under what circumstances the Company will pay Additional Amounts, as contemplated by Section 1008 of the Indenture, on such Debt Securities to any holder who is not a United States person (including any modification of the definition of such term as contained in the Indenture) in respect of any tax, assessment or governmental charge and, if so, whether the Company will have the option to redeem such Debt Securities rather than pay such Additional Amounts (and the terms of any such option).

(18) Any other, terms, conditions, rights and preferences (or limitations on such rights and preferences) of such Debt Securities not inconsistent with the provisions of the Indenture (Section 301).

If the terms of any series of Debt Securities provide that the Company may be required to pay Additional Amounts in respect thereof, for purposes of this Prospectus, any reference to the payment of the principal of (and premium, if any, on) or interest, if any, on such Debt Securities will be deemed to include mention of the payment of the Additional Amounts provided for by the terms of such Debt Securities.

The Debt Securities referred to on the cover page of this Prospectus, and any additional debt securities issued under the Indenture, are herein collectively referred to, while a single Trustee is acting with respect to all debt securities issued thereunder, as the "Indenture Securities". The Indenture provides that there may be more than one Trustee thereunder, each with respect to one or more series of Indenture Securities. At a time when two or more Trustees are acting under the Indenture, each with respect to only certain series, the term "Indenture Securities" as used herein will mean the series with respect to which each respective Trustee is acting. In the event that there is more than one Trustee under the Indenture, the powers and trust obligations of each Trustee as described herein will extend only to the series of Indenture Securities for which it is the Trustee. If two or more Trustees are acting under the Indenture, then the Indenture Securities for which each Trustee is acting would in effect be treated as if issued under separate indentures.

The Debt Securities may provide for less than the entire principal amount thereof to be due and payable upon a declaration of acceleration of the maturity thereof. A discussion of the federal income tax and other considerations applicable to Original Issue Discount Securities will be set forth in the Prospectus Supplement relating thereto.

The Debt Securities will be unsecured obligations of the Company and will rank on a parity with all other unsecured and unsubordinated indebtedness of the Company.

The general provisions of the Indenture do not limit the ability of the Company to incur indebtedness and do not afford holders of Debt Securities protection in the event of highly leveraged or similar transactions involving the Company. However, the general provisions of the Indenture do provide that neither the Company nor any Restricted Subsidiary will subject certain of its properties or assets to any mortgage or other encumbrance unless the Indenture Securities outstanding thereunder are secured equally and ratably with or prior to such other indebtedness thereby secured. See "Limitations on Liens" and "Limitation on Sale and Leaseback Transactions" under the heading "Certain Covenants". Reference is made to the Prospectus Supplement for information with respect to any deletions from, modifications of or additions to the Events of Default or covenants of the Company that are described below, including any addition of a covenant or other provision providing event risk or similar protection.

Under the Indenture, the Company has the ability to issue Indenture Securities with terms different from those of Indenture Securities previously issued thereunder and, without the consent of the holders, to reopen a previous issue of a series of Indenture Securities and issue additional Indenture Securities of such series (unless such reopening was restricted when such series was created) in an aggregate principal amount determined by the Company (Section 301).

There is no requirement that future issues of debt securities of the Company be issued under the Indenture, and the Company will be free to employ other indentures or documentation, possibly containing provisions different from those included in the Indenture or applicable to one or more issues of Indenture Securities, in connection with such future issues.

Certain Covenants

Limitations on Liens

The Indenture provides that the Company will not, and will not permit any Restricted Subsidiary to, create, incur, issue or assume any Indebtedness secured by any Lien on any Principal Property, or on shares of stock or Indebtedness of any Restricted Subsidiary ("Restricted Securities"), without making effective provision for the Outstanding Indenture Securities (other than any Outstanding Indenture Securities not entitled to this covenant) to be secured by the Lien equally and ratably with (or prior to) any and all Indebtedness and obligations secured or to be secured thereby for so long as such Indebtedness is so secured, except that the foregoing restriction will not apply to:

(1) Any Lien existing on the date of the first issuance of Indenture Securities under the Indenture, including, but not limited to, the Liens on property or after-acquired property of the Company or its Subsidiaries under the Greeley Indenture or the United Cities Indenture.

(2) Any Lien on any Principal Property or Restricted Securities of any Person existing at the time such Person is merged or consolidated with or into the Company or a Restricted Subsidiary, or such Person becomes a Restricted Subsidiary.

(3) Any Lien on any Principal Property existing at the time of acquisition of such Principal Property by the Company or a Restricted Subsidiary, whether or not assumed by the Company or such Restricted Subsidiary, *provided* that no such Lien may extend to any other Principal Property of the Company or any Restricted Subsidiary.

(4) Any Lien on any Principal Property (including any improvements on an existing Principal Property) of the Company or any Restricted Subsidiary, and any Lien on the shares of stock of a Restricted Subsidiary that was formed or is held for the purpose of acquiring and holding such Principal Property, in each case to secure all or any part of the cost of acquisition, development, operation, construction, alteration, repair or improvement of all or any part of such Principal Property (or to secure Indebtedness incurred by the Company or a Restricted Subsidiary for the purpose of financing all or any part of such cost); *provided* that such Lien is created prior to, at the time of, or within 12 months after the latest of, the acquisition, completion of construction or improvement or commencement of commercial operation of such Principal Property and *provided, further,* that no such Lien may extend to any other Principal Property of the Company or any Restricted Subsidiary, other than any theretofore unimproved real property on which the Principal Property is so constructed or developed or the improvement is located.

(5) Any Lien on any Principal Property or Restricted Securities to secure Indebtedness owing to the Company or to another Restricted Subsidiary.

(6) Any Lien in favor of governmental bodies to secure advances or other payments pursuant to any contract or statute or to secure Indebtedness incurred to finance the purchase price or cost of constructing or improving the property subject to such Lien.

(7) Any Lien created in connection with a project financed with, and created to secure, Non-Recourse Indebtedness.

(8) Any Lien required to be placed on any property of the Company or its Subsidiaries pursuant to the provisions of the Greeley Indenture, the United Cities Indenture, the Note Purchase Agreements or the Loan Agreement.

(9) Any extension, renewal, substitution or replacement (or successive extensions, renewals, substitutions or replacements), in whole or in part, of any Lien referred to in the foregoing clauses (1) through (8), *provided* that the Indebtedness secured thereby may not exceed the principal amount of Indebtedness so secured at the time of such renewal or refunding, and that such renewal or refunding Lien must be limited to all or any part of the same property and improvements thereon, shares of stock or Indebtedness that secured the Lien renewed or refunded.

(10) Any Lien not permitted above securing Indebtedness that, together with the aggregate outstanding principal amount of other secured Indebtedness that would otherwise be subject to the foregoing restrictions (excluding Indebtedness secured by Liens permitted under the foregoing exceptions) and the Attributable Debt in respect of all Sale and Leaseback Transactions (not including Attributable Debt in respect of any such Sale and Leaseback Transactions described in clause (iii) or (iv) of the next succeeding paragraph) would not then exceed 10% of Consolidated Net Tangible Assets (Section 1006).

Limitation on Sale and Leaseback Transactions

The Indenture provides that the Company will not, and will not permit any Restricted Subsidiary to, enter into any Sale and Leaseback Transaction unless (i) the Company or a Restricted Subsidiary would be entitled, without securing the Outstanding Indenture Securities, to incur Indebtedness secured by a Lien on the Principal Property that is the subject of such Sale and Leaseback Transaction; (ii) the Attributable Debt associated therewith would be in an amount permitted under clause (10) of the preceding paragraph; (iii) the proceeds received in respect of the Principal Property so sold and leased back at the time of entering into such Sale and Leaseback Transaction are used for the business and operations of the Company or any Subsidiary; or (iv) within 12 months after the sale or transfer, an amount equal to the proceeds received in respect of the Principal Property so sold and leased back at the time of entering into such Sale and Leaseback Transaction is applied to the prepayment (other than mandatory prepayment) of any Outstanding Indenture Securities or Funded Indebtedness of the Company or a Restricted Subsidiary (other than Funded Indebtedness that is held by the Company or any Restricted Subsidiary or Funded Indebtedness of the Company that is subordinate in right of payment to any Outstanding Indenture Securities) (Section 1007).

Certain Definitions

"Attributable Debt" means, as to any particular lease under which any Person is at the time liable, at any date as of which the amount thereof is to be determined, the total net amount of rent required to be paid by such Person under such lease during the remaining term thereof (excluding amounts required to be paid on account of maintenance and repairs, services, insurance, taxes, assessments, water rates and similar charges and contingent rents), discounted from the respective due dates thereof at the weighted average of the rates of interest (or Yield to Maturity, in the case of Original Issue Discount Securities) borne by the Indenture Securities then outstanding under the Indenture, compounded annually.

"Capital Stock" means, with respect to any corporation, any and all shares, interests, rights to purchase. warrants, options, participations or other equivalents of or interests (however designated) in stock issued by that corporation.

"Consolidated Net Tangible Assets" means the aggregate amount of assets (less applicable reserves and other properly deductible items) after deducting therefrom (i) all current liabilities (excluding any portion thereof constituting Funded Indebtedness) and (ii) all goodwill, trade names, trademarks, patents, unamortized debt discount and expense and other like intangibles, all as set forth on the most recent consolidated balance sheet of the Company contained in the latest annual report to shareholders of the Company and computed in accordance with generally accepted accounting principles.

"Funded Indebtedness" as applied to any Person, means all Indebtedness of such Person maturing after, or renewable or extendable at the option of such Person beyond, 12 months from the date of determination.

"Greeley Indenture" means that certain Indenture of Mortgage and Deed of Trust, dated as of March 1, 1957, from Greeley Gas Company to U.S. Bank National Association (formerly The Central Bank and Trust Company), as Trustee, as amended and supplemented through December 1, 1993 (the Indenture of Mortgage and Deed of Trust through the Tenth Supplemental Indenture by the Company to U.S. Bank National Association (formerly The Central Bank and Trust Company), as Trustee).

"Indebtedness" means obligations for money borrowed, evidenced by notes, bonds, debentures or other similar evidences of indebtedness.

"Lien" means any lien, mortgage, pledge, encumbrance, charge or security interest securing Indebtedness; *provided, however,* that the following types of transactions will not be considered for purposes of this definition to result in a Lien: (i) any acquisition by the Company or any Restricted Subsidiary of any property or assets subject to any reservation or exception under the terms of which any vendor, lessor or assignor creates, reserves or excepts or has created, reserved or excepted an interest in oil, gas or any other mineral in place or the proceeds thereof, (ii) any conveyance or assignment whereby the Company or any Restricted Subsidiary conveys or assigns to any Person or Persons an interest in oil, gas or any other mineral in place or the proceeds thereof, (iii) any Lien upon any property or assets either owned or leased by the Company or any Restricted Subsidiary or in which the Company or any Restricted Subsidiary owns an interest that secures for the benefit of the Person or Persons paying the expenses of developing or conducting operations for the recovery, storage, transportation or sale of the mineral resources of the such property or assets (or property or assets with which it is unitized) the payment to such Person or Persons of the Company's or the Restricted Subsidiary's proportionate part of such development or operating expenses, (iv) any hedging arrangements entered into in the ordinary course of business, including any obligation to deliver any mineral, commodity or asset in connection therewith or (v) any guarantees by the Company of the repayment of Indebtedness of any Subsidiary or guarantees by any Subsidiary of the repayment of Indebtedness of any entity, including, but not limited to, Indebtedness of Woodward Marketing, L.L.C.

"Loan Agreement" means that certain Loan Agreement by and between the Company and NationsBank of Texas, N.A., dated as of November 26, 1996.

"Note Purchase Agreements" collectively refers to the following Note Purchase Agreements, as amended, which were executed by and between the Company and the following parties on the dates indicated: (i) John Hancock Mutual Life Insurance Company, dated December 21, 1987; (ii) Mellon Bank, N.A., Trustee under Master Trust Agreement of AT&T Corporation, dated January 1, 1984, for Employee Pension Plans — AT&T — John Hancock — Private Placement, dated December 21, 1987 (Agreement is identical to Hancock Agreement listed above except as to the parties thereto and the amounts thereof); (iii) John Hancock Mutual Life Insurance Company, dated October 11, 1989; (iv) The Variable Annuity Life Insurance Company, dated August 29, 1991; (v) The Variable Annuity Life Insurance Company, dated August 31, 1992; and (vi) New York Life Insurance Company, New York Life Insurance and Annuity Corporation, The Variable Annuity Life Insurance Company, American General Life Insurance Company and Merit Life Insurance Company, dated November 14, 1994.

"Non-Recourse Indebtedness" means, at any time, Indebtedness incurred after the date of the Indenture by the Company or a Restricted Subsidiary in connection with the acquisition of property or assets by the Company or a Restricted Subsidiary or the financing of the construction of or improvements on property, whenever acquired, *provided* that, under the terms of such Indebtedness and pursuant to applicable law, the recourse at such time and thereafter of the lenders with respect to such Indebtedness is limited to the property or assets so acquired, or such construction or improvements, including Indebtedness as to which a performance or completion guarantee or similar undertaking was initially applicable to such Indebtedness or the related property or assets if such guarantee or similar undertaking has been satisfied and is no longer in effect.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Principal Property" means any natural gas distribution property or propane property located in the United States, except any such property that in the opinion of the Board of Directors of the Company is not of material importance to the total business conducted by the Company and its consolidated Subsidiaries.

"Restricted Subsidiary" means any Subsidiary that owns or leases a Principal Property.

"Sale and Leaseback Transaction" means any arrangement with any Person pursuant to which the Company or any Restricted Subsidiary leases any Principal Property that has been or is to be sold or transferred by the Company or the Restricted Subsidiary to such Person, other than (i) a lease for a term, including renewals at the option of the lessee, of not more than three years or classified as an operating lease under generally accepted accounting principles, (ii) leases between the Company and a Restricted Subsidiary or between Restricted Subsidiaries and (iii) leases of a Principal Property executed by the time of, or within 12 months after the latest of, the acquisition, the completion of construction or improvement, or the commencement of commercial operation, of the Principal Property.

"Subsidiary" of the Company means (i) a corporation, a majority of which Capital Stock with voting power, under ordinary circumstances, to elect directors is owned, directly or indirectly, at the date of determination, by the Company, by one or more Subsidiaries or by the Company and one or more Subsidiaries or (ii) any other Person (other than a corporation) in which at the date of determination the Company, one or more Subsidiaries or the Company and one or more Subsidiaries, directly or indirectly, has at least a majority ownership and power to direct the policies, management and affairs thereof.

"United Cities Indenture" means that certain Indenture of Mortgage, dated as of July 15, 1959, from United Cities Gas Company to U.S. Bank Trust National Association (formerly First Trust of Illinois, National Association), and M.J. Kruger, as Trustees, as amended and supplemented through July 29, 1997 (the Indenture of Mortgage through the Twenty-Second Supplemental Indenture by the Company to U.S. Bank Trust National Association (formerly First Trust National Association), and Russell C. Bergman, as Trustees) (Section 101).

Denominations

Unless otherwise provided in the applicable Prospectus Supplement, Debt Securities are issuable only in fully registered form in denominations of $1,000 and integral multiples of $1,000. The Indenture also provides that Debt Securities of a series may be issuable in global form. See "Book-Entry Debt Securities" below (Sections 201, 301 and 302).

Payment, Transfer and Exchange

The Company will be required to maintain an office or agency in each Place of Payment for such series, and may from time to time designate additional offices or agencies, at which the principal of (and premium, if any, on) and interest, if any, on such series will be payable (Sections 301 and 1002). If so provided in the Prospectus Supplement, the Place of Payment will be New York City, and the Company will initially designate the office of the agent of the Trustee in New York City as an office where such principal, premium and interest will be payable. Notwithstanding the foregoing, at the option of the Company, interest, if any, may be paid on Debt Securities (i) by check mailed to the person entitled thereto at such person's address appearing in the Security Register or (ii) by wire transfer to an account located inside the United States maintained by the person entitled thereto as specified in the Security Register (Sections 308 and 1002). Unless otherwise provided in the Prospectus Supplement, payment of any installment of interest on Debt Securities will be made to the person in whose name such Debt Security is registered at the close of business on the Regular Record Date for such interest (Section 308).

The Company may from time to time designate additional offices or agencies, approve a change in the location of any office or agency and, except as provided above, rescind the designation of any office or agency.

All moneys paid by the Company to the Trustee or a Paying Agent for the payment of principal of (or premium, if any, on) or interest, if any, on any Debt Security that remains unclaimed for two years after such principal, premium or interest becomes due and payable will be repaid to the Company, and the holder of such Debt Security will (subject to applicable abandoned property or similar laws) thereafter, as an unsecured general creditor, look only to the Company for payment thereof (Section 1003).

Subject to the terms of the Indenture and the limitations applicable to Global Securities, Debt Securities of any series will be exchangeable for other Debt Securities of the same series of any authorized denominations and of a like aggregate principal amount (Section 306).

Subject to the terms of the Indenture and the limitations applicable to Global Securities, Debt Securities of a series may be presented for registration of transfer and for exchange (i) at each office or agency required to be maintained by the Company for payment of such series, as described above, and (ii) at each other office or agency that the Company may designate from time to time for such purposes. Registration of transfers and exchanges will be effected if the transfer agent is satisfied with the evidence of ownership and identity of the person making the request and if the transfer form thereon is duly executed. No service charge will be made for any registration of transfer or exchange of Debt Securities, but the Company may require payment of any tax or other governmental charge payable in connection therewith (Section 306).

In the event of any redemption in part, the Company will not be required (i) to register the transfer of or exchange Debt Securities of any series during a period beginning at the opening of business 15 days before any selection of Debt Securities of that series to be redeemed and ending at the close of business on the date the relevant notice of redemption is mailed, (ii) to register the transfer of or exchange any Debt Security or portion thereof called for redemption, except the unredeemed portion, if any, of a Debt Security being redeemed in part or (iii) to register the transfer of or exchange any Debt Security that has been surrendered for repayment at the option of the holder, except the portion, if any, of such Debt Security not to be so repaid (Section 306).

Consolidation, Merger and Sale of Assets

The Company may not consolidate with or merge into, or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its assets to, any Person, unless each of the following conditions is satisfied:

(1) Immediately after giving effect to such transaction, no Event of Default (or event that with notice or lapse of time, or both, would be such) with respect to the Indenture Securities will have happened and be continuing.

(2) The corporation or other entity formed by such consolidation or into which the Company is merged, or the Person to which such properties and assets will have been conveyed, transferred or leased, assumes the Company's obligation as to the due and punctual payment of the principal of (and premium, if any, on) and interest, if any, on the Indenture Securities and the performance and observance of every covenant to be performed by the Company under the Indenture, and will be organized under the laws of the United States, one of the States thereof or the District of Columbia.

(3) The Company has delivered to the Trustee an Officers' Certificate and Opinion of Counsel, each stating that the transaction complies with these conditions (Section 801).

In the event that any transaction described in and complying with the conditions listed in the immediately preceding paragraph occurs, the Company would be discharged from all obligations and covenants under the Indenture and all obligations under the Indenture Securities, with the successor corporation or Person succeeding to such obligations and covenants of the Company (Section 802).

In the event of any such transaction, the Indenture provides that, if any Principal Property or Restricted Securities would thereupon become subject to any Lien, the Indenture Securities (other than any Indenture Securities not entitled to the benefit of the "Limitation of Liens" covenant) will be secured, as to such Principal Property or Restricted Securities, equally and ratably with (or prior to) the Indebtedness that upon the occurrence of such transaction would become secured by such Lien, unless such Lien could be created under the Indenture without equally and ratably securing such Indenture Securities (Section 803).

Modification and Waiver

The Indenture permits the Company and the Trustee, with the consent of the holders of not less than a majority in aggregate principal amount of Outstanding Indenture Securities affected thereby, to execute supplemental indentures adding any provisions to or changing or eliminating any provisions of the Indenture or modifying the rights of such holders, except that no such supplemental indenture may, without the consent of the holder of each Outstanding Indenture Security affected thereby:

(1) Change the Stated Maturity of the principal of (or premium, if any, on) or any installment of interest on any Indenture Security, or reduce the principal amount thereof (or any premium, if any, thereon) or the rate of interest, if any, thereon, or change any obligation of the Company to pay

Additional Amounts on any Indenture Security as contemplated by Section 1008 of the Indenture, or reduce the amount of the principal of an Indexed Security or an Original Issue Discount Security that would be due and payable upon an acceleration of maturity thereof or the amount thereof provable in bankruptcy, or adversely affect the right of repayment, if any, at the option of the holder, or change any Place of Payment where any Indenture Security or any premium or interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or on or after any Redemption Date or Repayment Date), or adversely affect any right to convert or exchange any Indenture Security.

(2) Reduce the aforesaid percentage in principal amount of Outstanding Indenture Securities, the consent of the holders of which is required for any such supplemental indenture.

(3) Reduce the percentage in principal amount of outstanding Indenture Securities, the consent of the holders of which is necessary to modify or waive any default under the Indenture (Section 902).

The holders of a majority in aggregate principal amount of Outstanding Indenture Securities have the right to waive compliance by the Company with certain covenants contained in the Indenture (Section 1009).

Modification and amendment of the Indenture may be made by the Company and the Trustee without the consent of any holder, for any of the following purposes: (i) to evidence the succession of another Person to the Company as obligor under the Indenture; (ii) to add to the covenants of the Company for the benefit of the holders of any series of Indenture Securities; (iii) to add Events of Default for the benefit of the holders of any such series; (iv) to change or eliminate any provisions of the Indenture, *provided* that any such change or elimination will become effective only when there is no Indenture Security Outstanding thereunder of any series that is entitled to the benefit of such provisions; (v) to secure the Indenture Securities Outstanding under the Indenture pursuant to the requirements of Section 803 or 1006 of the Indenture, or otherwise; (vi) to establish the form or terms of Indenture Securities of any series, as permitted by Sections 201 and 301 of the Indenture; (vii) to provide for the acceptance of appointment by a successor Trustee or facilitate the administration of the trusts under the Indenture by more than one Trustee; (viii) to close the Indenture with respect to the authentication and delivery of additional series of Indenture Securities; (ix) to cure any ambiguity or inconsistency in the Indenture, provided such action does not adversely affect in any material respect the interests of holders of Indenture Securities of any series thereunder; (x) to supplement any of the provisions of the Indenture to the extent necessary to permit or facilitate defeasance and discharge of any series of Indenture Securities, provided that such action does not adversely affect in any material respect the interests of the holders of the Indenture Securities; or (xi) to make any other change that does not affect the rights of any holder (Section 901).

The Indenture provides that in determining whether the holders of the requisite principal amount of Indenture Securities of a series then outstanding have given any request, demand, authorization, direction, notice, consent or waiver thereunder or whether a quorum is present at a meeting of holders of such Indenture Securities, (i) the principal amount of an Original Issue Discount Security that will be deemed to be outstanding will be the amount of the principal thereof that would be due and payable as of the date of such determination upon acceleration of the maturity thereof and (ii) the principal amount of an Indexed Security that may be counted in making such determination or calculation and that will be deemed outstanding for such purpose will be equal to the principal face amount of such Indexed Security at original issuance, unless otherwise provided with respect to such Indenture Security pursuant to Section 301 (Section 101).

Events of Default

The following are Events of Default with respect to any series of Indenture Securities: (i) default in the payment of any installment of interest upon any Indenture Security of such series when it becomes due and payable, continued for 30 days; (ii) default in the payment of the principal of (or premium, if any, on) any Indenture Security of such series at its Maturity; (iii) failure on the part of the Company to observe or perform any other covenant or agreement contained in the Indenture (other than a covenant or agreement included in the Indenture solely for the benefit of less than all series of Indenture Securities or a covenant the default in the performance of which would be covered by clause (vi) below) for 60 days after written notice of such failure, requiring the Company to remedy the same, has been given to the Company by the Trustee or to the Company and the Trustee by the holders of at least 25% in aggregate principal amount of Outstanding Indenture Securities of such series; (iv) default under any indenture or instrument under which the Company or any Restricted Subsidiary has at the time outstanding indebtedness for borrowed money or guarantees thereof in any individual instance in excess of $15,000,000 and, if not already matured in accordance with its terms, such indebtedness has been accelerated and such acceleration is not rescinded or annulled within 15 days after notice thereof has been given to the Company by the Trustee or to the Company and the Trustee by the holders of at least 25% in aggregate principal amount of Outstanding Indenture Securities of such series; *provided* that, if, prior to the entry of judgment in favor of the Trustee for payment of the Indenture Securities of such series, the default under such indenture or instrument has been remedied or cured by the Company or such Restricted Subsidiary, or waived by the holders of such indebtedness, then the Event of Default under the Indenture will be deemed likewise to have been remedied, cured or waived; (v) certain events of bankruptcy, insolvency or reorganization affecting the Company; and (vi) any other Event of Default included in the Indenture for the benefit of Indenture Securities of such series (Section 501).

If an Event of Default with respect to Indenture Securities of any series at the time Outstanding occurs and is continuing, either the Trustee or the holders of at least 25% in aggregate principal amount of the Outstanding Securities of that series (or, if the Indenture Securities of that series are Original Issue Discount Securities or Indexed Securities, such portion of the principal amount as may be specified in the terms of that series) by notice as provided in the Indenture may declare the principal amount of all the Indenture Securities of that series and the accrued interest thereon to be due and payable immediately. At any time after a declaration of acceleration with respect to Indenture Securities of any series has been made, but before a judgment or decree for payment of money has been obtained by the Trustee, the holders of a majority in aggregate principal amount of the Outstanding Securities of that series may, under certain circumstances, rescind and annul such acceleration (Section 502).

The holders of a majority in aggregate principal amount of Outstanding Indenture Securities of any series have the right to waive certain past defaults under the Indenture (Section 513).

The Indenture provides that, subject to the duty of the Trustee during default to act with the required standard of care, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request or direction of any of the holders, unless such holders shall have offered to the Trustee reasonable indemnity (Section 602). Subject to such provisions for the indemnification of the Trustee, the holders of a majority in aggregate principal amount of the Outstanding Securities of any series will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee, with respect to the Indenture Securities of that series unless the Trustee shall determine that the action specified would be in conflict with any rule or law (Section 512).

The Company will be required to furnish the Trustee annually a certificate stating whether or not the Company is in default under the Indenture and, if so, specifying all such defaults and the nature thereof (Section 1004).

Defeasance and Covenant Defeasance

The Indenture provides that the Company may elect either (i) to defease and be discharged from any and all obligations with respect to all or a portion of the Indenture Securities of any series (except for the obligations (a) to pay Additional Amounts, if any; (b) to register the transfer of or exchange such Indenture Securities; (c) to replace temporary or mutilated, destroyed, lost or stolen Indenture Securities of such series; (d) to maintain an office or agency in respect of such Indenture Securities; and (e) to hold moneys for payment in trust) ("defeasance"); or (ii) to be released from its obligations with respect to such outstanding Indenture Securities under Sections 1006 and 1007 of the Indenture (being the restrictions described above under "Liens" and "Sale and Leaseback Transactions", respectively, under the heading "Certain Covenants") or, if so provided pursuant to the Indenture, its obligations with respect to any other covenant, and any omission to comply with such obligations will not constitute a default or an Event of Default with respect to such Indenture Securities ("covenant defeasance"), in either case upon the irrevocable deposit by the Company with the Trustee (or other qualifying trustee), in trust, of (i) an amount in cash; (ii) Government Obligations (as defined below) that, through the payment of principal and interest in accordance with their terms, will provide money in an amount; or (iii) a combination thereof in an amount, sufficient to pay the principal of (and premium, if any, on) and interest, if any, to Stated Maturity (or redemption) on such Indenture Securities and any mandatory sinking fund or analogous payments thereon, on the scheduled due dates therefor (Article 14).

Such a trust may only be established if, among other things, the Company has delivered to the Trustee an Opinion of Counsel to the effect that the holders of such Indenture Securities will not recognize income, gain or loss for United States federal income tax purposes as a result of such defeasance or covenant defeasance and will be subject to United States federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance or covenant defeasance had not occurred, and such opinion, in the case of defeasance under clause (i) above, must refer to and be based upon a ruling of the Internal Revenue Service or a change in applicable United States federal income tax law occurring after the date of the Indenture (Section 1404).

In the event the Company effects covenant defeasance with respect to any Indenture Securities and such Indenture Securities are declared due and payable because of the occurrence of any Event of Default other than (a) an Event of Default described in clause (iii) under "Events of Default" with respect to Sections 1006 and 1007 of the Indenture (which Sections would no longer be applicable to such Indenture Securities) or (b) an Event of Default described in clause (iii) or (vi) under "Events of Default" with respect to any other covenant as to which there has been defeasance, the realizable value of the money and Government Obligations on deposit with the Trustee may not be sufficient to pay amounts due on such Debt Securities at the time of the acceleration resulting from such Event of Default, in that the required deposit with the Trustee is based upon scheduled cash flows rather than market value, which will vary depending upon interest rates and other factors. However, the Company would remain liable to make payment of such shortfall amounts due at the time of acceleration.

The Prospectus Supplement may further describe the provisions, if any, permitting such defeasance or covenant defeasance, including any modifications to the provisions described above, with respect to the Indenture Securities of or within a particular series.

Book-Entry Debt Securities

Debt Securities of a series may be issued in whole or in part in the form of one or more Global Securities that will be deposited with, or on behalf of, a depository identified in the Prospectus Supplement relating to such series. Global Securities will be issued in registered form and in either temporary or permanent form. Unless otherwise provided in the Prospectus Supplement, Debt Securities of a series that are represented by a Global Security may be issued in any denomination, and will be issued in registered form only, without coupons. Payments of principal of (and premium, if any, on) and interest, if any, on Debt Securities of such series represented by a Global Security will be made by the Company or the Trustee to the depository (Sections 304 and 305).

The Company anticipates that any Global Securities will be deposited with, or on behalf of, The Depository Trust Company ("DTC"), New York, New York, that such Global Securities will be registered in the name of DTC's nominee, and that the following provisions will apply to the depository arrangements with respect to any such Global Securities. Additional or differing terms of the depository arrangement will be described in the Prospectus Supplement relating to Offered Securities issued in the form of Global Securities.

So long as DTC or its nominee is the registered owner of a Global Security, DTC or its nominee, as the case may be, will be considered the sole holder of the Debt Securities represented by such Global Security for all purposes under the Indenture. Except as described below, owners of beneficial interests in a Global Security will not be entitled to have Debt Securities represented by such Global Security registered in their names, will not receive or be entitled to receive physical delivery of Debt Securities in certificated form and will not be considered the owners or holders of Debt Securities under the Indenture. The laws of some states require that certain purchasers of securities take physical delivery of such securities in certificated form; accordingly, such laws may limit the transferability of beneficial interests in a Global Security.

Debt Securities will be issued in fully registered, certificated form ("Definitive Securities") to holders or their nominees, rather than to DTC or its nominee only if (i) DTC notifies the Trustee in writing that DTC is no longer willing or able to continue as depositary and a qualified successor depository is not appointed by the Company within 90 days following such notice; (ii) the Company, at any time and in its sole discretion, determines not to have any Debt Securities of one or more series represented by Global Securities; or (iii) after the occurrence of an Event of Default with respect to such Debt Securities, a holder of Debt Securities notifies the Trustee in writing that it wishes to receive a Definitive Security. In any such instance, an owner of a beneficial interest in a Global Security will be entitled to physical delivery of Definitive Securities equal in principal amount to such beneficial interest and registered in its name.

The following is based on information furnished by DTC:

DTC will act as securities depository for the Debt Securities. The Debt Securities will be issued as fully registered securities registered in the name of Cede & Co. (DTC's nominee). One fully registered Debt Security certificate will be issued with respect to each $200 million of principal amount of the Debt Securities of a series, and an additional certificate will be issued with respect to any remaining principal amount of such series.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities that its participants ("Participants") deposit with DTC.

DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations ("Direct Participants"). DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The rules applicable to DTC and its Participants are on file with the Commission.

Purchases of Debt Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Debt Securities on DTC's records. The ownership interest of each actual purchaser of each Debt Security ("Beneficial Owner") is in turn to be recorded on the Participants' records. A Beneficial Owner will not receive written confirmation from DTC of its purchase, but such Beneficial Owner is expected to receive a written confirmation providing details of the transaction, as well as periodic statements of its holdings, from the Participant through which such Beneficial Owner entered into the transaction. Transfers of ownership interests in Debt Securities are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Debt Securities, except in the event that use of the book-entry system for the Debt Securities is discontinued.

To facilitate subsequent transfers, the Debt Securities will be registered in the name of DTC's partnership nominee, Cede & Co. The deposit of the Debt Securities with DTC and their registration in the name of Cede & Co. will effect no change in beneficial ownership. DTC will have no knowledge of the actual Beneficial Owners of the Debt Securities; DTC records will reflect only the identity of the Direct Participants to whose accounts Debt Securities are credited, which may or may not be the

Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Delivery of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. will consent or vote with respect to the Debt Securities. Under its usual procedures, DTC mails a proxy (an "Omnibus Proxy") to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Debt Securities are credited on the record date (identified on a list attached to the Omnibus Proxy).

Principal, premium and interest payments on the Debt Securities will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payment date in accordance with their respective holdings as shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Paying Agent or the Company, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Company or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Debt Securities at any time by giving reasonable notice to the Company or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not appointed, Debt Security certificates are required to be printed and delivered.

The Company may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Debt Security certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources (including DTC) that the Company believes to be reliable, but the Company takes no responsibility for the accuracy thereof.

Unless stated otherwise in the applicable Prospectus Supplement, the underwriters or agents with respect to Offered Debt Securities issued as Global Securities will be Direct Participants in DTC.

None of the Company, any underwriter or agent, the Trustee or any Paying Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial interests in a Global Security, or for maintaining, supervising or reviewing any records relating to such beneficial interests.

Concerning the Trustee

U.S. Bank Trust National Association is the Trustee under the Indenture. The Trustee serves as trustee under (i) the Twenty-First Supplemental Indenture, dated as of February 5, 1997, and the Twenty-Second Supplemental Indenture, dated as of July 29, 1997, supplementing an Indenture of Mortgage, dated as of July 15, 1959, relating to the Company's First Mortgage Bonds aggregating $111 million, and (ii) the Company's Medium Term Notes, Series A aggregating $22 million.

PLAN OF DISTRIBUTION

The Company may sell the Offered Securities to one or more underwriters for public offering and sale by them or may sell the Offered Securities to investors directly or through agents. Any such underwriter or agent involved in the offer and sale of the Offered Securities will be named in the related Prospectus Supplement. The Company has reserved the right to sell the Offered Securities directly to investors on its own behalf in those jurisdictions where it is authorized to do so.

Underwriters may offer and sell the Offered Securities at a fixed price or prices that may be changed, at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices. The Company also may, from time to time, authorize dealers, acting as the Company's agents, to offer and sell the Offered Securities upon such terms and conditions as set forth in the related Prospectus Supplement. In connection with the sale of the Offered Securities, underwriters may receive compensation from the Company in the form of underwriting discounts or commissions and may also receive commissions from purchasers of the Offered Securities for whom they may act as agent. Underwriters may sell the Offered Securities to or through dealers, and such dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters and/or commissions (which may be changed from time to time) from the purchaser for whom they may act as agents.

Any underwriting compensation paid by the Company to underwriters or agents in connection with the offering of the Offered Securities, and any discounts, concessions or commissions allowed by underwriters to participating dealers, will be set forth in the related Prospectus Supplement. Dealers and agents participating in the distribution of the Offered Securities may be deemed to be underwriters, and any discounts and commissions received by them and any profit realized by them on resale of the Offered Securities may be deemed to be underwriting discounts and commissions under the Securities Act. Underwriters, dealers and agents may be entitled, under agreements entered into with the Company, to indemnification against and contribution towards certain civil liabilities, including any liabilities under the Securities Act.

Until the distribution of the Offered Securities is completed, rules of the Commission may limit the ability of underwriters to bid for and purchase the Offered Securities. As an exception to these rules, underwriters are permitted to engaged in certain transactions that stabilize the price of the Offered Securities. Such transactions consist of bids or purchases for the purpose of pegging, fixing or maintaining the price of the Offered Securities. If underwriters create a short position in the Offered Securities in connection with the offering, *i.e.*, if they sell more Offered Securities than are set forth on the cover page of the applicable Prospectus Supplement, underwriters may reduce that short position by purchasing Offered Securities in the open market. In general, purchase of a security for the purpose of stabilization or to reduce a short position could cause the price of the security to be higher than it might be in the absence of such purchases. Such activities, if commenced, may be discontinued at any time.

If so indicated in the related Prospectus Supplement, the Company will authorize underwriters, dealers or agents to solicit offers by certain institutions to purchase such Offered Securities from the Company pursuant to delayed delivery contracts providing for payment and delivery at a future date. Such contracts will be subject only to those conditions set forth in the related Prospectus Supplement, and the Prospectus Supplement will set forth the commission payable for solicitation of such contracts.

Any Offered Securities issued hereunder will be new issues of securities with no established trading market. Any underwriters or agents to or through whom such Offered Securities are sold by the Company for public offering and sale may make a market in such Offered Securities, but such underwriters or agents will not be obligated to do so and may discontinue any market at any time without notice. No assurance can be given as to the liquidity of the trading market for any such Offered Securities.

Certain of the underwriters, dealers or agents and their associates may engage in transactions with, and perform services for, the Company and certain of its affiliates in the ordinary course of business.

LEGAL MATTERS

Certain legal matters relating to the Debt Securities will be passed upon for the Company by Locke Purnell Rain Harrell (A Professional Corporation), Dallas, Texas. Dan Busbee, a director of the Company, is a shareholder in such law firm. The validity of the Offered Securities will be passed upon for any underwriters, dealers or agents by Shearman & Sterling, New York, New York.

EXPERTS

The consolidated financial statements of the Company at September 30, 1997 appearing in the Company's Annual Report on Form 10-K have been audited by Ernst & Young LLP, independent auditors, as set forth in its report included therein and incorporated herein by reference. Such consolidated financial statements are incorporated herein by reference in reliance upon such report given upon the authority of such firm as experts in accounting and auditing.

The consolidated financial statements of United Cities Gas Company at December 31, 1996 appearing in the Company's Annual Report on Form 10-K have been audited by Arthur Andersen LLP, independent auditors, as set forth in its report included therein and incorporated herein by reference. Such consolidated financial statements are incorporated herein by reference in reliance upon such report given upon the authority of such firm as experts in accounting and auditing.

No dealer, salesperson or other individual has been authorized to give any information or to make any representations other than those contained or incorporated by reference in this Prospectus Supplement or the accompanying Prospectus in connection with the offering covered by this Prospectus Supplement and the Prospectus. If given or made, such information or representations must not be relied upon as having been authorized by the Company or by the Underwriters. Neither this Prospectus Supplement nor the accompanying Prospectus constitutes an offer to sell, or a solicitation of an offer to buy, the Debentures in any jurisdiction where, or to any persons to whom, it is unlawful to make such offer or solicitation. Neither the delivery of this Prospectus Supplement or the accompanying Prospectus nor any sale made hereunder or thereunder shall, under any circumstances, create an implication that there has been no change in the facts set forth in this Prospectus Supplement or the Prospectus or in the affairs of the Company since the date hereof.

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$150,000,000

ATMOS

Atmos Energy Corporation

6¾% Debentures due 2028

PROSPECTUS SUPPLEMENT

Merrill Lynch & Co.
NationsBanc Montgomery Securities LLC
Edward D. Jones & Co., L.P.

July 22, 1998

As filed with the Securities and Exchange Commission on April 20, 1998

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form S-3

REGISTRATION STATEMENT UNDER
THE SECURITIES ACT OF 1933

Atmos Energy Corporation

(Exact name of Registrant as specified in its charter)

Texas and Virginia (State or other jurisdiction of incorporation or organization)	**75-1743247** (I.R.S. Employer Identification No.)
1800 Three Lincoln Centre 5430 LBJ Freeway Dallas, Texas 75240 (972) 934-9227 (Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)	**Glen A. Blanscet Vice President, General Counsel and Corporate Secretary 1800 Three Lincoln Centre 5430 LBJ Freeway Dallas, Texas 75240 (972) 934-9227** (Name, address, including zip code, and telephone number, including area code, of agent of service)

Please send copies of all communications to:

Bryan E. Bishop Van M. Jolas Locke Purnell Rain Harrell (A Professional Corporation) 2200 Ross Avenue, Suite 2200 Dallas, Texas 75201 (214) 740-8000	**Jonathan Jewett Faith D. Grossnickle Shearman & Sterling 599 Lexington Avenue New York, New York 10022-6069**

Approximate date of Commencement of Proposed Sale to Public: From time to time after the effectiveness of the Registration Statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. ☐

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than the securities offered only in connection with dividend or interest reinvestment plans, check the following box. ☒

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. ☐

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be Registered(1)	Proposed maximum offering price per unit(2)(3)	Proposed maximum aggregate offering price(2)(3)	Amount of registration fee
Debt Securities	$150,000,000	100%	$150,000,000	$44,250

(1) Plus such additional principal amount as may be necessary such that, if Debt Securities are issued with an original issue discount, the aggregate initial offering price of all Debt Securities will equal $150,000,000.
(2) Estimated solely for purposes of calculating the registration fee.
(3) Excluding accrued interest and accrued amortization of discount, if any, to the date of delivery.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay their effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any State in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such State.

SUBJECT TO COMPLETION, DATED APRIL 20, 1998

PROSPECTUS

Atmos Energy Corporation

$150,000,000

Debt Securities

Atmos Energy Corporation, a Texas and Virginia corporation (the "Company"), may offer from time to time, together or separately, its debt securities ("Debt Securities") on terms to be determined at the time of offering. Debt Securities with an aggregate issue price of up to $150,000,000 may be issued, in one or more series, under this Prospectus. The Debt Securities will be unsecured and will rank equally with all other unsecured and unsubordinated indebtedness of the Company.

The prospectus supplement ("Prospectus Supplement") accompanying this Prospectus sets forth, with respect to the particular series or issue of Debt Securities for which this Prospectus and the Prospectus Supplement are being delivered ("Offered Securities"): the terms of the Debt Securities offered, including, where applicable, their title, aggregate principal amount, maturity, rate of any interest (or the manner of calculation and time of payment thereof), any redemption or repayment terms, any index, formula or other method pursuant to which principal, premium or interest may be determined and the form of such Debt Securities (which may be in registered or global form), any initial public offering price, the purchase price and net proceeds to the Company and the other specific terms of such offering.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Offered Securities may be sold directly to purchasers or to or through underwriters, dealers or agents. If any underwriters, dealers or agents are involved in the offering of any Offered Securities, their names and any applicable fee, commission or discount arrangements will be set forth in the Prospectus Supplement. See "Plan of Distribution".

The date of this Prospectus is , 1998.

AVAILABLE INFORMATION

The Company is subject to the informational requirements of the Securities Exchange Act of 1934 (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"), which may be inspected and copied at the public reference facilities maintained by the Commission at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, and at the following regional offices of the Commission: New York Office (Seven World Trade Center, Suite 1300, New York, New York 10048) and Chicago Office (500 W. Madison St., Suite 1400, Chicago, Illinois 60621-2511). Copies of such materials also can be obtained upon request from the Public Reference Section of the Commission at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. In addition, such materials may also be inspected and copied at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005, on which exchange one or more of the Company's securities are listed. Finally, copies of reports, proxy statements and other information filed with the Commission electronically by the Company may be inspected by accessing the Commission's Internet site at http://www.sec.gov.

The Company has filed with the Commission a registration statement on Form S-3 (herein, together with all amendments and exhibits, referred to as the "Registration Statement") under the Securities Act of 1933, as amended (the "Securities Act"). This Prospectus does not contain all the information set forth in the Registration Statement, certain parts of which are omitted in accordance with the rules and regulations of the Commission. For further information, reference is hereby made to the Registration Statement. Such additional information may be obtained from the Commission's principal office in Washington, D.C. Statements contained in this Prospectus as to the contents of any contract or other document referred to herein or therein are not necessarily complete, and in each instance reference is made to the copy of such contract or other document filed as an exhibit to the Registration Statement or such other document. A copy of the Registration Statement and the exhibits and schedules thereto may be examined without charge at the Commission's principal offices at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, and copies of such materials can be obtained from the Public Reference Section of the Commission at prescribed rates.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents, which have heretofore been filed by the Company with the Commission pursuant to the Exchange Act, are incorporated herein by reference and are deemed to be a part hereof:

(a) Annual Report on Form 10-K for the fiscal year ended September 30, 1997;

(b) Quarterly Report on Form 10-Q for the quarter ended December 31, 1997; and

(c) Current Report on Form 8-K dated November 13, 1997.

All documents filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this Prospectus and prior to the termination of the offering of the Debt Securities offered hereby also shall be deemed to be incorporated by reference herein and to be a part hereof from the date of filing of such documents.

The Company will provide without charge to each person to whom this Prospectus is delivered, upon the written or oral request of any such person, a copy of any or all of the foregoing documents incorporated herein by reference, other than exhibits to such documents (unless such exhibits are specifically incorporated by reference into such documents). Such requests should be directed to: Atmos Energy Corporation, 1800 Three Lincoln Centre, 5430 LBJ Freeway, Dallas, Texas 75240, Attention: Investor Relations.

Any statement contained in a document all or a portion of which is incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified shall not be deemed to constitute a part of this Prospectus except as so modified, and any statement so superseded shall not be deemed to constitute part of this Prospectus.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

Statements contained in this Prospectus, including the documents that are incorporated by reference as set forth in "Incorporation of Certain Documents by Reference," that are not historical facts are forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on management's beliefs as well as assumptions made by and information currently available to management. Because such statements are based on expectations as to future economic performance and are not statements of fact, actual results may differ materially from those projected. Important factors that could cause future results to differ include, but are not limited to, national, regional and local economic competitive conditions, regulatory and business trends and decisions, technological developments, Year 2000 issues, inflation rates, weather conditions, and other factors discussed in this and other filings by the Company with the Commission, all of which are difficult to predict and many of which are beyond the control of the Company. Accordingly, while the Company believes these forward-looking statements to be reasonable, there can be no assurance that they will approximate actual experience or that the expectations derived from them will be realized. When used in the Company's documents or oral presentations, the words "anticipate," "estimate," "expect," "objective," "projection," "forecast," "goal" or similar words are intended to identify forward-looking statements.

THE COMPANY

The Company distributes and sells natural gas and propane to approximately 1.02 million residential, commercial, industrial, agricultural, and other customers. The Company distributes and sells natural gas through its five operating divisions to approximately 985,000 customers in 802 cities, towns, and communities in service areas located in Colorado, Georgia, Illinois, Iowa, Kansas, Kentucky, Louisiana, Missouri, South Carolina, Tennessee, Texas and Virginia. The Company also transports gas for others through parts of its distribution system. It also distributes propane to approximately 29,000 customers in Kentucky, North Carolina, Tennessee and Virginia.

The Company, through various wholly-owned subsidiaries, conducts operations which complement its natural gas and propane distribution business. One subsidiary, United Cities Gas Storage Company, owns natural gas storage fields in Kansas and Kentucky, which are used to supplement natural gas used by customers in those states. Another subsidiary, UCG Energy Corporation ("UCG Energy"), leases appliances, real estate, equipment, and vehicles to the United Cities Gas Company division and others, and owns a small interest in a partnership engaged in exploration and production activities. UCG Energy also owns a 45% interest in Woodward Marketing, L.L.C. ("WMLLC"), which conducts a gas marketing business. WMLLC provides gas marketing services to industrial customers, municipalities and local distribution companies, including the United Cities Gas Company division.

UCG Energy also owns Atmos Propane, Inc. (the "Propane Division"), which is engaged in the retail distribution of propane (LP) gas, the wholesale supply and transportation of LP gas, the transportation of certain petroleum products for other companies and the direct merchandising and repair of propane gas appliances. The Propane Division has LP storage facilities in 15 towns in which it operates, with a total storage capacity of approximately 2,119,000 gallons.

The Company's principal executive offices are located at 1800 Three Lincoln Centre, 5430 LBJ Freeway, Dallas, Texas 75240, and its telephone number is (972) 934-9227.

RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth the ratio of earnings to fixed charges for the Company for the periods indicated:

	Year Ended September 30,					Three Months Ended December 31,	
	1993	1994	1995	1996	1997	1996	1997
Ratio of Earnings to Fixed Charges	2.35	2.30	2.31	2.82	1.95	4.00	3.81

For purposes of computing the foregoing ratios, (i) "earnings" represent the Company's net income from continuing operations plus applicable income taxes and fixed charges, and (ii) "fixed charges" represent interest expense, amortization of debt discount, premium and expense, and a portion of lease payments considered to represent an interest factor.

USE OF PROCEEDS

Unless otherwise specified in the applicable Prospectus Supplement, the net proceeds received by the Company from the sale of the Debt Securities will be used for the repayment of short-term debt (i) incurred in connection with the establishment of a new customer service center located in Amarillo, Texas and (ii) representing transaction costs incurred in connection with the merger of United Cities Gas Company with and into the Company. If the Company elects at the time of an issuance of the Debt Securities to make a different or more specific use of proceeds other than that set forth herein, such use will be described in the Prospectus Supplement.

DESCRIPTION OF DEBT SECURITIES

The Debt Securities will be issued under an Indenture ("Indenture") between the Company and U.S. Bank Trust National Association, Trustee ("Trustee"). The form of the Indenture has been filed as an exhibit to the Registration Statement. The Indenture is subject to and governed by the Trust Indenture Act of 1939, as amended ("TIA"). The following summary of certain provisions of the Indenture does not purport to be complete and is subject to, and qualified in its entirety by reference to, the Indenture, including the definitions of certain terms therein. Whenever particular sections or defined terms of the Indenture are referred to, such sections or defined terms are incorporated by reference herein as part of the statement made, and the statement is qualified in its entirety by such reference.

General

The Indenture provides that any Offered Securities may be issued in one or more series, in each case as authorized from time to time by the Company; the Indenture does not limit the aggregate principal amount of debt securities that may be issued thereunder. Reference is made to the Prospectus Supplement relating to the Offered Securities for the following:

(1) The title of such Debt Securities.

(2) The aggregate principal amount of such Debt Securities, the percentage of their principal amount at which such Debt Securities will be issued and the date or dates on which the principal of such Debt Securities will be payable or the method by which such date or dates will be determined or extended.

(3) The rate or rates (which may be fixed or variable) at which such Debt Securities will bear interest, if any, and, if variable, the method by which such rate or rates will be determined.

(4) The date or dates from which any interest will accrue or the method by which such date or dates will be determined, the date or dates on which any interest will be payable (including the Regular

Record Dates for such Interest Payment Dates) and the basis on which any interest will be calculated if other than on the basis of a 360-day year of twelve 30-day months.

(5) The place or places, if any, other than or in addition to New York City, where the principal of (and premium, if any, on) and interest, if any, on such Debt Securities will be payable, where any Debt Securities may be surrendered for registration of transfer, where such Debt Securities may be surrendered for exchange and where notices or demands to or upon the Company in respect of such Debt Securities may be served.

(6) The period or periods within which, the price or prices at which and the other terms and conditions upon which, such Debt Securities may be redeemed, in whole or in part, at the option of the Company, if the Company is to have that option.

(7) The obligation, if any, of the Company to redeem, purchase or repay such Debt Securities, in whole or in part, pursuant to any sinking fund or analogous provision or at the option of a holder thereof, and the period or periods within which, the price or prices at which and the other terms and conditions upon which, such Debt Securities will be so redeemed, purchased or repaid.

(8) Whether the amount of payments of principal of (and premium, if any, on) and interest, if any, on such Debt Securities may be determined with reference to an index, formula or other method (which index, formula or method may, without limitation, be based on one or more commodities, equity indices or other indices) and the manner in which such amounts will be determined.

(9) Any deletions from, modifications of or additions to the Events of Default or covenants of the Company with respect to such Debt Securities (which Events of Default or covenants may not be consistent with the Events of Default or covenants set forth in the general provisions of the Indenture).

(10) If other than the entire principal amount thereof, the portion of the principal amount of such Debt Securities that will be payable upon declaration of acceleration of the maturity thereof or the method by which such portion will be determined.

(11) Any provisions in modification of, in addition to or in lieu of any of the provisions concerning defeasance and covenant defeasance contained in the Indenture that will be applicable to such Debt Securities.

(12) Any provisions granting special rights to the holders of such Debt Securities upon the occurrence of such events as may be specified.

(13) If other than the Trustee, the designation of any Paying Agent or Security Registrar for such Debt Securities, and the designation of any transfer or other agents or depositories for such Debt Securities.

(14) Whether such Debt Securities will be issuable initially in temporary global form, whether any such Debt Security is to be issuable in permanent global form (a "Global Security") and, if so, whether beneficial owners of interests in any Global Security may exchange such interests for Debt Securities of like tenor of any authorized form and denomination and the circumstances under which any such exchanges may occur, if other than in the manner provided in the Indenture, and, if such Debt Securities are to be issuable as a Global Security, the identity of the depository for such Debt Securities.

(15) The person to whom any interest on any Debt Security will be payable, if other than the person in whose name such Debt Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest or the manner in which, any interest payable on a temporary Debt Security issued in global form will be paid (if other than as described in "Book-Entry Debt Securities" below).

(16) The denomination or denominations in which such Debt Securities will be issuable, if other than $1,000 or any integral multiple thereof.

(17) Whether and under what circumstances the Company will pay Additional Amounts, as contemplated by Section 1008 of the Indenture, on such Debt Securities to any holder who is not a United States person (including any modification of the definition of such term as contained in the Indenture) in respect of any tax, assessment or governmental charge and, if so, whether the Company will have the option to redeem such Debt Securities rather than pay such Additional Amounts (and the terms of any such option).

(18) Any other, terms, conditions, rights and preferences (or limitations on such rights and preferences) of such Debt Securities not inconsistent with the provisions of the Indenture (Section 301).

If the terms of any series of Debt Securities provide that the Company may be required to pay Additional Amounts in respect thereof, for purposes of this Prospectus, any reference to the payment of the principal of (and premium, if any, on) or interest, if any, on such Debt Securities will be deemed to include mention of the payment of the Additional Amounts provided for by the terms of such Debt Securities.

The Debt Securities referred to on the cover page of this Prospectus, and any additional debt securities issued under the Indenture, are herein collectively referred to, while a single Trustee is acting with respect to all debt securities issued thereunder, as the "Indenture Securities". The Indenture provides that there may be more than one Trustee thereunder, each with respect to one or more series of Indenture Securities. At a time when two or more Trustees are acting under the Indenture, each with respect to only certain series, the term "Indenture Securities" as used herein will mean the series with respect to which each respective Trustee is acting. In the event that there is more than one Trustee under the Indenture, the powers and trust obligations of each Trustee as described herein will extend only to the series of Indenture Securities for which it is the Trustee. If two or more Trustees are acting under the Indenture, then the Indenture Securities for which each Trustee is acting would in effect be treated as if issued under separate indentures.

The Debt Securities may provide for less than the entire principal amount thereof to be due and payable upon a declaration of acceleration of the maturity thereof. A discussion of the federal income tax and other considerations applicable to Original Issue Discount Securities will be set forth in the Prospectus Supplement relating thereto.

The Debt Securities will be unsecured obligations of the Company and will rank on a parity with all other unsecured and unsubordinated indebtedness of the Company.

The general provisions of the Indenture do not limit the ability of the Company to incur indebtedness and do not afford holders of Debt Securities protection in the event of highly leveraged or similar transactions involving the Company. However, the general provisions of the Indenture do provide that neither the Company nor any Restricted Subsidiary will subject certain of its properties or assets to any mortgage or other encumbrance unless the Indenture Securities outstanding thereunder are secured equally and ratably with or prior to such other indebtedness thereby secured. See "Limitations on Liens" and "Limitation on Sale and Leaseback Transactions" under the heading "Certain Covenants". Reference is made to the Prospectus Supplement for information with respect to any deletions from, modifications of or additions to the Events of Default or covenants of the Company that are described below, including any addition of a covenant or other provision providing event risk or similar protection.

Under the Indenture, the Company has the ability to issue Indenture Securities with terms different from those of Indenture Securities previously issued thereunder and, without the consent of the holders, to reopen a previous issue of a series of Indenture Securities and issue additional Indenture Securities of such series (unless such reopening was restricted when such series was created) in an aggregate principal amount determined by the Company (Section 301).

There is no requirement that future issues of debt securities of the Company be issued under the Indenture, and the Company will be free to employ other indentures or documentation, possibly containing provisions different from those included in the Indenture or applicable to one or more issues of Indenture Securities, in connection with such future issues.

Certain Covenants

Limitations on Liens

The Indenture provides that the Company will not, and will not permit any Restricted Subsidiary to, create, incur, issue or assume any Indebtedness secured by any Lien on any Principal Property, or on shares of stock or Indebtedness of any Restricted Subsidiary ("Restricted Securities"), without making effective provision for the Outstanding Indenture Securities (other than any Outstanding Indenture Securities not entitled to this covenant) to be secured by the Lien equally and ratably with (or prior to) any and all Indebtedness and obligations secured or to be secured thereby for so long as such Indebtedness is so secured, except that the foregoing restriction will not apply to:

(1) Any Lien existing on the date of the first issuance of Indenture Securities under the Indenture, including, but not limited to, the Liens on property or after-acquired property of the Company or its Subsidiaries under the Greeley Indenture or the United Cities Indenture.

(2) Any Lien on any Principal Property or Restricted Securities of any Person existing at the time such Person is merged or consolidated with or into the Company or a Restricted Subsidiary, or becomes a Restricted Subsidiary.

(3) Any Lien on any Principal Property existing at the time of acquisition of such Principal Property by the Company or a Restricted Subsidiary, whether or not assumed by the Company or such Restricted Subsidiary, *provided* that no such Lien may extend to any other Principal Property of the Company or any Restricted Subsidiary.

(4) Any Lien on any Principal Property (including any improvements on an existing Principal Property) of the Company or any Restricted Subsidiary, and any Lien on the shares of stock of a Restricted Subsidiary that was formed or is held for the purpose of acquiring and holding such Principal Property, in each case to secure all or any part of the cost of acquisition, development, operation, construction, alteration, repair or improvement of all or any part of such Principal Property (or to secure Indebtedness incurred by the Company or a Restricted Subsidiary for the purpose of financing all or any part of such cost); *provided* that such Lien is created prior to, at the time of, or within 12 months after the latest of, the acquisition, completion of construction or improvement or commencement of commercial operation of such Principal Property and *provided, further,* that no such Lien may extend to any other Principal Property of the Company or any Restricted Subsidiary, other than any theretofore unimproved real property on which the Principal Property is so constructed or developed or the improvement is located.

(5) Any Lien on any Principal Property or Restricted Securities to secure Indebtedness owing to the Company or to another Restricted Subsidiary.

(6) Any Lien in favor of governmental bodies to secure advances or other payments pursuant to any contract or statute or to secure Indebtedness incurred to finance the purchase price or cost of constructing or improving the property subject to such Lien.

(7) Any Lien created in connection with a project financed with, and created to secure, Non-Recourse Indebtedness.

(8) Any Lien required to be placed on any property of the Company or its Subsidiaries pursuant to the provisions of the Greeley Indenture, the United Cities Indenture, the Note Purchase Agreements or the Loan Agreement.

(9) Any extension, renewal, substitution or replacement (or successive extensions, renewals, substitutions or replacements), in whole or in part, of any Lien referred to in the foregoing clauses (1) through (8), *provided* that the Indebtedness secured thereby may not exceed the principal amount of Indebtedness so secured at the time of such renewal or refunding, and that such renewal or refunding Lien must be limited to all or any part of the same property and improvements thereon, shares of stock or Indebtedness that secured the Lien renewed or refunded.

(10) Any Lien not permitted above securing Indebtedness that, together with the aggregate outstanding principal amount of other secured Indebtedness that would otherwise be subject to the foregoing restrictions (excluding Indebtedness secured by Liens permitted under the foregoing exceptions) and the Attributable Debt in respect of all Sale and Leaseback Transactions (not including Attributable Debt in respect of any such Sale and Leaseback Transactions described in clause (iii) or (iv) of the next succeeding paragraph) would not then exceed 10% of Consolidated Net Tangible Assets (Section 1006).

Limitation on Sale and Leaseback Transactions

The Indenture provides that the Company will not, and will not permit any Restricted Subsidiary to, enter into any Sale and Leaseback Transaction unless (i) the Company or a Restricted Subsidiary would be entitled, without securing the Outstanding Indenture Securities, to incur Indebtedness secured by a Lien on the Principal Property that is the subject of such Sale and Leaseback Transaction; (ii) the Attributable Debt associated therewith would be in an amount permitted under clause (10) of the preceding paragraph; (iii) the proceeds received in respect of the Principal Property so sold and leased back at the time of entering into such Sale and Leaseback Transaction are used for the business and operations of the Company or any Subsidiary; or (iv) within 12 months after the sale or transfer, an amount equal to the proceeds received in respect of the Principal Property so sold and leased back at the time of entering into such Sale and Leaseback Transaction is applied to the prepayment (other than mandatory prepayment) of any Outstanding Indenture Securities or Funded Indebtedness of the Company or a Restricted Subsidiary (other than Funded Indebtedness that is held by the Company or any Restricted Subsidiary or Funded Indebtedness of the Company that is subordinate in right of payment to any Outstanding Indenture Securities) (Section 1007).

Certain Definitions

"Attributable Debt" means, as to any particular lease under which any Person is at the time liable, at any date as of which the amount thereof is to be determined, the total net amount of rent required to be paid by such Person under such lease during the remaining term thereof (excluding amounts required to be paid on account of maintenance and repairs, services, insurance, taxes, assessments, water rates and similar charges and contingent rents), discounted from the respective due dates thereof at the weighted average of the rates of interest (or Yield to Maturity, in the case of Original Issue Discount Securities) borne by the Indenture Securities then outstanding under the Indenture, compounded annually.

"Capital Stock" means, with respect to any corporation, any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests (however designated) in stock issued by that corporation.

"Consolidated Net Tangible Assets" means the aggregate amount of assets (less applicable reserves and other properly deductible items) after deducting therefrom (i) all current liabilities (excluding any portion thereof constituting Funded Indebtedness) and (ii) all goodwill, trade names, trademarks, patents, unamortized debt discount and expense and other like intangibles, all as set forth on the most recent consolidated balance sheet of the Company contained in the latest annual report to shareholders of the Company and computed in accordance with generally accepted accounting principles.

"Funded Indebtedness" as applied to any Person, means all Indebtedness of such Person maturing after, or renewable or extendable at the option of such Person beyond, 12 months from the date of determination.

"Greeley Indenture" means that certain Indenture of Mortgage and Deed of Trust, dated as of March 1, 1957, from Greeley Gas Company to U.S. Bank National Association (formerly The Central Bank and Trust Company), as Trustee, as amended and supplemented through December 1, 1993 (the Indenture of Mortgage and Deed of Trust through the Tenth Supplemental Indenture by the Company to U.S. Bank National Association (formerly The Central Bank and Trust Company), as Trustee).

"Indebtedness" means obligations for money borrowed, evidenced by notes, bonds, debentures or other similar evidences of indebtedness.

"Lien" means any lien, mortgage, pledge, encumbrance, charge or security interest securing Indebtedness; *provided, however*, that the following types of transactions will not be considered for purposes of this definition to result in a Lien: (i) any acquisition by the Company or any Restricted Subsidiary of any property or assets subject to any reservation or exception under the terms of which any vendor, lessor or assignor creates, reserves or excepts or has created, reserved or excepted an interest in oil, gas or any other mineral in place or the proceeds thereof, (ii) any conveyance or assignment whereby the Company or any Restricted Subsidiary conveys or assigns to any Person or Persons an interest in oil, gas or any other mineral in place or the proceeds thereof, (iii) any Lien upon any property or assets either owned or leased by the Company or any Restricted Subsidiary or in which the Company or any Restricted Subsidiary owns an interest that secures for the benefit of the Person or Persons paying the expenses of developing or conducting operations for the recovery, storage, transportation or sale of the mineral resources of the such property or assets (or property or assets with which it is unitized) the payment to such Person or Persons of the Company's or the Restricted Subsidiary's proportionate part of such development or operating expenses, (iv) any hedging arrangements entered into in the ordinary course of business, including any obligation to deliver any mineral, commodity or asset in connection therewith or (v) any guarantees by the Company of the repayment of Indebtedness of any Subsidiary or guarantees by any Subsidiary of the repayment of Indebtedness of any entity, including, but not limited to, Indebtedness of Woodward Marketing, L.L.C.

"Loan Agreement" means that certain Loan Agreement by and between the Company and NationsBank of Texas, N.A., dated as of November 26, 1996.

"Note Purchase Agreements" collectively refers to the following Note Purchase Agreements, as amended, which were executed by and between the Company and the following parties on the dates indicated: (i) John Hancock Mutual Life Insurance Company, dated December 21, 1987; (ii) Mellon Bank, N.A., Trustee under Master Trust Agreement of AT&T Corporation, dated January 1, 1984, for Employee Pension Plans — AT&T — John Hancock — Private Placement, dated December 21, 1987 (Agreement is identical to Hancock Agreement listed above except as to the parties thereto and the amounts thereof); (iii) John Hancock Mutual Life Insurance Company, dated October 11, 1989; (iv) The Variable Annuity Life Insurance Company, dated August 29, 1991; (v) The Variable Annuity Life Insurance Company, dated August 31, 1992; and (vi) New York Life Insurance Company, New York Life Insurance and Annuity Corporation, The Variable Annuity Life Insurance Company, American General Life Insurance Company and Merit Life Insurance Company, dated November 14, 1994.

"Non-Recourse Indebtedness" means, at any time, Indebtedness incurred after the date of the Indenture by the Company or a Restricted Subsidiary in connection with the acquisition of property or assets by the Company or a Restricted Subsidiary or the financing of the construction of or improvements on property, whenever acquired, *provided* that, under the terms of such Indebtedness and pursuant to applicable law, the recourse at such time and thereafter of the lenders with respect to such Indebtedness is limited to the property or assets so acquired, or such construction or improvements, including Indebtedness as to which a performance or completion guarantee or similar undertaking was initially applicable to such Indebtedness or the related property or assets if such guarantee or similar undertaking has been satisfied and is no longer in effect.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Principal Property" means any natural gas distribution property or propane property located in the United States, except any such property that in the opinion of the Board of Directors of the Company is not of material importance to the total business conducted by the Company and its consolidated Subsidiaries.

"Restricted Subsidiary" means any Subsidiary that owns or leases a Principal Property.

"Sale and Leaseback Transaction" means any arrangement with any Person pursuant to which the Company or any Restricted Subsidiary leases any Principal Property that has been or is to be sold or transferred by the Company or the Restricted Subsidiary to such Person, other than (i) a lease for a term, including renewals at the option of the lessee, of not more than three years or classified as an operating lease under generally accepted accounting principles, (ii) leases between the Company and a Restricted Subsidiary or between Restricted Subsidiaries and (iii) leases of a Principal Property executed by the time of, or within 12 months after the latest of, the acquisition, the completion of construction or improvement, or the commencement of commercial operation, of the Principal Property.

"Subsidiary" of the Company means (i) a corporation, a majority of which Capital Stock with voting power, under ordinary circumstances, to elect directors is owned, directly or indirectly, at the date of determination, by the Company, by one or more Subsidiaries or by the Company and one or more Subsidiaries or (ii) any other Person (other than a corporation) in which at the date of determination the Company, one or more Subsidiaries or the Company and one or more Subsidiaries, directly or indirectly, has at least a majority ownership and power to direct the policies, management and affairs thereof.

"United Cities Indenture" means that certain Indenture of Mortgage, dated as of July 15, 1959, from United Cities Gas Company to U.S. Bank Trust National Association (formerly First Trust of Illinois, National Association), and M.J. Kruger, as Trustees, as amended and supplemented through July 29, 1997 (the Indenture of Mortgage through the Twenty-Second Supplemental Indenture by the Company to U.S. Bank Trust National Association (formerly First Trust National Association), and Russell C. Bergman, as Trustees) (Section 101).

Denominations

Unless otherwise provided in the applicable Prospectus Supplement, Debt Securities are issuable only in fully registered form in denominations of $1,000 and integral multiples of $1,000. The Indenture also provides that Debt Securities of a series may be issuable in global form. See "Book-Entry Debt Securities" below (Sections 201, 301 and 302).

Payment, Transfer and Exchange

The Company will be required to maintain an office or agency in each Place of Payment for such series, and may from time to time designate additional offices or agencies, at which the principal of (and premium, if any, on) and interest, if any, on such series will be payable (Sections 301 and 1002). If so provided in the Prospectus Supplement, the Place of Payment will be New York City, and the Company will initially designate the office of the agent of the Trustee in New York City as an office where such principal, premium and interest will be payable. Notwithstanding the foregoing, at the option of the Company, interest, if any, may be paid on Debt Securities (i) by check mailed to the person entitled thereto at such person's address appearing in the Security Register or (ii) by wire transfer to an account located inside the United States maintained by the person entitled thereto as specified in the Security Register (Sections 308 and 1002). Unless otherwise provided in the Prospectus Supplement, payment of any installment of interest on Debt Securities will be made to the person in whose name such Debt Security is registered at the close of business on the Regular Record Date for such interest (Section 308).

The Company may from time to time designate additional offices or agencies, approve a change in the location of any office or agency and, except as provided above, rescind the designation of any office or agency.

All moneys paid by the Company to the Trustee or a Paying Agent for the payment of principal of (or premium, if any, on) or interest, if any, on any Debt Security that remains unclaimed for two years after such principal, premium or interest becomes due and payable will be repaid to the Company, and the holder of such Debt Security will (subject to applicable abandoned property or similar laws) thereafter, as an unsecured general creditor, look only to the Company for payment thereof (Section 1003).

Subject to the terms of the Indenture and the limitations applicable to Global Securities, Debt Securities of any series will be exchangeable for other Debt Securities of the same series of any authorized denominations and of a like aggregate principal amount (Section 306).

Subject to the terms of the Indenture and the limitations applicable to Global Securities, Debt Securities of a series may be presented for registration of transfer and for exchange (i) at each office or agency required to be maintained by the Company for payment of such series, as described above, and (ii) at each other office or agency that the Company may designate from time to time for such purposes. Registration of transfers and exchanges will be effected if the transfer agent is satisfied with the evidence of ownership and identity of the person making the request and if the transfer form thereon is duly executed. No service charge will be made for any registration of transfer or exchange of Debt Securities, but the Company may require payment of any tax or other governmental charge payable in connection therewith (Section 306).

In the event of any redemption in part, the Company will not be required (i) to register the transfer of or exchange Debt Securities of any series during a period beginning at the opening of business 15 days before any selection of Debt Securities of that series to be redeemed and ending at the close of business on the date the relevant notice of redemption is mailed, (ii) to register the transfer of or exchange any Debt Security or portion thereof called for redemption, except the unredeemed portion, if any, of a Debt Security being redeemed in part or (iii) to register the transfer of or exchange any Debt Security that has been surrendered for repayment at the option of the holder, except the portion, if any, of such Debt Security not to be so repaid (Section 306).

Consolidation, Merger and Sale of Assets

The Company may not consolidate with or merge into, or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its assets to, any Person, unless each of the following conditions is satisfied:

(1) Immediately after giving effect to such transaction, no Event of Default (or event that with notice or lapse of time, or both, would be such) with respect to the Indenture Securities will have happened and be continuing.

(2) The corporation or other entity formed by such consolidation or into which the Company is merged, or the Person to which such properties and assets will have been conveyed, transferred or leased, assumes the Company's obligation as to the due and punctual payment of the principal of (and premium, if any, on) and interest, if any, on the Indenture Securities and the performance and observance of every covenant to be performed by the Company under the Indenture, and will be organized under the laws of the United States, one of the States thereof or the District of Columbia.

(3) The Company has delivered to the Trustee an Officers' Certificate and Opinion of Counsel, each stating that the transaction complies with these conditions (Section 801).

In the event that any transaction described in and complying with the conditions listed in the immediately preceding paragraph occurs, the Company would be discharged from all obligations and covenants under the Indenture and all obligations under the Indenture Securities, with the successor corporation or Person succeeding to such obligations and covenants of the Company (Section 802).

In the event of any such transaction, the Indenture provides that, if any Principal Property or Restricted Securities would thereupon become subject to any Lien, the Indenture Securities (other than any Indenture Securities not entitled to the benefit of the "Limitation of Liens" covenant) will be secured, as to such Principal Property or Restricted Securities, equally and ratably with (or prior to) the Indebtedness that upon the occurrence of such transaction would become secured by such Lien, unless such Lien could be created under the Indenture without equally and ratably securing such Indenture Securities (Section 803).

Modification and Waiver

The Indenture permits the Company and the Trustee, with the consent of the holders of not less than a majority in aggregate principal amount of Outstanding Indenture Securities affected thereby, to execute supplemental indentures adding any provisions to or changing or eliminating any provisions of the Indenture or modifying the rights of such holders, except that no such supplemental indenture may, without the consent of the holder of each Outstanding Indenture Security affected thereby:

(1) Change the Stated Maturity of the principal of (or premium, if any, on) or any installment of interest on any Indenture Security, or reduce the principal amount thereof (or any premium, if any, thereon) or the rate of interest, if any, thereon, or change any obligation of the Company to pay

Additional Amounts on any Indenture Security as contemplated by Section 1008 of the Indenture, or reduce the amount of the principal of an Indexed Security or an Original Issue Discount Security that would be due and payable upon an acceleration of maturity thereof or the amount thereof provable in bankruptcy, or adversely affect the right of repayment, if any, at the option of the holder, or change any Place of Payment where any Indenture Security or any premium or interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or on or after any Redemption Date or Repayment Date), or adversely affect any right to convert or exchange any Indenture Security.

(2) Reduce the aforesaid percentage in principal amount of Outstanding Indenture Securities, the consent of the holders of which is required for any such supplemental indenture.

(3) Reduce the percentage in principal amount of outstanding Indenture Securities, the consent of the holders of which is necessary to modify or waive any default under the Indenture (Section 902).

The holders of a majority in aggregate principal amount of Outstanding Indenture Securities have the right to waive compliance by the Company with certain covenants contained in the Indenture (Section 1009).

Modification and amendment of the Indenture may be made by the Company and the Trustee without the consent of any holder, for any of the following purposes: (i) to evidence the succession of another Person to the Company as obligor under the Indenture; (ii) to add to the covenants of the Company for the benefit of the holders of any series of Indenture Securities; (iii) to add Events of Default for the benefit of the holders of any such series; (iv) to change or eliminate any provisions of the Indenture, *provided* that any such change or elimination will become effective only when there is no Indenture Security Outstanding thereunder of any series that is entitled to the benefit of such provisions; (v) to secure the Indenture Securities Outstanding under the Indenture pursuant to the requirements of Section 803 or 1006 of the Indenture, or otherwise; (vi) to establish the form or terms of Indenture Securities of any series, as permitted by Sections 201 and 301 of the Indenture; (vii) to provide for the acceptance of appointment by a successor Trustee or facilitate the administration of the trusts under the Indenture by more than one Trustee; (viii) to close the Indenture with respect to the authentication and delivery of additional series of Indenture Securities; (ix) to cure any ambiguity or inconsistency in the Indenture, provided such action does not adversely affect in any material respect the interests of holders of Indenture Securities of any series thereunder; (x) to supplement any of the provisions of the Indenture to the extent necessary to permit or facilitate defeasance and discharge of any series of Indenture Securities, provided that such action does not adversely affect in any material respect the interests of the holders of the Indenture Securities; or (xi) to make any other change that does not affect the rights of any holder (Section 901).

The Indenture provides that in determining whether the holders of the requisite principal amount of Indenture Securities of a series then outstanding have given any request, demand, authorization, direction, notice, consent or waiver thereunder or whether a quorum is present at a meeting of holders of such Indenture Securities, (i) the principal amount of an Original Issue Discount Security that will be deemed to be outstanding will be the amount of the principal thereof that would be due and payable as of the date of such determination upon acceleration of the maturity thereof and (ii) the principal amount of an Indexed Security that may be counted in making such determination or calculation and that will be deemed outstanding for such purpose will be equal to the principal face amount of such Indexed Security at original issuance, unless otherwise provided with respect to such Indenture Security pursuant to Section 301 (Section 101).

Events of Default

The following are Events of Default with respect to any series of Indenture Securities: (i) default in the payment of any installment of interest upon any Indenture Security of such series when it becomes due and payable, continued for 30 days; (ii) default in the payment of the principal of (or premium, if any, on) any Indenture Security of such series at its Maturity; (iii) failure on the part of the Company to observe or perform any other covenant or agreement contained in the Indenture (other than a covenant or agreement included in the Indenture solely for the benefit of less than all series of Indenture Securities or a covenant the default in the performance of which would be covered by clause (vi) below) for 60 days after written notice of such failure, requiring the Company to remedy the same, has been given to the Company by the Trustee or to the Company and the Trustee by the holders of at least 25% in aggregate principal amount of Outstanding Indenture Securities of such series; (iv) default under any indenture or instrument under which the Company or any Restricted Subsidiary has at the time outstanding indebtedness for borrowed money or guarantees thereof in any individual instance in excess of $15,000,000 and, if not already matured in accordance with its terms, such indebtedness has been accelerated and such acceleration is not rescinded or annulled within 15 days after notice thereof has been given to the Company by the Trustee or to the Company and the Trustee by the holders of at least 25% in aggregate principal amount of Outstanding Indenture Securities of such series; *provided* that, if, prior to the entry of judgment in favor of the Trustee for payment of the Indenture Securities of such series, the default under such indenture or instrument has been remedied or cured by the Company or such Restricted Subsidiary, or waived by the holders of such indebtedness, then the Event of Default under the Indenture will be deemed likewise to have been remedied, cured or waived; (v) certain events of bankruptcy, insolvency or reorganization affecting the Company; and (vi) any other Event of Default included in the Indenture for the benefit of Indenture Securities of such series (Section 501).

If an Event of Default with respect to Indenture Securities of any series at the time Outstanding occurs and is continuing, either the Trustee or the holders of at least 25% in aggregate principal amount of the Outstanding Securities of that series (or, if the Indenture Securities of that series are Original Issue Discount Securities or Indexed Securities, such portion of the principal amount as may be specified in the terms of that series) by notice as provided in the Indenture may declare the principal amount of all the Indenture Securities of that series and the accrued interest thereon to be due and payable immediately. At any time after a declaration of acceleration with respect to Indenture Securities of any series has been made, but before a judgment or decree for payment of money has been obtained by the Trustee, the holders of a majority in aggregate principal amount of the Outstanding Securities of that series may, under certain circumstances, rescind and annul such acceleration (Section 502).

The holders of a majority in aggregate principal amount of Outstanding Indenture Securities of any series have the right to waive certain past defaults under the Indenture (Section 513).

The Indenture provides that, subject to the duty of the Trustee during default to act with the required standard of care, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request or direction of any of the holders, unless such holders shall have offered to the Trustee reasonable indemnity (Section 602). Subject to such provisions for the indemnification of the Trustee, the holders of a majority in aggregate principal amount of the Outstanding Securities of any series will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee, with respect to the Indenture Securities of that series unless the Trustee shall determine that the action specified would be in conflict with any rule or law (Section 512).

The Company will be required to furnish the Trustee annually a certificate stating whether or not the Company is in default under the Indenture and, if so, specifying all such defaults and the nature thereof (Section 1004).

Defeasance and Covenant Defeasance

The Indenture provides that the Company may elect either (i) to defease and be discharged from any and all obligations with respect to all or a portion of the Indenture Securities of any series (except for the obligations (a) to pay Additional Amounts, if any; (b) to register the transfer of or exchange such Indenture Securities; (c) to replace temporary or mutilated, destroyed, lost or stolen Indenture Securities of such series; (d) to maintain an office or agency in respect of such Indenture Securities; and (e) to hold moneys for payment in trust) ("defeasance"); or (ii) to be released from its obligations with respect to such outstanding Indenture Securities under Sections 1006 and 1007 of the Indenture (being the restrictions described above under "Liens" and "Sale and Leaseback Transactions", respectively, under the heading "Certain Covenants") or, if so provided pursuant to the Indenture, its obligations with respect to any other covenant, and any omission to comply with such obligations will not constitute a default or an Event of Default with respect to such Indenture Securities ("covenant defeasance"), in either case upon the irrevocable deposit by the Company with the Trustee (or other qualifying trustee), in trust, of (i) an amount in cash (ii) Government Obligations (as defined below) that, through the payment of principal and interest in accordance with their terms, will provide money in an amount, or (iii) a combination thereof in an amount, sufficient to pay the principal of (and premium, if any, on) and interest, if any, to Stated Maturity (or redemption) on such Indenture Securities and any mandatory sinking fund or analogous payments thereon, on the scheduled due dates therefor (Article 14).

Such a trust may only be established if, among other things, the Company has delivered to the Trustee an Opinion of Counsel to the effect that the holders of such Indenture Securities will not recognize income, gain or loss for United States federal income tax purposes as a result of such defeasance or covenant defeasance and will be subject to United States federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance or covenant defeasance had not occurred, and such opinion, in the case of defeasance under clause (i) above, must refer to and be based upon a ruling of the Internal Revenue Service or a change in applicable United States federal income tax law occurring after the date of the Indenture (Section 1404).

In the event the Company effects covenant defeasance with respect to any Indenture Securities and such Indenture Securities are declared due and payable because of the occurrence of any Event of Default other than (a) an Event of Default described in clause (iii) under "Events of Default" with respect to Sections 1006 and 1007 of the Indenture (which Sections would no longer be applicable to such Indenture Securities) or (b) an Event of Default described in clause (iii) or (vi) under "Events of Default" with respect to any other covenant as to which there has been defeasance, the realizable value of the money and Government Obligations on deposit with the Trustee may not be sufficient to pay amounts due on such Debt Securities at the time of the acceleration resulting from such Event of Default, in that the required deposit with the Trustee is based upon scheduled cash flows rather than market value, which will vary depending upon interest rates and other factors. However, the Company would remain liable to make payment of such shortfall amounts due at the time of acceleration.

The Prospectus Supplement may further describe the provisions, if any, permitting such defeasance or covenant defeasance, including any modifications to the provisions described above, with respect to the Indenture Securities of or within a particular series.

Book-Entry Debt Securities

Debt Securities of a series may be issued in whole or in part in the form of one or more Global Securities that will be deposited with, or on behalf of, a depository identified in the Prospectus Supplement relating to such series. Global Securities will be issued in registered form and in either temporary or permanent form. Unless otherwise provided in the Prospectus Supplement, Debt Securities of a series that are represented by a Global Security may be issued in any denomination, and will be issued in registered form only, without coupons. Payments of principal of (and premium, if any, on) and interest, if any, on Debt Securities of such series represented by a Global Security will be made by the Company or the Trustee to the depository (Sections 304 and 305).

The Company anticipates that any Global Securities will be deposited with, or on behalf of, The Depository Trust Company ("DTC"), New York, New York, that such Global Securities will be registered in the name of DTC's nominee, and that the following provisions will apply to the depository arrangements with respect to any such Global Securities. Additional or differing terms of the depository arrangement will be described in the Prospectus Supplement relating to Offered Securities issued in the form of Global Securities.

So long as DTC or its nominee is the registered owner of a Global Security, DTC or its nominee, as the case may be, will be considered the sole holder of the Debt Securities represented by such Global Security for all purposes under the Indenture. Except as described below, owners of beneficial interests in a Global Security will not be entitled to have Debt Securities represented by such Global Security registered in their names, will not receive or be entitled to receive physical delivery of Debt Securities in certificated form and will not be considered the owners or holders of Debt Securities under the Indenture. The laws of some states require that certain purchasers of securities take physical delivery of such securities in certificated form; accordingly, such laws may limit the transferability of beneficial interests in a Global Security.

Debt Securities will be issued in fully registered, certificated form ("Definitive Securities") to holders or their nominees, rather than to DTC or its nominee only if (i) DTC notifies the Trustee in writing that DTC is no longer willing or able to continue as depositary and a qualified successor depository is not appointed by the Company within 90 days following such notice; (ii) the Company, at any time and in its sole discretion, determines not to have any Debt Securities of one or more series represented by Global Securities; or (iii) after the occurrence of an Event of Default with respect to such Debt Securities, a holder of Debt Securities notifies the Trustee in writing that it wishes to receive a Definitive Security. In any such instance, an owner of a beneficial interest in a Global Security will be entitled to physical delivery of Definitive Securities equal in principal amount to such beneficial interest and registered in its name.

The following is based on information furnished by DTC:

DTC will act as securities depository for the Debt Securities. The Debt Securities will be issued as fully registered securities registered in the name of Cede & Co. (DTC's nominee). One fully registered Debt Security certificate will be issued with respect to each $200 million of principal amount of the Debt Securities of a series, and an additional certificate will be issued with respect to any remaining principal amount of such series.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities that its participants ("Participants") deposit with DTC.

DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations ("Direct Participants"). DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The rules applicable to DTC and its Participants are on file with the Commission.

Purchases of Debt Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Debt Securities on DTC's records. The ownership interest of each actual purchaser of each Debt Security ("Beneficial Owner") is in turn to be recorded on the Participants' records. A Beneficial Owner will not receive written confirmation from DTC of its purchase, but such Beneficial Owner is expected to receive a written confirmation providing details of the transaction, as well as periodic statements of its holdings, from the Participant through which such Beneficial Owner entered into the transaction. Transfers of ownership interests in Debt Securities are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Debt Securities, except in the event that use of the book-entry system for the Debt Securities is discontinued.

To facilitate subsequent transfers, the Debt Securities will be registered in the name of DTC's partnership nominee, Cede & Co. The deposit of the Debt Securities with DTC and their registration in the name of Cede & Co. will effect no change in beneficial ownership. DTC will have no knowledge of the actual Beneficial Owners of the Debt Securities; DTC records will reflect only the identity of the Direct Participants to whose accounts Debt Securities are credited, which may or may not be the

Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Delivery of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. will consent or vote with respect to the Debt Securities. Under its usual procedures, DTC mails a proxy (an "Omnibus Proxy") to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Debt Securities are credited on the record date (identified on a list attached to the Omnibus Proxy).

Principal, premium and interest payments on the Debt Securities will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payment date in accordance with their respective holdings as shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Paying Agent or the Company, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Company or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Debt Securities at any time by giving reasonable notice to the Company or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not appointed, Debt Security certificates are required to be printed and delivered.

The Company may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Debt Security certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources (including DTC) that the Company believes to be reliable, but the Company takes no responsibility for the accuracy thereof.

Unless stated otherwise in the applicable Prospectus Supplement, the underwriters or agents with respect to Offered Debt Securities issued as Global Securities will be Direct Participants in DTC.

None of the Company, any underwriter or agent, the Trustee or any Paying Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial interests in a Global Security, or for maintaining, supervising or reviewing any records relating to such beneficial interests.

Concerning the Trustee

U.S. Bank Trust National Association is the Trustee under the Indenture. The Trustee serves as trustee under (i) the Twenty-First Supplemental Indenture, dated as of February 5, 1997, and the Twenty-Second Supplemental Indenture, dated as of July 29, 1997, supplementing an Indenture of Mortgage, dated as of July 15, 1959, relating to the Company's First Mortgage Bonds aggregating $111 million, and (ii) the Company's Medium Term Notes, Series A aggregating $22 million.

PLAN OF DISTRIBUTION

The Company may sell the Offered Securities to one or more underwriters for public offering and sale by them or may sell the Offered Securities to investors directly or through agents. Any such underwriter or agent involved in the offer and sale of the Offered Securities will be named in the related Prospectus Supplement. The Company has reserved the right to sell the Offered Securities directly to investors on its own behalf in those jurisdictions where it is authorized to do so.

Underwriters may offer and sell the Offered Securities at a fixed price or prices that may be changed, at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices. The Company also may, from time to time, authorize dealers, acting as the Company's agents, to offer and sell the Offered Securities upon such terms and conditions as set forth in the related Prospectus Supplement. In connection with the sale of the Offered Securities, underwriters may receive compensation from the Company in the form of underwriting discounts or commissions and may also receive commissions from purchasers of the Offered Securities for whom they may act as agent. Underwriters may sell the Offered Securities to or through dealers, and such dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters and/or commissions (which may be changed from time to time) from the purchaser for whom they may act as agents.

Any underwriting compensation paid by the Company to underwriters or agents in connection with the offering of the Offered Securities, and any discounts, concessions or commissions allowed by underwriters to participating dealers, will be set forth in the related Prospectus Supplement. Dealers and agents participating in the distribution of the Offered Securities may be deemed to be underwriters, and any discounts and commissions received by them and any profit realized by them on resale of the Offered Securities may be deemed to be underwriting discounts and commissions under the Securities Act. Underwriters, dealers and agents may be entitled, under agreements entered into with the Company, to indemnification against and contribution towards certain civil liabilities, including any liabilities under the Securities Act.

Until the distribution of the Offered Securities is completed, rules of the Commission may limit the ability of underwriters to bid for and purchase the Offered Securities. As an exception to these rules, underwriters are permitted to engaged in certain transactions that stabilize the price of the Offered Securities. Such transactions consist of bids or purchases for the purpose of pegging, fixing or maintaining the price of the Offered Securities. If underwriters create a short position in the Offered Securities in connection with the offering, *i.e.*, if they sell more Offered Securities than are set forth on the cover page of the applicable Prospectus Supplement, underwriters may reduce that short position by purchasing Offered Securities in the open market. In general, purchase of a security for the purpose of stabilization or to reduce a short position could cause the price of the security to be higher than it might be in the absence of such purchases. Such activities, if commenced, may be discontinued at any time.

If so indicated in the related Prospectus Supplement, the Company will authorize underwriters, dealers or agents to solicit offers by certain institutions to purchase such Offered Securities from the Company pursuant to delayed delivery contracts providing for payment and delivery at a future date. Such contracts will be subject only to those conditions set forth in the related Prospectus Supplement, and the Prospectus Supplement will set forth the commission payable for solicitation of such contracts.

Any Offered Securities issued hereunder will be new issues of securities with no established trading market. Any underwriters or agents to or through whom such Offered Securities are sold by the Company for public offering and sale may make a market in such Offered Securities, but such underwriters or agents will not be obligated to do so and may discontinue any market at any time without notice. No assurance can be given as to the liquidity of the trading market for any such Offered Securities.

Certain of the underwriters, dealers or agents and their associates may engage in transactions with, and perform services for, the Company and certain of its affiliates in the ordinary course of business.

LEGAL MATTERS

Certain legal matters relating to the Debt Securities will be passed upon for the Company by Locke Purnell Rain Harrell (A Professional Corporation), in Dallas Texas. Dan Busbee, a director of the Company, is a shareholder in such law firm. The validity of the Offered Securities will be passed upon for any underwriters, dealers or agents by Shearman & Sterling, New York, New York.

EXPERTS

The consolidated financial statements of the Company at September 30, 1997 appearing in the Company's Annual Report on Form 10-K have been audited by Ernst & Young LLP, independent auditors, as set forth in its report included therein and incorporated herein by reference. Such consolidated financial statements are incorporated herein by reference in reliance upon such report given upon the authority of such firm as experts in accounting and auditing.

The consolidated financial statements of United Cities Gas Company at December 31, 1996 appearing in the Company's Annual Report on Form 10-K have been audited by Arthur Andersen LLP, independent auditors, as set forth in its report included therein and incorporated herein by reference. Such consolidated financial statements are incorporated herein by reference in reliance upon such report given upon the authority of such firm as experts in accounting and auditing.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following table indicates the expenses to be paid by the Registrant in connection with the sale and distribution of the Debt Securities being registered hereby, other than underwriting or broker dealer fees, discounts and commissions. All amounts are estimated except for the Securities Act registration fee.

Securities and Exchange Commission registration fee	$ 44,250
Rating agency fees	86,250
Trustee's fees and expenses	5,000
Blue Sky fees (including counsel fees)	2,500
Accounting fees and expenses	30,000
Legal fees and expenses	40,000
Printing expenses	12,000
Miscellaneous expenses	20,000
Total	$240,000

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

The Texas Business Corporation Act and the Virginia Stock Corporation Act permit, and in some cases require, corporations to indemnify directors and officers who are or have been a party or are threatened to be made a party to litigation against judgments, penalties (including excise and similar taxes), fines, settlements, and reasonable expenses under certain circumstances. Article IX of the Company's Restated Articles of Incorporation, as Amended, and Article IX of the Company Bylaws provide for indemnification of judgments, penalties (including excise and similar taxes), fines, settlements, and reasonable expenses and the advance payment or reimbursement of such reasonable expenses to directors and officers to the fullest extent permitted by law.

As authorized by Article 2.02-1 of the Texas Business Corporation Act (the "TBCA"), and Section 13.1-697 of the Virginia Stock Corporation Act ("VSCA"), each director and officer of the Company may be indemnified by the Company against expenses (including attorney's fees, judgments, fines and amounts paid in settlement) actually and reasonably incurred in connection with the defense or settlement of any threatened, pending or completed legal proceedings in which he is involved by reason of the fact that he is or was a director or officer of the Company if he acted in good faith and in a manner that he reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal action or proceeding, if he had no reasonable cause to believe that his conduct was unlawful. In each case, such indemnity shall be to the fullest extent authorized by the TBCA and the VSCA, as amended. If the director or officer is found liable for willful or intentional misconduct in the performance of his duty to the Company, then indemnification will not be made.

Article X of the Restated Articles of Incorporation, as Amended, of the Company provides that no director of the Company shall be personally liable to the Company or its shareholders for monetary damages for any breach of fiduciary duty as a director except for liability (i) for any breach of duty of loyalty to the Company or its shareholders, (ii) for an act or omission not in good faith or which involves intentional misconduct or a knowing violation of law, (iii) for a transaction from which the director received an improper benefit, whether or not the benefit resulted from an action taken within the scope of the director's office, (iv) for an act or omission for which the liability of a director is expressly provided by statute or (v) for an act related to an unlawful stock repurchase or payment of a dividend. In addition, Article IX of the Restated Articles of Incorporation, as Amended, and Article IX of the Amended and Restated Bylaws of the Company require the Company to indemnify to the fullest extent authorized by law any person made or threatened to be made party to any action, suit or proceeding, whether criminal, civil, administrative, arbitrative or investigative, by reason of the fact that such person is or was a director or officer of the Company or serves or served at the request of the Company as a director, officer, partner, venturer, proprietor, trustee, employee, agent or similar functionary of any other enterprise.

The Company maintains an officers' and directors' liability insurance policy insuring officers and directors against certain liabilities, including liabilities under the Securities Act of 1933. The effect of such policy is to indemnify such officers and directors of the Company against losses incurred by them while acting in such capacities.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling the Company, pursuant to the foregoing provisions, the Company has been informed that in the opinion of the Commission such indemnification is against public policy as expressed in such act and is therefore unenforceable.

ITEM 16. EXHIBITS.

1.1 — Form of Purchase Agreement.*

4.1 — Form of Indenture.

4.2 — Form of Debt Security.*

4.3(a) — Note Purchase Agreement, dated as of December 21, 1987, by and between the Company and John Hancock Mutual Life Insurance Company (Exhibit 10(c) of Form 8-K filed January 7, 1988 (File No. 0-11249)).

Note Purchase Agreement, dated as of December 21, 1987, by and between the Company and John Hancock Charitable Trust I (Agreement is identical to Hancock Agreement listed above except as to the parties thereto and the amounts thereof.).

Note Purchase Agreement dated as of December 21, 1987, by and between the Company and Mellon Bank, N.A., Trustee under Master Trust Agreement of AT&T Corporation, dated January 1, 1984, for Employee Pension Plans — AT&T — John Hancock — Private Placement (Agreement is identical to Hancock Agreement listed above except as to the parties thereto and the amounts thereof.).

4.3(b) — Amendment to Note Purchase Agreement, dated October 11, 1989, by and between the Company and John Hancock Mutual Life Insurance Company revising Note Purchase Agreement dated December 21, 1987 (Exhibit (10(b)(ii) of Form 10-K for fiscal year ended September 30, 1989 (File No. 1-10042)).

Amendment to Note Purchase Agreement, dated October 11, 1989, by and between the Company and John Hancock Charitable Trust I revising Note Purchase Agreement dated December 21, 1987 (Amendment is identical to Hancock amendment listed above except as to the parties thereto and the amounts thereof.).

Amendment to Note Purchase Agreement dated October 11, 1989, by and between the Company and Mellon Bank, N.A., Trustee under Master Trust Agreement of AT&T Corporation, dated January 1, 1984, for Employee Pension Plans — AT&T — John Hancock — Private Placement revising Note Purchase Agreement dated December 21, 1987 (Amendment is identical to Hancock amendment listed above except as to the parties thereto and the amounts thereof.).

4.3(c) — Amendment to Note Purchase Agreement dated November 12, 1991, by and between the Company and John Hancock Mutual Life Insurance Company revising Note Purchase Agreement dated December 21, 1987 (Exhibit 10(b)(iii) of Form 10-K for fiscal year ended September 30, 1991 (File No. 1-10042)).

Amendment to Note Purchase Agreement, dated November 12, 1991, by and between the Company and John Hancock Charitable Trust I revising Note Purchase Agreement dated December 21, 1987 (Amendment is identical to Hancock amendment listed above except as to the parties thereto and the amounts thereof.).

Amendment to Note Purchase Agreement, dated November 12, 1991, by and between the Company and Mellon Bank, N.A., Trustee under Master Trust Agreement of AT&T Corporation, dated January 1, 1984, for Employee Pension Plans — AT&T — John Hancock — Private Placement revising Note Purchase Agreement dated December 21, 1987 (Amendment is identical to Hancock amendment above except as to the parties thereto and the amounts thereof.).

4.3(d) — Amendment to Note Purchase Agreement, dated December 22, 1993, by and between the Company and John Hancock Mutual Life Insurance Company revising Note Purchase Agreement dated December 21, 1987.

Amendment to Note Purchase Agreement, dated December 22, 1993, by and between the Company and Mellon Bank, N.A., Trustee under Master Trust Agreement of AT&T Corporation, dated January 1, 1984, for Employee Pension Plans — AT&T — John Hancock — Private Placement revising Note Purchase Agreement dated December 21, 1987 (Amendment is identical to Hancock amendment listed above except as to the parties thereto and the amounts thereof).

4.3(e) — Amendment to Note Purchase Agreement, dated December 20, 1994 by and between the Company and John Hancock Mutual Life Insurance Company revising Note Purchase Agreement dated December 21, 1987.

Amendment to Note Purchase Agreement, dated December 20, 1994, by and between the Company and Mellon Bank, N.A., Trustee under Master Trust Agreement of AT&T Corporation, dated January 1, 1984, for Employee Pension Plans — AT&T — John Hancock — Private Placement revising Note Purchase Agreement dated December 21, 1987 (Amendment is identical to Hancock amendment listed above).

4.3(f) — Amendment to Note Purchase Agreement, dated July 29, 1997, by and between the Company and John Hancock Mutual Life Insurance Company revising Note Purchase Agreement dated December 21, 1987.

Amendment to Note Purchase Agreement, dated July 29, 1997, by and between the Company and Mellon Bank, N.A., Trustee under Master Trust Agreement of AT&T Corporation, dated January 1, 1984, for Employee Pension Plans — AT&T — John Hancock — Private Placement revising Note Purchase Agreement dated December 21, 1987 (Amendment is identical to Hancock Amendment listed above except as to the parties thereto and the amounts thereof).

4.4(a) — Note Purchase Agreement, dated as of October 11, 1989, by and between the Company and John Hancock Mutual Life Insurance Company (Exhibit 10(c) of Form 10-K for fiscal year ended September 30, 1989 (File No. 1-10042)).

4.4(b) — Amendment to Note Purchase Agreement, dated as of November 12, 1991, by and between the Company and John Hancock Mutual Life Insurance Company revising Note Purchase Agreement dated October 11, 1989 (Exhibit 10(c)(ii) of Form 10-K for fiscal year ended September 30, 1991 (File No. 1-10042)).

4.4(c) — Amendment to Note Purchase Agreement, dated December 22, 1993, by and between the Company and John Hancock Mutual Life Insurance Company revising Note Purchase Agreement dated October 11, 1989.

4.4(d)	— Amendment to Note Purchase Agreement, dated December 20, 1994, by and between the Company and John Hancock Mutual Life Insurance Company revising Note Purchase Agreement dated October 11, 1989.
4.4(e)	— Amendment to Note Purchase Agreement, dated July 29, 1997, by and between the Company and John Hancock Mutual Life Insurance Company revising Note Purchase Agreement dated October 11, 1989.
4.5(a)	— Note Purchase Agreement, dated as of August 29, 1991, by and between the Company and The Variable Annuity Life Insurance Company (Exhibit 10(f)(i) of Form 10-K for fiscal year ended September 30, 1991 (File No. 10042)).
4.5(b)	— Amendment to Note Purchase Agreement, dated November 26, 1991, by and between the Company and The Variable Annuity Life Insurance Company revising Note Purchase Agreement dated August 29, 1991 (Exhibit 10(f)(ii) of Form 10-K for fiscal year ended September 30, 1991 (File No. 1-10042)).
4.5(c)	— Amendment to Note Purchase Agreement, dated December 22, 1993, by and between the Company and The Variable Annuity Life Insurance Company revising Note Purchase Agreement dated August 29, 1991.
4.5(d)	— Amendment to Note Purchase Agreement, dated July 29, 1997, by and between the Company and The Variable Annuity Life Insurance Company revising Note Purchase Agreement dated August 29, 1991.
4.6(a)	— Note Purchase Agreement, dated as of August 31, 1992, by and between the Company and The Variable Annuity Life Insurance Company (Exhibit 10(f) of Form 10-K for fiscal year ended September 30, 1992 (File No. 1-10042)).
4.6(b)	— Amendment to Note Purchase Agreement, dated December 22, 1993, by and between the Company and The Variable Annuity Life Insurance Company revising Note Purchase Agreement dated August 31, 1992.
4.6(c)	— Amendment to Note Purchase Agreement, dated July 29, 1997, by and between the Company and The Variable Annuity Life Insurance Company revising Note Purchase Agreement dated August 31, 1992.
4.7(a)	— Note Purchase Agreement, dated November 14, 1994, by and among the Company and New York Life Insurance Company, New York Life Insurance and Annuity Corporation, The Variable Annuity Life Insurance Company, American General Life Insurance Company, and Merit Life Insurance Company (Exhibit 10.1 of Form 10-Q for quarter ended December 31, 1994 (File No. 1-10042)).
4.7(b)	— Amendment to Note Purchase Agreement, dated July 29, 1997, by and among the Company and New York Life Insurance Company, New York Life Insurance and Annuity Corporation, The Variable Annuity Life Insurance Company, American General Life Insurance Company and Merit Life Insurance Company revising Note Purchase Agreement dated November 14, 1994.
4.8	— Loan Agreement by and between the Company and NationsBank of Texas, N.A. dated as of November 26, 1996 (Exhibit 10.1 of Form 10-Q for quarter ended December 31, 1996 (File No. 1-10042)).
4.9(a)	— Indenture of Mortgage, dated as of July 15, 1959, from United Cities Gas Company to First Trust of Illinois, National Association, and M.J. Kruger, as Trustees, as amended and supplemented through December 1, 1992 (the Indenture of Mortgage through the 20th Supplemental Indenture) (Exhibit to Registration Statement of United Cities Gas Company on Form S-3 (File No. 33-56983)).

4.9(b)	— Twenty-First Supplemental Indenture dated as of February 5, 1997 by and among United Cities Gas Company and Bank of America Illinois and First Trust National Association and Russell C. Bergman supplementing Indenture of Mortgage dated as of July 15, 1959 (Exhibit 10.7(a) of Form 10-K for the fiscal year ended September 30, 1997 (File No. 1-10042)).
4.9(c)	— Twenty-Second Supplemental Indenture dated as of July 29, 1997 by and among the Company and First Trust National Association and Russell C. Bergman supplementing Indenture of Mortgage dated as of July 15, 1959 (Exhibit 10.7(b) of Form 10-K for the fiscal year ended September 30, 1997 (File No. 1-10042)).
4.10(a)	— Form of Indenture between United Cities Gas Company and First Trust of Illinois, National Association, as Trustee dated as of November 15, 1995 (Exhibit to Registration Statement of United Cities Gas Company on Form S-3 (File No. 33-56983)).
4.10(b)	— First Supplemental Indenture between the Company and First Trust of Illinois, National Association, as Trustee dated as of July 29, 1997 (Exhibit 10.8(a) of Form 10-K for the fiscal year ended September 30, 1997 (File No. 1-10042)).
4.11(a)	— Seventh Supplemental Indenture, dated as of October 1, 1983 between Greeley Gas Company ("the Greeley Gas Division") and the Central Bank of Denver, N.A. ("Central Bank") (Exhibit 10.1 of Form 10-Q for quarter ended June 30, 1994 (File No. 1-10042)).
4.11(b)	— Ninth Supplemental Indenture, dated as of April 1, 1991, between the Greeley Gas Division and Central Bank (Exhibit 10.2 of Form 10-Q for quarter ended June 30, 1994 (File No. 1-10042)).
4.11(c)	— Bond Purchase Agreement, dated as of April 1, 1991, between the Greeley Gas Division and Central Bank (Exhibit 10.3 of Form 10-Q for quarter ended June 30, 1994 (File No. 1-10042)).
4.11(d)	— Tenth Supplemental Indenture, dated as of December 1, 1993, between the Company and Colorado National Bank, formerly Central Bank (Exhibit 10.4 of Form 10-Q for quarter ended June 30, 1994 (File No. 1-10042)).
5.1	— Opinion of Locke Purnell Rain Harrell (A Professional Corporation) as to certain legal matters.
12.1	— Computation of Ratio of Earnings to Fixed Charges of the Company.
23.1	— Consent of Ernst & Young LLP.
23.2	— Consent of Arthur Andersen LLP.
23.3	— Consent of Locke Purnell Rain Harrell (A Professional Corporation) (set forth in its opinion filed as Exhibit 5.1).
24.1	— Powers of attorney (set forth on the signature page(s) hereof).
25.1	— Statement of Eligibility and Qualifications on Form T-1 of Trustee under the Indenture.

* Such exhibit will be filed by the Registrant as an exhibit to a Current Report on Form 8-K and incorporated herein by reference.

ITEM 17. UNDERTAKINGS.

(a) RULE 415 OFFERING. The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high and of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

Provided, however, that paragraphs (a)(1)(i) and (a)(1)(ii) of this section do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed with or furnished to the Commission by the registrant pursuant to section 13 or section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the Registration Statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) FILINGS INCORPORATING SUBSEQUENT EXCHANGE ACT DOCUMENTS BY REFERENCE. The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to section 13(a) or section 15(d) of the Securities Exchange Act of 1934 that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(c) INDEMNIFICATION. Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(d) REGISTRATION STATEMENT PERMITTED BY RULE 430A. The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(e) QUALIFICATION OF TRUST INDENTURES UNDER THE TRUST INDENTURE ACT OF 1939 FOR DELAYED OFFERINGS

The undersigned registrant hereby undertakes to file an application for the purpose of determining the eligibility of the trustee to act under subsection (a) of section 310 of the Trust Indenture Act ("Act") in accordance with the rules and regulations prescribed by the Commission under Section 305(b)(2) of the Act.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Dallas, State of Texas, on April 20, 1998.

ATMOS ENERGY CORPORATION

By: /s/ ROBERT W. BEST
Robert W. Best, *Chairman, President and Chief Executive Officer*

POWER OF ATTORNEY

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated. Each person whose signature appears below hereby constitutes and appoints Robert W. Best his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place, and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments and amendments thereto) to this Registration Statement, and to file the same, with all exhibits thereto, and all other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

Signature	Title	Date
/s/ ROBERT W. BEST Robert W. Best	Chairman, President and Chief Executive Officer (Principal Executive Officer)	April 20, 1998
/s/ LARRY J. DAGLEY Larry J. Dagley	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	April 20, 1998
/s/ DAVID L. BICKERSTAFF David L. Bickerstaff	Vice President and Controller (Principal Accounting Officer)	April 20, 1998
/s/ TRAVIS W. BAIN II Travis W. Bain II	Director	April 15, 1998
/s/ DAN BUSBEE Dan Busbee	Director	April 17, 1998
/s/ RICHARD W. CARDIN Richard W. Cardin	Director	April 15, 1998

Signature	Title	Date
/s/ THOMAS J. GARLAND Thomas J. Garland	Director	April 15, 1998
/s/ GENE C. KOONCE Gene C. Koonce	Director	April 17, 1998
/s/ VINCENT J. LEWIS Vincent J. Lewis	Director	April 15, 1998
/s/ THOMAS C. MEREDITH Thomas C. Meredith	Director	April 15, 1998
/s/ PHILLIP E. NICHOL Phillip E. Nichol	Director	April 17, 1998
/s/ CARL S. QUINN Carl S. Quinn	Director	April 15, 1998
/s/ CHARLES K. VAUGHAN Charles K. Vaughan	Director	April 17, 1998
/s/ RICHARD WARE II Richard Ware II	Director	April 15, 1998

EXHIBIT INDEX

Exhibit Number	Description
1.1	— Form of Purchase Agreement.*
4.1	— Form of Indenture.
4.2	— Form of Debt Security.*
4.3(a)	— Note Purchase Agreement, dated as of December 21, 1987, by and between the Company and John Hancock Mutual Life Insurance Company (Exhibit 10(c) of Form 8-K filed January 7, 1988 (File No. 0-11249)). Note Purchase Agreement, dated as of December 21, 1987, by and between the Company and John Hancock Charitable Trust I (Agreement is identical to Hancock Agreement listed above except as to the parties thereto and the amounts thereof.). Note Purchase Agreement dated as of December 21, 1987, by and between the Company and Mellon Bank, N.A., Trustee under Master Trust Agreement of AT&T Corporation, dated January 1, 1984, for Employee Pension Plans — AT&T — John Hancock — Private Placement (Agreement is identical to Hancock Agreement listed above except as to the parties thereto and the amounts thereof.).
4.3(b)	— Amendment to Note Purchase Agreement, dated October 11, 1989, by and between the Company and John Hancock Mutual Life Insurance Company revising Note Purchase Agreement dated December 21, 1987 (Exhibit (10(b)(ii) of Form 10-K for fiscal year ended September 30, 1989 (File No. 1-10042)). Amendment to Note Purchase Agreement, dated October 11, 1989, by and between the Company and John Hancock Charitable Trust I revising Note Purchase Agreement dated December 21, 1987 (Amendment is identical to Hancock amendment listed above except as to the parties thereto and the amounts thereof.). Amendment to Note Purchase Agreement dated October 11, 1989, by and between the Company and Mellon Bank, N.A., Trustee under Master Trust Agreement of AT&T Corporation, dated January 1, 1984, for Employee Pension Plans — AT&T — John Hancock — Private Placement revising Note Purchase Agreement dated December 21, 1987 (Amendment is identical to Hancock amendment listed above except as to the parties thereto and the amounts thereof.).
4.3(c)	— Amendment to Note Purchase Agreement dated November 12, 1991, by and between the Company and John Hancock Mutual Life Insurance Company revising Note Purchase Agreement dated December 21, 1987 (Exhibit 10(b)(iii) of Form 10-K for fiscal year ended September 30, 1991 (File No. 1-10042)). Amendment to Note Purchase Agreement, dated November 12, 1991, by and between the Company and John Hancock Charitable Trust I revising Note Purchase Agreement dated December 21, 1987 (Amendment is identical to Hancock amendment listed above except as to the parties thereto and the amounts thereof.). Amendment to Note Purchase Agreement, dated November 12, 1991, by and between the Company and Mellon Bank, N.A., Trustee under Master Trust Agreement of AT&T Corporation, dated January 1, 1984, for Employee Pension Plans — AT&T — John Hancock — Private Placement revising Note Purchase Agreement dated December 21, 1987 (Amendment is identical to Hancock amendment above except as to the parties thereto and the amounts thereof.).

Exhibit Number	Description
4.3(d)	— Amendment to Note Purchase Agreement, dated December 22, 1993, by and between the Company and John Hancock Mutual Life Insurance Company revising Note Purchase Agreement dated December 21, 1987.
	Amendment to Note Purchase Agreement, dated December 22, 1993, by and between the Company and Mellon Bank, N.A., Trustee under Master Trust Agreement of AT&T Corporation, dated January 1, 1984, for Employee Pension Plans — AT&T — John Hancock — Private Placement revising Note Purchase Agreement dated December 21, 1987 (Amendment is identical to Hancock amendment listed above except as to the parties thereto and the amounts thereof).
4.3(e)	— Amendment to Note Purchase Agreement, dated December 20, 1994 by and between the Company and John Hancock Mutual Life Insurance Company revising Note Purchase Agreement dated December 21, 1987.
	Amendment to Note Purchase Agreement, dated December 20, 1994, by and between the Company and Mellon Bank, N.A., Trustee under Master Trust Agreement of AT&T Corporation, dated January 1, 1984, for Employee Pension Plans — AT&T — John Hancock — Private Placement revising Note Purchase Agreement dated December 21, 1987 (Amendment is identical to Hancock amendment listed above).
4.3(f)	— Amendment to Note Purchase Agreement, dated July 29, 1997, by and between the Company and John Hancock Mutual Life Insurance Company revising Note Purchase Agreement dated December 21, 1987.
	Amendment to Note Purchase Agreement, dated July 29, 1997, by and between the Company and Mellon Bank, N.A., Trustee under Master Trust Agreement of AT&T Corporation, dated January 1, 1984, for Employee Pension Plans — AT&T — John Hancock — Private Placement revising Note Purchase Agreement dated December 21, 1987 (Amendment is identical to Hancock Amendment listed above except as to the parties thereto and the amounts thereof).
4.4(a)	— Note Purchase Agreement, dated as of October 11, 1989, by and between the Company and John Hancock Mutual Life Insurance Company (Exhibit 10(c) of Form 10-K for fiscal year ended September 30, 1989 (File No. 1-10042)).
4.4(b)	— Amendment to Note Purchase Agreement, dated as of November 12, 1991, by and between the Company and John Hancock Mutual Life Insurance Company revising Note Purchase Agreement dated October 11, 1989 (Exhibit 10(c)(ii) of Form 10-K for fiscal year ended September 30, 1991 (File No. 1-10042)).
4.4(c)	— Amendment to Note Purchase Agreement, dated December 22, 1993, by and between the Company and John Hancock Mutual Life Insurance Company revising Note Purchase Agreement dated October 11, 1989.
4.4(d)	— Amendment to Note Purchase Agreement, dated December 20, 1994, by and between the Company and John Hancock Mutual Life Insurance Company revising Note Purchase Agreement dated October 11, 1989.
4.4(e)	— Amendment to Note Purchase Agreement, dated July 29, 1997, by and between the Company and John Hancock Mutual Life Insurance Company revising Note Purchase Agreement dated October 11, 1989.
4.5(a)	— Note Purchase Agreement, dated as of August 29, 1991, by and between the Company and The Variable Annuity Life Insurance Company (Exhibit 10(f)(i) of Form 10-K for fiscal year ended September 30, 1991 (File No. 10042)).

Exhibit Number	Description
4.5(b)	— Amendment to Note Purchase Agreement, dated November 26, 1991, by and between the Company and The Variable Annuity Life Insurance Company revising Note Purchase Agreement dated August 29, 1991 (Exhibit 10(f)(ii) of Form 10-K for fiscal year ended September 30, 1991 (File No. 1-10042)).
4.5(c)	— Amendment to Note Purchase Agreement, dated December 22, 1993, by and between the Company and The Variable Annuity Life Insurance Company revising Note Purchase Agreement dated August 29, 1991.
4.5(d)	— Amendment to Note Purchase Agreement, dated July 29, 1997, by and between the Company and The Variable Annuity Life Insurance Company revising Note Purchase Agreement dated August 29, 1991.
4.6(a)	— Note Purchase Agreement, dated as of August 31, 1992, by and between the Company and The Variable Annuity Life Insurance Company (Exhibit 10(f) of Form 10-K for fiscal year ended September 30, 1992 (File No. 1-10042)).
4.6(b)	— Amendment to Note Purchase Agreement, dated December 22, 1993, by and between the Company and the Variable Annuity Life Insurance Company revising Note Purchase Agreement dated August 31, 1992.
4.6(c)	— Amendment to Note Purchase Agreement, dated July 29, 1997, by and between the Company and The Variable Annuity Life Insurance Company revising Note Purchase Agreement dated August 31, 1992.
4.7(a)	— Note Purchase Agreement, dated November 14, 1994, by and among the Company and New York Life Insurance Company, New York Life Insurance and Annuity Corporation, The Variable Annuity Life Insurance Company, American General Life Insurance Company, and Merit Life Insurance Company (Exhibit 10.1 of Form 10-Q for quarter ended December 31, 1994 (File No. 1-10042)).
4.7(b)	— Amendment to Note Purchase Agreement, dated July 29, 1997, by and among the Company and New York Life Insurance Company, New York Life Insurance and Annuity Corporation, The Variable Annuity Life Insurance Company, American General Life Insurance Company and Merit Life Insurance Company revising Note Purchase Agreement dated November 14, 1994.
4.8	— Loan Agreement by and between the Company and NationsBank of Texas, N.A. dated as of November 26, 1996 (Exhibit 10.1 of Form 10-Q for quarter ended December 31, 1996 (File No. 1-10042)).
4.9(a)	— Indenture of Mortgage, dated as of July 15, 1959, from United Cities Gas Company to First Trust of Illinois, National Association, and M.J. Kruger, as Trustees, as amended and supplemented through December 1, 1992 (the Indenture of Mortgage through the 20th Supplemental Indenture) (Exhibit to Registration Statement of United Cities Gas Company on Form S-3 (File No. 33-56983)).
4.9(b)	— Twenty-First Supplemental Indenture dated as of February 5, 1997 by and among United Cities Gas Company and Bank of America Illinois and First Trust National Association and Russell C. Bergman supplementing Indenture of Mortgage dated as of July 15, 1959 (Exhibit 10.7(a) of Form 10-K for the fiscal year ended September 30, 1997 (File No. 1-10042)).
4.9(c)	— Twenty-Second Supplemental Indenture dated as of July 29, 1997 by and among the Company and First Trust National Association and Russell C. Bergman supplementing Indenture of Mortgage dated as of July 15, 1959 (Exhibit 10.7(b) of Form 10-K for the fiscal year ended September 30, 1997 (File No. 1-10042)).

Exhibit Number	Description
4.10(a)	— Form of Indenture between United Cities Gas Company and First Trust of Illinois, National Association, as Trustee dated as of November 15, 1995 (Exhibit to Registration Statement of United Cities Gas Company on Form S-3 (File No. 33-56983)).
4.10(b)	— First Supplemental Indenture between the Company and First Trust of Illinois, National Association, as Trustee dated as of July 29, 1997 (Exhibit 10.8(a) of Form 10-K for the fiscal year ended September 30, 1997 (File No. 1-10042)).
4.11(a)	— Seventh Supplemental Indenture, dated as of October 1, 1983 between Greeley Gas Company ("the Greeley Gas Division") and the Central Bank of Denver, N.A. ("Central Bank") (Exhibit 10.1 of Form 10-Q for quarter ended June 30, 1994 (File No. 1-10042)).
4.11(b)	— Ninth Supplemental Indenture, dated as of April 1, 1991, between the Greeley Gas Division and Central Bank (Exhibit 10.2 of Form 10-Q for quarter ended June 30, 1994 (File No. 1-10042)).
4.11(c)	— Bond Purchase Agreement, dated as of April 1, 1991, between the Greeley Gas Division and Central Bank (Exhibit 10.3 of Form 10-Q for quarter ended June 30, 1994 (File No. 1-10042)).
4.11(d)	— Tenth Supplemental Indenture, dated as of December 1, 1993, between the Company and Colorado National Bank, formerly Central Bank (Exhibit 10.4 of Form 10-Q for quarter ended June 30, 1994 (File No. 1-10042)).
5.1	— Opinion of Locke Purnell Rain Harrell (A Professional Corporation) as to certain legal matters.
12.1	— Computation of Ratio of Earnings to Fixed Charges of the Company.
23.1	— Consent of Ernst & Young LLP.
23.2	— Consent of Arthur Andersen LLP.
23.3	— Consent of Locke Purnell Rain Harrell (A Professional Corporation) (set forth in its opinion filed as Exhibit 5.1).
24.1	— Powers of attorney (set forth on the signature page(s) hereof).
25.1	— Statement of Eligibility and Qualifications on Form T-1 of Trustee under the Indenture.

* Such exhibit will be filed by the Registrant as an exhibit to a Current Report on Form 8-K and incorporated herein by reference.

<DOCUMENT>
<TYPE> EX-4.1
<DESCRIPTION> Form of Indenture
<TEXT>

EXHIBIT 4.1

==

ATMOS ENERGY CORPORATION,

Issuer,

to

U.S. BANK TRUST NATIONAL ASSOCIATION,

Trustee

INDENTURE

Dated as of _________ __, 1998

Debt Securities

==

Reconciliation and tie between Trust Indenture Act of 1939 and Indenture, dated as of ____________, 1998

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Trust Indenture Act Section	Indenture Section
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Section 310(a)(1)	607(a)
(a)(2)	607(a)
(b)	608(b), 609
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Section 312(c)	701
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(a)(4)	1004
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Section 315(b)	601
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(a)(1)(A)	502, 512
(a)(1)(B)	513
(b)	508
(c)	104(e)
Section 317(a)(1)	503
(a)(2)	504
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Section 318(a)	108

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DEFEASANCE AND COVENANT DEFEASANCE

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INDENTURE, dated as of ________ __, 1998 between Atmos Energy Corporation, a Texas and Virginia corporation (herein called the "Company"), and U.S. Bank Trust National Association, a national banking association with trust powers, trustee (herein called the "Trustee").

RECITALS OF THE COMPANY

The Company has duly authorized the execution and delivery of this Indenture to provide for the issuance from time to time of its senior debt securities (herein called the "Securities"), to be issued in one or more series as in this Indenture provided.

This Indenture is subject to the provisions of the Trust Indenture Act of 1939, as amended, that are required to be part of this Indenture and shall, to the extent applicable, be governed by such provisions.

All things necessary to make this Indenture a valid agreement of the Company, in accordance with its terms, have been done.

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

For and in consideration of the premises and the purchase of the Securities by the Holders thereof, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders of the Securities or of series thereof, as follows:

ARTICLE ONE

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

SECTION 101. Definitions.

For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(1) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular;

(2) all other terms used herein which are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein, and the terms "cash transaction" and "self-liquidating paper", as used in TIA Section 311,

shall have the meanings assigned to them in the rules of the Commission adopted under the Trust Indenture Act;

(3) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles and except as otherwise herein expressly provided, the term "generally accepted accounting principles" with respect to any computation required or permitted hereunder shall mean such accounting principles as are generally accepted in the United States; and

(4) the words "herein", "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

Certain terms, used principally in Article Three, are defined in that Article.

"Act", when used with respect to any Holder, has the meaning specified in Section 104.

"Additional Amounts" has the meaning specified in Section 1008.

"Affiliate" means, with respect to any specified Person, any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Attributable Debt" means, as to any particular lease under which any Person is at the time liable, at any date as of which the amount thereof is to be determined, the total net amount of rent required to be paid by such Person under such lease during the remaining term thereof (excluding amounts required to be paid on account of maintenance and repairs, services, insurance, taxes, assessments, water rates and similar charges and contingent rents), discounted from the respective due dates thereof at the weighted average of the rates of interest (or Yield to Maturity, in the case of Original Issue Discount Securities) borne by the Indenture Securities then outstanding under the Indenture, compounded annually.

"Authenticating Agent" means any Person appointed by the Trustee to act on behalf of the Trustee pursuant to Section 611 to authenticate Securities.

"Authorized Newspaper" means a newspaper, in the English language or in an official language of the country of publication, customarily published on each Business Day, whether or not published on Saturdays, Sundays or holidays, and of general circulation in each place in connection with which the term is used or in the financial community of each such place. Where successive publications are required to be made in Authorized Newspapers, the successive publications may be made in the same or in different newspapers in the same city meeting the foregoing requirements and in each case on any Business Day.

"Authorized Officer", when used with respect to the Trustee, means any vice-president, assistant vice president, any assistant secretary, any assistant treasurer, any trust officer or assistant trust officer, the controller and any assistant controller or any other officer of the Trustee customarily performing functions similar to those performed by any of the above-designated officers or assigned by the Trustee to administer corporate trust matters at its Corporate Trust Office and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"Bankruptcy Law" means Title 11, U.S. Code or any similar federal or state law for the relief of debtors.

"Board of Directors" means the Board of Directors of the Company or any duly authorized committee of such Board.

"Board Resolution" means a copy of a resolution certified by the Corporate Secretary or an Assistant Corporate Secretary of the Company to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"Book-Entry Security" has the meaning specified in Section 304.

"Business Day", when used with respect to any Place of Payment or any other particular location referred to in this Indenture or in the Securities, means, unless otherwise specified with respect to any Securities pursuant to Section 301, each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in that Place of Payment or other location are authorized or obligated by law, regulation or executive order to close.

"Capital Stock" means, with respect to any corporation, any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests (however designated) in stock issued by that corporation.

"Cedel" means Cedel Bank, societe anonyme, or its successor.

"Commission" means the Securities and Exchange Commission, as from time to time constituted, created under the Exchange Act or, if at any time after the execution of this Indenture such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties at such time.

"Company" means the Person named as the "Company" in the first paragraph of this Indenture until a successor Person shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Company" shall mean such successor Person. To the extent necessary to comply with the requirements of the provisions of TIA Sections 310 through 317 as they are applicable to the Company, the term "Company" shall include any other obligor with respect to the Securities for the purposes of complying with such provisions.

"Company Request" or "Company Order" means a written request or order signed in the name of the Company (i) by its Chairman, Chief Executive Officer, its President or a Vice President and (ii) by its Treasurer, an Assistant Treasurer, its Corporate Secretary or an Assistant Corporate Secretary and delivered to the Trustee; provided, however, that such written request or order may be signed by any two of the officers or directors listed in clause (i) above in lieu of being signed by one of such officers or directors listed in such clause (i) and one of the officers listed in clause (ii) above.

"Consolidated Net Tangible Assets" means the aggregate amount of assets (less applicable reserves and other properly deductible items) after deducting therefrom (i) all current liabilities (excluding any portion thereof constituting Funded Indebtedness) and (ii) all goodwill, trade names, trademarks, patents, unamortized debt discount and expense and other like intangibles, all as set forth on the most recent consolidated balance sheet of the Company contained in the latest annual report to shareholders of the Company and computed in accordance with generally accepted accounting principles.

"Corporate Trust Office" means the office of the Trustee at which at any particular time its corporate trust business shall be principally administered, which office on the date of execution of this Indenture is located at One Illinois Center, 111 East Wacker Drive, Suite 3000, Chicago, Illinois 60601, Attention: Corporate Trust Department.

"corporation" includes corporations, associations, partnerships, limited liability companies, companies and business trusts.

"covenant defeasance" has the meaning specified in Section 1403 hereof.

"Custodian" means any receiver, trustee, assignee, liquidator, sequestrator or similar officer under any Bankruptcy Law.

"Debt" means notes, bonds, debentures or other similar evidences of indebtedness for money borrowed.

"Default" means any event that is, or after notice or passage of time or both would be, an Event of Default.

"Defaulted Interest" has the meaning specified in Section 308 hereof.

"defeasance" has the meaning specified in Section 1402 hereof.

"Definitive Security" has the meaning specified in Section 304 hereof.

"Depository" has the meaning specified in Section 304.

"Euroclear" means Morgan Guaranty Trust Company of New York, Brussels Office, or its successor as operator of the Euroclear System.

"Event of Default" has the meaning specified in Section 501.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Extension Notice" and "Extension Period" shall have the meanings specified in Section 309.

"Final Maturity" has the meaning specified in Section 309.

"Funded Indebtedness" as applied to any Person, means all Indebtedness of such Person maturing after, or renewable or extendable at the option of such Person beyond, 12 months from the date of determination.

"generally accepted accounting principles" or "GAAP" means generally accepted accounting principles in the United States.

"Global Securities" means one or more Securities evidencing all or part of the Securities to be issued as Book-Entry Securities, issued to the Depository in accordance with Section 301 and bearing the legend prescribed in Section 204.

"Government Obligations" means, unless otherwise specified with respect to any series of Securities pursuant to Section 301, securities which are (i) direct obligations of the United States government or (ii) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States government, the payment of which is unconditionally guaranteed by the United States government, which, in either case, are full faith and credit obligations of the United States government payable and are not callable or redeemable at the option of the issuer thereof and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such Government Obligation or a specific payment of interest on or principal of any such Government Obligation held by such custodian for the account of the holder of a depository receipt; provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the Government Obligation or the specific payment of interest or principal of the Government Obligation evidenced by such depository receipt.

"Greeley Indenture" means that certain Indenture of Mortgage and Deed of Trust, dated as of March 1, 1957, from Greeley Gas Company to U.S. Bank National Association (formerly The Central Bank and Trust Company), as Trustee, as amended and supplemented through December 1, 1993 (the Indenture of Mortgage and Deed of Trust through the Tenth Supplemental Indenture by the Company to U.S. Bank National Association (formerly The Central Bank and Trust Company), as Trustee.)

"guarantee" means, as applied to any obligation, (i) a guarantee (other than by endorsement of negotiable instruments for collection in the ordinary course of business), direct or indirect, in any manner, of any part or all of such obligation or (ii) an agreement, direct or indirect, contingent or otherwise, providing assurance of the payment or performance (or payment of damages in the event of non-performance) of any part or all of such obligation, including, without limiting the foregoing, the payment of amounts drawn down by letters of credit. Notwithstanding anything herein to the contrary, a guarantee shall not include any agreement solely because such agreement creates a Lien on the assets of any Person. The amount of a guarantee shall be deemed to be the maximum amount of the obligation guaranteed for which the guarantor could be held liable under such guarantee.

"Holder" means the Person in whose name a Security is registered in the Security Register.

"incorporated provision" has the meaning specified in Section 107.

"Indebtedness" means obligations for money borrowed, evidenced by notes, bonds, debentures or other similar evidences of indebtedness.

"Indenture" means this instrument as originally executed (including all exhibits and schedules hereto) and as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof, and shall include the terms of particular series of Securities established as contemplated by Section 301; provided, however, that, if at any time more than one Person is acting as Trustee under this instrument, "Indenture" shall mean, with respect to any one or more series of Securities for which such Person is Trustee, this instrument as originally executed or as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof and shall include the terms of particular series of Securities for which such Person is Trustee established as contemplated by Section 301, exclusive, however, of any provisions or terms which relate solely to other series of Securities for which such Person is not Trustee, regardless of when such terms or provisions were adopted, and exclusive of any provisions or terms adopted by means of one or more indentures supplemental hereto executed and delivered after such Person had become such Trustee but to which such Person, as such Trustee, was not a party.

"Indexed Security" means a Security the terms of which provide that the principal amount thereof payable at Stated Maturity may be more or less than the principal face amount thereof at original issuance.

"interest", when used with respect to an Original Issue Discount Security which by its terms bears interest only after Maturity, means interest payable after Maturity at the rate prescribed in such Original Issue Discount Security.

"Interest Payment Date", when used with respect to any series of Securities, means the Stated Maturity of an installment of interest on such Securities.

"Lien" means any lien, mortgage, pledge, encumbrance, charge or security interest securing Indebtedness; provided, however, that the following types of transactions will not be considered for purposes of this definition to result in a Lien: (i) any acquisition by the Company or any Restricted Subsidiary of any property or assets subject to any reservation or exception under the terms of which any vendor, lessor or assignor creates, reserves or excepts or has created, reserved or excepted an interest in oil, gas or any other mineral in place or the proceeds thereof, (ii) any conveyance or assignment whereby the Company or any Restricted Subsidiary conveys or assigns to any Person or Persons an interest in oil, gas or any other mineral in place or the proceeds thereof, (iii) any Lien upon any property or assets either owned or leased by the Company or any Restricted Subsidiary or in which the Company or any Restricted Subsidiary owns an interest that secures for the benefit of the Person or Persons paying the expenses of developing or conducting operations for the recovery, storage, transportation or sale of the mineral resources of the such property or assets (or property or assets with which it is unitized) the payment to such Person or Persons of the Company's or the Restricted Subsidiary's proportionate part of such development or operating expenses, (iv) any hedging arrangements entered into in the ordinary course of business, including any obligation to deliver any mineral, commodity or asset in connection therewith or (v) any guarantees by the Company of the repayment of Indebtedness of any Subsidiary or guarantees by any Subsidiary of the repayment of Indebtedness of any entity, including, but not limited to, Indebtedness of Woodward Marketing, L.L.C.

"Loan Agreement" means that certain Loan Agreement by and between the Company and NationsBank of Texas, N.A., dated as of November 26, 1996.

"mandatory sinking fund payment" shall have the meaning specified in Section 1201.

"Maturity", when used with respect to any Security, means the date on which the principal of such Security becomes due and payable as therein or herein provided whether at the Stated Maturity, by declaration of acceleration, notice of redemption, notice of option to elect repayment or otherwise.

"Non-Recourse Indebtedness" means, at any time, Indebtedness incurred after the date of the Indenture by the Company or a Restricted Subsidiary in connection with the acquisition of property or assets by the Company or a Restricted Subsidiary or the financing of the construction of or improvements on property, whenever acquired, provided that, under the terms of such Indebtedness and pursuant to applicable law, the recourse at such time and thereafter of the lenders with respect to such Indebtedness is limited to the property or assets so acquired, or such construction or improvements, including Indebtedness as to which a performance or completion guarantee or similar undertaking was initially applicable to such Indebtedness or the related property or assets if such guarantee or similar undertaking has been satisfied and is no longer in effect.

"Note Purchase Agreements" collectively refers to the following Note Purchase Agreements, as amended, which were executed by and between the Company and the following parties on the dates indicated: (i) John Hancock Mutual Life Insurance Company, dated December 21, 1987; (ii) Mellon Bank, N.A., Trustee under Master Trust Agreement of AT&T Corporation, dated January 1, 1984, for Employee Pension Plans--AT&T--John Hancock--Private Placement, dated December 21, 1987 (Agreement is identical to Hancock Agreement listed above except as to the parties thereto and the amounts thereof); (iii) John Hancock Mutual Life Insurance Company, dated October 11, 1989; (iv) The Variable Annuity Life Insurance Company, dated August 29, 1991; (v) The Variable Annuity Life Insurance Company, dated August 31, 1992; and (vi) New York Life Insurance Company, New York Life Insurance and Annuity Corporation, The Variable Annuity Life Insurance Company, American General Life Insurance Company and Merit Life Insurance Company, dated November 14, 1994.

"Officers' Certificate" means a certificate signed by (i) the Chairman, Chief Executive Officer, the President, a Vice President or the Treasurer of the Company and (ii) the Corporate Secretary or an Assistant Corporate Secretary of the Company and delivered to the Trustee; provided, however, that such certificate may be signed by two of the officers or directors listed in clause (i) above in lieu of being signed by one of such officers or directors listed in such clause (i) and one of the officers listed in clause (ii) above.

"Opinion of Counsel" means a written opinion of counsel, who may be counsel for the Company, and who shall be acceptable to the Trustee. Each such opinion shall include the statements provided for in TIA Section 314(e) to the extent applicable.

"Option to Elect Repayment" shall have the meaning specified in Section 1303.

"Optional Reset Date" shall have the meaning specified in Section 308.

"optional sinking fund payment" shall have the meaning specified in Section 1201.

"Original Issue Discount Security" means any Security which provides for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 502.

"Original Stated Maturity" shall have the meaning specified in Section 309.

"Outstanding" when used with respect to Securities means, as of the date of determination, all Securities theretofore authenticated and delivered under this Indenture, except:

(i) Securities theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;

(ii) Securities, or portions thereof, for whose payment, purchase, redemption or repayment at the option of the Holder money in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent (other than the Company) in trust or set aside and segregated in trust by the Company (if the Company shall act as its own Paying Agent) for the Holders of such Securities; provided that, if such Securities are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provision therefor satisfactory to the Trustee has been made;

(iii) Securities, except to the extent provided in Sections 1402 and 1403, with respect to which the Company has effected defeasance and/or covenant defeasance as provided in Article Fourteen; and

(iv) Securities paid pursuant to Section 307 or Securities in exchange for or in lieu of which other Securities have been authenticated and delivered pursuant to this Indenture, other than any such Securities in respect of which there shall have been presented to the Trustee proof satisfactory to it that such Securities are held by a bona fide purchaser in whose hands such Securities are valid obligations of the Company;

provided, however, that, in determining whether the Holders of the requisite principal amount of Outstanding Securities have given any request, demand, direction, consent or waiver hereunder or are present at a meeting of Holders for quorum purposes, and for the purpose of making the calculations required by TIA Section 313, (i) the principal amount of an Original Issue Discount Security that may be counted in making such determination or calculation and that shall be deemed to be Outstanding for such purpose shall be equal to the amount of principal thereof that would be (or shall have been declared to be) due and payable, at the time of such determination, upon a declaration of acceleration of the maturity thereof pursuant to Section 502, (ii) the principal amount of any Indexed Security that may be counted in making such determination or calculation and that shall be deemed outstanding for such purpose shall be equal to the principal face amount of such Indexed Security at original issuance, unless otherwise provided with respect to such Security pursuant to Section 301, and (iii) Securities owned by the Company or any other obligor upon the Securities or any Affiliate of the Company or of such other obligor shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in making such calculation or in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Securities which the Trustee actually knows to be so owned shall be so disregarded. Securities so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Securities and that the pledgee is not the Company or any other obligor upon the Securities or any Affiliate of the Company or such other obligor.

"Paying Agent" means any Person (including the Company acting as Paying Agent) authorized by the Company to pay the principal of (or premium, if any) or interest, if any, on any Securities on behalf of the Company.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Place of Payment" means, when used with respect to the Securities of or within any series, the place or places where the principal of (and premium, if any) and interest, if any, on such Securities are payable as specified as contemplated by Sections 301 and 1002.

"Predecessor Security" of any particular Security means every previous Security evidencing all or a portion of the same debt as that evidenced by such particular Security; and, for the purposes of this definition, any Security authenticated and delivered under Section 307 in exchange for a mutilated Security or in lieu of a destroyed, lost or stolen Security shall be deemed to evidence the same debt as the mutilated, destroyed, lost or stolen Security.

"Principal Property" means any natural gas distribution property or propane property located in the United States, except any such property that in the opinion of the Board of Directors of the Company is not of material importance to the total business conducted by the Company and its consolidated Subsidiaries.

"Redemption Date", when used with respect to any Security to be redeemed, in whole or in part, means the date fixed for such redemption by or pursuant to this Indenture.

"Redemption Price", when used with respect to any Security to be redeemed, means the price at which it is to be redeemed pursuant to this Indenture.

"Regular Record Date" for the interest payable on any Interest Payment Date on the Securities of or within any series means the date specified for that purpose as contemplated by Section 301.

"Repayment Date" means, when used with respect to any Security to be repaid at the option of the Holder, the date fixed for such repayment pursuant to this Indenture.

"Repayment Price" means, when used with respect to any Security to be repaid at the option of the Holder, the price at which it is to be repaid pursuant to this Indenture.

"Reset Notice" shall have the meaning specified in Section 308.

"Restricted Securities" has the meaning specified in Section 1006.

"Restricted Subsidiary" means any Subsidiary that owns or leases a Principal Property.

"Sale and Leaseback Transaction" means any arrangement with any Person pursuant to which the Company or any Restricted Subsidiary leases any Principal Property that has been or is to be sold or transferred by the Company or the Restricted Subsidiary to such Person, other than (i) a lease for a term, including renewals at the option of the lessee, of not more than three years or classified as an operating lease under generally accepted accounting principles, (ii) leases between the Company and a Restricted Subsidiary or between Restricted Subsidiaries and (iii) leases of a Principal Property executed by the time of, or within 12 months after the latest of, the acquisition, the completion of construction or improvement, or the commencement of commercial operation, of the Principal Property.

"Securities" has the meaning stated in the first recital of this Indenture and more particularly means any Securities authenticated and delivered under this Indenture; provided, however, that if at any time there is more than one Person acting as Trustee under this Indenture, "Securities" with respect to the Indenture as to which such Person is Trustee shall have the meaning stated in the first recital of this Indenture and shall more particularly mean Securities authenticated and delivered under this Indenture, exclusive, however, of Securities of any series as to which such Person is not Trustee.

"Security Register" and "Security Registrar" have the respective meanings specified in Section 306.

"Special Record Date" means a date fixed by the Trustee for the payment of any Defaulted Interest pursuant to Section 308.

"Stated Maturity", when used with respect to any Security or any installment of principal thereof or interest thereon, means the date specified in such Security representing such installment of principal or interest as the fixed date on which the principal of such Security or such installment of principal or interest is due and payable, as such date may be extended pursuant to the provisions of Section 309.

"Subsequent Interest Period" shall have the meaning specified in Section 308.

"Subsidiary" of the Company means (i) a corporation, a majority of which Capital Stock with voting power, under ordinary circumstances, to elect directors is owned, directly or indirectly, at the date of determination, by the Company, by one or more Subsidiaries or by the Company and one or more Subsidiaries or (ii) any other Person (other than a corporation) in which at the date of determination the Company, one or more

Subsidiaries or the Company and one or more Subsidiaries, directly or indirectly, has at least a majority ownership and power to direct the policies, management and affairs thereof.

"Trust Indenture Act" or "TIA" means the Trust Indenture Act of 1939, as amended, and as in force at the date as of which this Indenture was executed, except as provided in Section 905.

"Trustee" means the Person named as the "Trustee" in the first paragraph of this Indenture until a successor Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Trustee" shall mean or include each Person who is then a Trustee hereunder; provided, however, that if at any time there is more than one such Person, "Trustee" as used with respect to the Securities of any series shall mean only the Trustee with respect to Securities of that series.

"United Cities Indenture" means that certain Indenture of Mortgage, dated as of July 15, 1959, from United Cities Gas Company to U.S. Bank Trust National Association (formerly First Trust of Illinois, National Association), and M.J. Kruger, as Trustees, as amended and supplemented through July 29, 1997 (the Indenture of Mortgage through the Twenty-Second Supplemental Indenture by the Company to U.S. Bank Trust National Association (formerly First Trust National Association) and Russell C. Bergman, as Trustees).

"United States" means, unless otherwise specified with respect to any Securities pursuant to Section 301, the United States of America (including the states and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction.

"United States person" means, unless otherwise specified with respect to any Securities pursuant to Section 301, an individual who is a citizen or resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States or an estate or trust the income of which is subject to United States federal income taxation regardless of its source.

"Vice President", when used with respect to the Company or the Trustee, means any vice president, whether or not designated by a number or a word or words added before or after the title "vice president".

"Yield to Maturity" means the yield to maturity, computed at the time of issuance of a Security (or, if applicable, at the most recent redetermination of interest on such Security) and as set forth in such Security in accordance with generally accepted United States bond yield computation principles.

SECTION 102. Compliance Certificates and Opinions.

Upon any application or request by the Company to the Trustee to take any action under any provision of this Indenture, the Company shall furnish to the Trustee an Officers' Certificate stating that all conditions precedent, if any, provided for in this Indenture (including any covenant compliance with which constitutes a condition precedent) relating to the proposed action have been complied with and an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent, if any, have been complied with, except that in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Indenture relating to such particular application or request, no additional certificate or opinion need be furnished.

Every certificate or opinion (other than the certificates required by Section 1004) with respect to compliance with a covenant or condition provided for in this Indenture shall include:

(1) a statement that each individual signing such certificate or opinion has read such covenant or condition and the definitions herein relating thereto;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of each such individual, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(4) a statement as to whether, in the opinion of each such individual, such covenant or condition has been complied with.

SECTION 103. Form of Documents Delivered to Trustee.

In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an officer of the Company may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. Any such certificate or Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Company stating that the information with respect to such factual matters is in the possession of the Company, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

SECTION 104. Acts of Holders.

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders of the Outstanding Securities of all series or one or more series, as the case may be, may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by agents duly appointed in writing. Except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments or record or both are delivered to the Trustee and, where it is hereby expressly required, to the Company. Such instrument or instruments and any such record (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments or so voting at any such meeting. Proof of execution of any such instrument or of a writing appointing any such agent, or of the holding by any Person of a Security, shall be sufficient for any purpose of this Indenture and (subject to TIA Section 315) conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved in any reasonable manner which the Trustee deems sufficient.

(c) The ownership of Securities shall be proved by the Security Register.

(d) If the Company shall solicit from the Holders of Securities any request, demand, authorization, direction, notice, consent, waiver or other Act, the Company may, at its option, by or pursuant to a Board Resolution, fix in advance a record date for the determination of such Holders entitled to give such request, demand, authorization, direction, notice, consent, waiver or other Act, but the Company shall have no obligation to do so.

Notwithstanding TIA Section 316(c), any such record date shall be the record date specified in or pursuant to such Board Resolution, which shall be a date not more than 30 days prior to the first solicitation of Holders generally in connection therewith and no later than the date such solicitation is completed. If such a record date is fixed, such request, demand, authorization, direction, notice, consent, waiver or other Act may be given before or after such record date, but only the Holders of record at the close of business on such record date shall be deemed to be Holders for the purposes of determining whether Holders of the requisite proportion of Securities then Outstanding have authorized or agreed or consented to such request, demand, authorization, direction, notice, consent, waiver or other Act, and for that purpose the Securities then Outstanding shall be computed as of such record date; provided that no such request, demand, authorization, direction, notice, consent, waiver or other Act by the Holders on such record date shall be deemed effective unless it shall become effective pursuant to the provisions of this Indenture not later than six months after the record date.

(e) Any request, demand, authorization, direction, notice, consent, waiver or other Act by the Holder of any Security shall bind every future Holder of the same Security or the Holder of every Security issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof, in respect of anything done, suffered or omitted to be done by the Trustee, any Paying Agent or the Company in reliance thereon, whether or not notation of such action is made upon such Security.

SECTION 105. Notices, etc. to Trustee and Company.

Any request, demand, authorization, direction, notice, consent, waiver or Act of Holders or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with,

(1) the Trustee by any Holder, an agent of any bank or the Company shall be sufficient for every purpose hereunder if made, given, furnished or delivered, in writing, to or with the Trustee at its Corporate Trust Office, Attention: Corporate Trust Department; or

(2) the Company by the Trustee or by any Holder shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if made, given, furnished or delivered, in writing, to the Company addressed to it c/o 1800 Three Lincoln Centre, 5430 LBJ Freeway, Dallas, Texas 75240, Attention: Treasurer, or at any other address previously furnished in writing to the Trustee by the Company.

SECTION 106. Notice to Holders; Waiver.

Where this Indenture provides for notice of any event to Holders of Securities by the Company or the Trustee, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to each Holder affected by such event, at his address as it appears in the Security Register, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such notice. In any case where notice to Holders of Securities is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to other Holders of Securities. Any notice mailed to a Holder in the aforesaid manner shall be conclusively deemed to have been received by such Holder, whether or not such Holder actually receives such notice.

In case, by reason of the suspension of or irregularities in regular mail service or by reason of any other cause, it shall be impractical to mail notice of any event to Holders of Securities when such notice is required to be given pursuant to any provision of this Indenture, then any manner of giving such notice as shall be satisfactory to the Trustee shall be deemed to be sufficient giving of such notice for every purpose hereunder.

Any request, demand, authorization, direction, notice, consent or waiver required or permitted under this Indenture shall be in the English language, except that any published notice may be in an official language of the country of publication.

Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 107. Conflict of any Provision of Indenture with Trust Indenture Act.

If and to the extent that any provision of this Indenture limits, qualifies or conflicts with the duties imposed by TIA Sections 310 to 318, inclusive, or conflicts with any provision (an "incorporated provision") required by or deemed to be included in this Indenture by operation of such TIA Sections, such imposed duties or incorporated provision shall control. If any provision of this Indenture modifies or excludes any provision of the Trust Indenture Act that may be so modified or excluded, the latter provision shall be deemed to apply to this Indenture as so modified or excluded, as the case may be.

SECTION 108. Effect of Headings and Table of Contents.

The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 109. Successors and Assigns.

All covenants and agreements in this Indenture by the Company shall bind its successors and assigns, whether so expressed or not.

SECTION 110. Separability Clause.

In case any provision in this Indenture or in any Security shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 111. Benefits of Indenture.

Nothing in this Indenture or in the Securities, express or implied, shall give to any Person, other than the parties hereto, any Authenticating Agent, any Paying Agent, any Securities Registrar and their successors hereunder and the Holders of Securities, any benefit or any legal or equitable right, remedy or claim under this Indenture.

SECTION 112. Governing Law.

This Indenture and the Securities shall be governed by and construed in accordance with the laws of the State of New York, without regard to conflicts of laws principles. This Indenture is subject to the provisions of the Trust Indenture Act that are required to be part of this Indenture and shall, to the extent applicable, be governed by such provisions.

SECTION 113. Legal Holidays.

In any case where any Interest Payment Date, Redemption Date, sinking fund payment date or Stated Maturity or Maturity of any Security shall not be a Business Day at any Place of Payment, then (notwithstanding any other provision of this Indenture or of any Security other than a provision in the Securities of any series which specifically states that such provision shall apply in lieu of this Section), payment of principal (or premium, if any) or interest, if any, need not be made at such Place of Payment on such date, but may be made on the next succeeding Business Day at such Place of Payment with the same force and effect as if made on the Interest Payment Date or Redemption Date or sinking fund payment date, or at the Stated Maturity or Maturity; provided that no interest shall accrue for the period from and after such Interest Payment Date, Redemption Date, sinking fund payment date, Stated Maturity or Maturity, as the case may be.

SECTION 114. No Recourse Against Others.

A director, officer, employee or stockholder, as such, of the Company shall not have any liability for any obligations of the Company under the Securities or this Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. Each Holder by accepting any of the Securities waives and releases all such liability.

ARTICLE TWO

SECURITY FORMS

SECTION 201. Forms Generally.

The Securities shall be in substantially the forms as shall be established by or pursuant to a Board Resolution or in one or more indentures supplemental hereto, in each case with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with the rules of any securities exchange or as may, consistently herewith, be determined by the officers executing such Securities, as evidenced by their execution of the Securities. If the forms of Securities of any series are established by action taken pursuant to a Board Resolution, a copy of an appropriate record of such action shall be certified by the Corporate Secretary or an Assistant Corporate Secretary of the Company and delivered to the Trustee at or prior to the delivery of the Company Order contemplated by Section 303 for the authentication and delivery of such Securities. Any portion of the text of any Security may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Security.

The Trustee's certificate of authentication on all Securities shall be in substantially the form set forth in this Article.

The definitive Securities shall be printed, lithographed or engraved on steel-engraved borders or may be produced in any other manner, all as determined by the officers of the Company executing such Securities, as evidenced by their execution of such Securities.

SECTION 202. Form of Trustee's Certificate of Authentication.

Subject to Section 612, the Trustee's certificate of authentication shall be in substantially the following form:

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

Dated: ____________________

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

U.S. BANK TRUST NATIONAL ASSOCIATION
as Trustee

By

Authorized Officer

SECTION 203. Securities Issuable in Global Form.

When Securities of or within a series are issued in global form, as specified as contemplated by Section 301, then, any such Security shall represent such of the Outstanding Securities of such series as shall be specified therein and may provide that it shall represent the aggregate amount of Outstanding Securities of such series from time to time endorsed thereon and that the aggregate amount of Outstanding Securities of such series represented thereby may from time to time be increased or decreased to reflect exchanges. Any endorsement of a Security in global form to reflect the amount, or any increase or decrease in the amount, of Outstanding Securities represented thereby shall be made by the Trustee in such manner and upon instructions given by such Person or Persons as shall be specified therein or in the Company Order to be delivered to the Trustee pursuant to Section 303 or Section 305. Subject to the provisions of Section 303 and, if applicable, Section 305, the Trustee shall deliver and redeliver any Security in permanent global form in the manner and upon instructions given by the Person or Persons specified therein or in the applicable Company Order. If a Company Order pursuant to Section 303 or Section 305 has been, or simultaneously is, delivered, any instructions by the Company with respect to endorsement or delivery or redelivery of a Security in global form shall be in writing but need not comply with Section 102 and need not be accompanied by an Opinion of Counsel.

The provisions of the last sentence of Section 303 shall apply to any Security represented by a Security in global form if such Security was never issued and sold by the

Company and the Company delivers to the Trustee the Security in global form together with written instructions (which need not comply with Section 102 and need not be accompanied by an Opinion of Counsel) with regard to the reduction in the principal amount of Securities represented thereby, together with the written statement contemplated by the last sentence of Section 303.

Notwithstanding the provisions of Section 308, unless otherwise specified as contemplated by Section 301, payment of principal of (and premium, if any) and interest, if any, on any Security in permanent global form shall be made to the Person or Persons specified therein.

Notwithstanding the provisions of Section 310 and except as provided in the preceding paragraph, the Company, the Trustee and any agent of the Company and the Trustee shall treat as the Holder of such principal amount of Outstanding Securities represented by a permanent Global Security the Holder of such permanent Global Security.

SECTION 204. Form of Legend for Book-Entry Securities.

Any Global Security authenticated and delivered hereunder shall bear a legend (which would be in addition to any other legends required in the case of a Restricted Security) in substantially the following form:

THIS SECURITY IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITORY OR A NOMINEE THEREOF. THIS SECURITY MAY NOT BE EXCHANGED IN WHOLE OR IN PART FOR A SECURITY REGISTERED, AND NO TRANSFER OF THIS SECURITY IN WHOLE OR IN PART MAY BE REGISTERED, IN THE NAME OF ANY PERSON OTHER THAN SUCH DEPOSITORY OR ITS NOMINEE EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE.

ARTICLE THREE

THE SECURITIES

SECTION 301. Amount Unlimited; Issuable in Series.

The aggregate principal amount of Securities which may be authenticated and delivered under this Indenture is unlimited.

The Securities may be issued in one or more series. There shall be established in one or more Board Resolutions or pursuant to authority granted by one or more Board Resolutions and, subject to Section 303, set forth in, or determined in the manner provided in, an Officers' Certificate, or established in one or more indentures supplemental hereto, prior to the issuance of Securities of any series, any or all of the following, as applicable (each of which (except for the matters set forth in clauses (1), (2) and (9) below), if so provided, may be determined from time to time by the Company with respect to unissued Securities of the series and set forth in such Securities of the series when issued from time to time):

(1) The title of the Securities of the series (which shall distinguish the Securities of the series from all other series of Securities);

(2) The aggregate principal amount of the Securities of the series, the percentage of their principal amount at which the Securities of the series shall be issued and the date or dates on which the principal of the Securities of the series shall be payable or the method by which such date or dates shall be determined or extended;

(3) The rate or rates (which may be fixed or variable) at which the Securities of the series shall bear interest, if any, and, if variable, the method by which such rate or rates shall be determined;

(4) The date or dates from which any interest shall accrue or the method by which such date or dates will be determined, the date or dates on which any interest will be payable (including the Regular Record Dates for such Interest Payment Dates) and the basis on which any interest will be calculated if other than on the basis of a 360-day year of twelve 30-day months;

(5) The place or places, if any, other than or in addition to New York City, where the principal of (and premium, if any, on) and interest, if any, on the Securities of the series will be payable, where any Securities may be surrendered for registration of transfer, where the Securities of the series may be surrendered for exchange and

where notices or demands to or upon the Company in respect of the Securities of the series may be served;

(6) The period or periods within which, the price or prices at which, and the other terms and conditions upon which, the Securities of the series may be redeemed, in whole or in part, at the option of the Company, if the Company is to have that option;

(7) The obligation, if any, of the Company to redeem, purchase or repay the Securities of the series, in whole or in part, pursuant to any sinking fund or analogous provision or at the option of a holder thereof, and the period or periods within which, the price or prices at which, and the other terms and conditions upon which, the Securities of the series will be so redeemed, purchased or repaid;

(8) Whether the amount of payments of principal of (and premium, if any, on) and interest, if any, on the Securities of the series may be determined with reference to an index, formula or other method (which index, formula or method may, without limitation, be based on one or more commodities, equity indices or other indices) and the manner in which such amounts shall be determined;

(9) Any deletions from, modifications of or additions to the Events of Default or covenants of the Company with respect to the Securities of the series (which Events of Default or covenants may not be consistent with the Events of Default or covenants set forth in the general provisions of this Indenture);

(10) If other than the entire principal amount thereof, the portion of the principal amount of the Securities of the series that shall be payable upon declaration of acceleration of the Maturity thereof pursuant to Section 502 or the method by which such portion shall be determined;

(11) Any provisions in modification of, in addition to or in lieu of any provisions Article Fourteen of this Indenture that shall be applicable to the Securities of the series;

(12) Any provisions granting special rights to the Holders of the Securities of the series upon the occurrence of such events as may be specified;

(13) If other than the Trustee, the designation of any Paying Agent or Security Registrar for the Securities of the series, and the designation of any transfer or other agents or depositories for the Securities of the series;

(14) Whether the Securities of the series shall be issuable initially in temporary global form, whether any the Securities of the series Security is to be issuable in permanent global form (a "Global Security") and, if so, whether beneficial owners of interests in any Global Security may exchange such interests for Debt Securities of like tenor of any authorized form and denomination and the circumstances under which any such exchanges may occur, if other than in the manner provided in the Indenture, and, if the Securities are to be issuable as a Global Security, the identity of the depository for the Securities of the series;

(15) The person to whom any interest on any Security shall be payable, if other than the person in whose name the Securities of the series Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest or the manner in which, any interest payable on a temporary Security issued in global form shall be paid (if other than as described in Section 304);

(16) The denomination or denominations in which the Securities of the series shall be issuable, if other than $1,000 or any integral multiple thereof;

(17) Whether and under what circumstances the Company shall pay Additional Amounts, as contemplated by Section 1008 of this Indenture, on the Securities of the series to any Holder who is not a United States person (including any modification of the definition of such term as contained in this Indenture) in respect of any tax, assessment or governmental charge and, if so, whether the Company shall have the option to redeem the Securities of the series rather than pay such Additional Amounts (and the terms of any such option); and

(18) Any other terms, conditions, rights and preferences (or limitations on such rights and preferences) of the Securities of the series not inconsistent with the provisions of this Indenture.

All Securities of any one series shall be substantially identical except as may otherwise be provided in or pursuant to such Board Resolution (subject to Section 303) and set forth in such Officers' Certificate or in any such indenture supplemental hereto. Not all Securities of any one series need be issued at the same time, and, unless otherwise provided, a series may be reopened for issuances of additional Securities of such series.

If any of the terms of the series are established by action taken pursuant to one or more Board Resolutions, such Board Resolutions shall be delivered to the Trustee at or prior to the delivery of the Officers' Certificate setting forth the terms of the series.

SECTION 302. Denominations.

The Securities of each series shall be issuable in such denominations as shall be specified as contemplated by Section 301. In the absence of any such provisions, the Securities of such series, other than Securities issued in global form (which may be of any denomination), shall be issuable in denominations of $1,000 and any integral multiple thereof.

SECTION 303. Execution, Authentication, Delivery and Dating.

The Securities shall be executed on behalf of the Company by any one of the following: its Chairman, Chief Executive Officer, its President or one of its Vice Presidents, and attested by one of its Vice Presidents or its Corporate Secretary or one of its Assistant Corporate Secretaries. The signature of any of these officers on the Securities may be manual or facsimile.

Securities bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Securities or did not hold such offices at the date of such Securities.

At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Securities of any series, executed by the Company to the Trustee for authentication, together with a Company Order for the authentication and delivery of such Securities, and the Trustee in accordance with such Company Order shall authenticate and make available for delivery such Securities. If not all the Securities of any series are to be issued at one time and if the Board Resolution or supplemental indenture establishing such series shall so permit, such Company Order may set forth procedures acceptable to the Trustee for the issuance of such Securities and determining terms of particular Securities of such series such as interest rate, stated maturity, date of issuance and date from which interest shall accrue.

In authenticating such Securities, and accepting the additional responsibilities under this Indenture in relation to such Securities, the Trustee shall be entitled to receive, and (subject to TIA Sections 315(a) through 315(d)) shall be fully protected in relying upon, an Opinion of Counsel stating:

(1) that the form or forms of such Securities have been established in conformity with the provisions of this Indenture;

(2) that the terms of such Securities have been established in conformity with the provisions of this Indenture;

(3) that such Securities, when completed by appropriate insertions and executed and delivered by the Company to the Trustee for authentication in accordance with this Indenture, authenticated and made available for delivery by the Trustee in accordance with this Indenture and issued by the Company in the manner and subject to any conditions specified in such Opinion of Counsel, will constitute the legal, valid and binding obligations of the Company, enforceable in accordance with their terms, subject to applicable bankruptcy, insolvency, reorganization and other similar laws of general applicability relating to or affecting the enforcement of creditors' rights, to general equitable principles and to such other qualifications as such counsel shall conclude do not materially affect the rights of Holders of such Securities and any coupons;

(4) that all laws and requirements in respect of the execution and delivery by the Company of such Securities, and of the supplemental indentures, if any, have been complied with and that authentication and delivery of such Securities and the execution and delivery of the supplemental indenture, if any, by the Trustee will not violate the terms of the Indenture;

(5) that the Company has the corporate power to issue such Securities, and has duly taken all necessary corporate action with respect to such issuance; and

(6) that the issuance of such Securities will not contravene the articles of incorporation or bylaws of the Company or result in any violation of any of the terms or provisions of any law or regulation or of any indenture, mortgage or other agreement known to such Counsel by which the Company is bound.

Notwithstanding the provisions of Section 301 and of the preceding two paragraphs, if not all the Securities of any series are to be issued at one time, it shall not be necessary to deliver the Officers' Certificate otherwise required pursuant to Section 301 or the Company Order and Opinion of Counsel otherwise required pursuant to the preceding two paragraphs prior to or at the time of issuance of each Security, but such documents shall be delivered prior to or at the time of issuance of the first Security of such series.

The Trustee shall not be required to authenticate and make available for delivery any such Securities if the issue of such Securities pursuant to this Indenture will affect the Trustee's own rights, duties or immunities under the Securities and this Indenture or otherwise in a manner which is not reasonably acceptable to the Trustee.

Each Security shall be dated the date of its authentication.

No Security shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose unless there appears on such Security a certificate of authentication substantially in the form provided for herein duly executed by the Trustee by manual signature of an authorized signatory, and such certificate upon any Security shall be conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered hereunder and is entitled to the benefits of this Indenture. Notwithstanding the foregoing, if any Security shall have been authenticated and delivered hereunder but never issued and sold by the Company, and the Company shall deliver such Security to the Trustee for cancellation as provided in Section 311 together with a written statement (which need not comply with Section 102 and need not be accompanied by an Opinion of Counsel) stating that such Security has never been issued and sold by the Company, for all purposes of this Indenture such Security shall be deemed never to have been authenticated and delivered hereunder and shall never be entitled to the benefits of this Indenture.

SECTION 304. Book-Entry Securities.

(a) The Securities of a series may be issuable in whole or in part in the form of one or more Global Securities ("Book-Entry Securities") deposited with, or on behalf of, a Depository (the "Depository"). In the case of Book-Entry Securities, one or more Global Securities will be issued in a denomination or aggregate denomination equal to the portion of the aggregate principal amount of Outstanding Securities of the series to be represented by such Global Security or Global Securities. Unless otherwise provided as contemplated by Section 301, the additional provisions set forth in this Section 304 shall apply to Book-Entry Securities.

(b) Book-Entry Securities will be deposited with, or on behalf of, the Depository, and registered in the name of the Depository's nominee, for credit to the respective accounts of institutions that have accounts with the Depository or its nominee ("Participants"); provided that Book-Entry Securities purchased by persons outside the United States may be credited to or through accounts maintained at the Depository by or on behalf of Euroclear or Cedel. The accounts to be credited will be designated by the underwriters or agents of such Securities or, if such Securities are offered and sold directly by the Company, by the Company. Ownership of beneficial interests in Book-Entry Securities will be limited to Persons that may hold interests through Participants and will be shown on records maintained by the Depository or its nominee for such Book-Entry Security.

Participants shall have no rights under this Indenture or any indenture supplemental hereto with respect to any Book-Entry Security held on their behalf by the Depository, or the Trustee as its custodian, or under the Book-Entry Security, and the

Depository may be treated by the Company, the Trustee and any agent of the Company or the Trustee as the absolute owner of the Book-Entry Security for all purposes whatsoever. Notwithstanding the foregoing, nothing in this Indenture or any such indenture supplemental shall prevent the Company, the Trustee or any agent of the Company or the Trustee from giving effect to any written certification, proxy or other authorization furnished by the Depository or impair, as between the Depository and its Participants, the operation of customary practices governing the exercise of the rights of a Holder of any Security.

(c) Transfers of Book-Entry Securities shall be limited to transfers in whole, but not in part, to the Depository, its successors or their respective nominees. Interests of beneficial owners in Book-Entry Securities may be transferred or exchanged for Securities in fully registered, certificated form ("Definitive Securities") only if (i) the Depository notifies the Trustee in writing that the Depository is no longer willing or able to continue as depositary and a qualified successor depository is not appointed by the Company within 90 days following such notice, (ii) the Company, at any time and in its sole discretion, determines not to have any Debt Securities of one or more series represented by Global Securities or (iii) after the occurrence of an Event of Default with respect to such Debt Securities, a holder of Debt Securities notifies the Trustee in writing that it wishes to receive a Definitive Security. In any such instance, an owner of a beneficial interest in a Global Security will be entitled to physical delivery of Definitive Securities equal in principal amount to such beneficial interest and registered in its name.

(d) In connection with any transfer or exchange of a portion of the beneficial interest in any Book-Entry Security to beneficial owners pursuant to paragraph (c) above, the Security Registrar shall reflect on its books and records the date and a decrease in the principal amount of the Book-Entry Security in an amount equal to the principal amount of the beneficial interest in the Book-Entry Security to be transferred, and the Company shall execute, and the Trustee shall authenticate and deliver, one or more Definitive Securities of like tenor and principal amount of authorized denominations.

(e) In connection with the transfer of Book-Entry Securities as an entirety to beneficial owners pursuant to paragraph (c) above, the Book-Entry Securities shall be deemed to be surrendered to the Trustee for cancellation and the Company shall execute, and the Trustee shall authenticate and deliver, to each beneficial owner identified by the Depository in exchange for its beneficial interest in the Book-Entry Securities, an equal aggregate principal amount of Definitive Securities of like tenor of authorized denominations.

(f) The Holder of any Book-Entry Security may grant proxies and otherwise authorize any Person, including Participants and Persons that may hold interests through Participants, to take any action which a Holder is entitled to take under the applicable Indenture or the Securities.

SECTION 305. Temporary Securities.

Pending the preparation of Definitive Securities of any series, the Company may execute, and upon Company Order the Trustee shall authenticate and deliver, temporary Securities which are typewritten, printed, lithographed, engraved or otherwise produced by any combination of these methods, in any authorized denomination, substantially of the tenor of the Definitive Securities in lieu of which they are issued, in registered form and with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Securities may determine, as evidenced by their execution of such Securities. Such temporary Securities may be in global form.

If temporary Securities of any series are issued, the Company will cause Definitive Securities of that series to be prepared without unreasonable delay. After the preparation of Definitive Securities of such series, the temporary Securities of such series shall be exchangeable for Definitive Securities of such series upon surrender of the temporary Securities of such series at the office or agency of the Company in a Place of Payment for that series, without charge to the Holder. Upon surrender for cancellation of any one or more temporary Securities of any series, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a like principal amount of Definitive Securities of the same series of authorized denominations. Until so exchanged the temporary Securities of any series shall in all respects be entitled to the same benefits under this Indenture as Definitive Securities of such series.

Until exchanged in full as hereinabove provided, the temporary Securities of any series, including temporary Global Securities (whether or not issued as Book-Entry Securities as provided in Section 304), shall in all respects be entitled to the same benefits under this Indenture as Definitive Securities of the same series and of like tenor authenticated and delivered hereunder.

SECTION 306. Registration, Registration of Transfer and Exchange.

The Company shall cause to be kept at the Corporate Trust Office of the Trustee a register for each series of Securities (the registers maintained in such office of the Trustee and in any other office or agency designated pursuant to Section 1002 being herein sometimes referred to as the "Security Register") in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Securities and of transfers of Securities. The Trustee is hereby initially appointed "Security Registrar" for the purpose of registering Securities and transfers of Securities as herein provided.

Except as otherwise described in this Article Three, upon surrender for registration of transfer of any Security of any series at the office or agency in a Place of Payment for that series, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Securities of the same series, in each case, of any authorized denominations and of a like aggregate principal amount.

At the option of the Holder, Securities of any series may be exchanged for other Securities of the same series, of any authorized denominations and of a like aggregate principal amount, upon surrender of the Securities to be exchanged at such office or agency. Whenever any Securities are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and make available for delivery, the Securities which the Holder making the exchange is entitled to receive.

All Securities issued upon any registration of transfer or exchange of Securities shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Securities surrendered upon such registration of transfer or exchange.

Every Security presented or surrendered for registration of transfer or for exchange shall (if so required by the Company or the Security Registrar) be duly endorsed, or be accompanied by a written instrument of transfer, in form satisfactory to the Company and the Security Registrar, duly executed by the Holder thereof or his attorney duly authorized in writing.

No service charge shall be made for any registration of transfer or exchange of Securities, but the Company may require payment of a sum sufficient to pay all documentary, stamp, similar issue or transfer taxes or other governmental charges that may be imposed in connection with any registration of transfer or exchange of Securities, other than exchanges pursuant to Section 305, 906, 1107 or 1305 not involving any transfer.

The Company shall not be required (i) to issue, register the transfer of or exchange Securities of any series during a period beginning at the opening of business 15 days before the day of the selection for redemption of Securities of that series under Section 1103 or 1203 and ending at the close of business on the day of the mailing of the relevant notice of redemption, or (ii) to register the transfer of or exchange any Security so selected for redemption in whole or in part, except the unredeemed portion of any Security being redeemed in part, or (iii) to issue, register the transfer of or exchange any Security which has been surrendered for repayment at the option of the Holder, except the portion, if any, of such Security not to be so repaid.

SECTION 307. Mutilated, Destroyed, Lost and Stolen Securities.

If any mutilated Security is surrendered to the Trustee together with, in proper cases, such security or indemnity as may be required by the Company or the Trustee to save each of them and any agent of either of them harmless, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a new Security of the same series and of like tenor and principal amount and bearing a number not contemporaneously outstanding, or, in case any such mutilated Security has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Security, pay such Security.

If there shall be delivered to the Company and to the Trustee (i) evidence to their satisfaction of the destruction, loss or theft of any Security and (ii) such security or indemnity as may be required by them to save each of them and any agent of either of them harmless, then, in the absence of notice to the Company or the Trustee that such Security has been acquired by a bona fide purchaser, the Company shall execute and upon Company Order the Trustee shall authenticate and deliver, in lieu of any such destroyed, lost or stolen Security, a new Security of the same series and of like tenor and principal amount and bearing a number not contemporaneously outstanding.

Notwithstanding the provisions of the previous two paragraphs, in case any such mutilated, destroyed, lost or stolen Security has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Security, pay such Security.

Upon the issuance of any new Security under this Section, the Company may require the payment of a sum sufficient to pay all documentary, stamp or similar issue or transfer taxes or other governmental charges that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

Every new Security of any series, if any, issued pursuant to this Section in lieu of any mutilated, destroyed, lost or stolen Security, shall constitute an original additional contractual obligation of the Company, whether or not the mutilated, destroyed, lost or stolen Security shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Securities of that series duly issued hereunder.

The provisions of this Section 307 are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities.

SECTION 308. Payment of Interest; Interest Rights Preserved; Optional Interest Reset.

(a) Unless otherwise provided as contemplated by Section 301 with respect to any series of Securities, interest, if any, on any Security which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name such Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest at the office or agency of the Company maintained for such purpose pursuant to Section 1002; provided, however, that each installment of interest, if any, on any Security may at the Company's option be paid by (i) mailing a check for such interest, payable to or upon the written order of the Person entitled thereto pursuant to Section 310, to the address of such Person as it appears on the Security Register or (ii) wire transfer to an account located in the United States maintained by the payee.

Any interest on any Security of any series which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date shall forthwith cease to be payable to the Holder on the relevant Regular Record Date by virtue of having been such Holder, and such defaulted interest and, if applicable, interest on such defaulted interest (to the extent lawful) at the rate specified in the Securities of such series (such defaulted interest and, if applicable, interest thereon herein collectively called "Defaulted Interest") may be paid by the Company, at its election in each case, as provided in Subsection (1) or (2) below:

(1) The Company may elect to make payment of any Defaulted Interest to the Persons in whose names the Securities of such series (or their respective Predecessor Securities) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Security of such series and the date of the proposed payment, and at the same time the Company shall deposit with the Trustee an amount of money (except as otherwise specified pursuant to Section 301 for the Securities of such series) equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit on or prior to the date of the proposed payment, such money when deposited to

be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this Subsection provided. Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be given in the manner provided in Section 106, not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been so given, such Defaulted Interest shall be paid to the Persons in whose name the Securities of such series (or their respective Predecessor Securities) are registered at the close of business on such Special Record Date and shall no longer be payable pursuant to the following Subsection (2).

(2) The Company may make payment of any Defaulted Interest on the Securities of any series in any other lawful manner not inconsistent with the requirements of any securities exchange on which such Securities may be listed, and upon such notice as may be required by such exchange, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this clause, such manner of payment shall be deemed practicable by the Trustee.

(b) The provisions of this Section 308(b) may be made applicable to any series of Securities pursuant to Section 301 (with such modifications, additions or substitutions as may be specified pursuant to such Section 301). The interest rate (or the spread or spread multiplier used to calculate such interest rate, if applicable) on any Security of such series may be reset by the Company on the date or dates specified on the face of such Security (each an "Optional Reset Date"). The Company may exercise such option with respect to such Security by notifying the Trustee of such exercise at least 50 but not more than 60 days prior to an Optional Reset Date for such Note, which such notice shall contain such information as may be required by the Trustee to transmit the Reset Notice as hereinafter defined). Not later than 40 days prior to each Optional Reset Date, the Trustee shall transmit, in the manner provided for in Section 106, to the Holder of any such Security a notice (the "Reset Notice") indicating whether the Company has elected to reset the interest rate (or the spread or spread multiplier used to calculate such interest rate, if applicable), and if so (i) such new interest rate (or such new spread or spread multiplier, if applicable) and (ii) the provisions, if any, for redemption during the period from such Optional Reset Date to the next Optional Reset Date or if there is no such next Optional Reset Date, to the Stated Maturity Date of such Security (each such period a "Subsequent Interest Period"), including the date or dates on which or the period or periods during which and the price or prices at which such redemption may occur during the Subsequent Interest Period.

Notwithstanding the foregoing, not later than 20 days prior to the Optional Reset Date, the Company may, at its option, revoke the interest rate (or the spread or spread multiplier used to calculate such interest rate, if applicable) provided for in the Reset Notice and establish an interest rate (or a spread or spread multiplier used to calculate such interest rate, if applicable) that is higher than the interest rate (or the spread or spread multiplier, if applicable) provided for in the Reset Notice, for the Subsequent Interest Period by causing the Trustee to transmit, in the manner provided for in Section 106, notice of such higher interest rate (or such higher spread or spread multiplier, if applicable) to the Holder of such Security. Such notice shall be irrevocable. All Securities with respect to which the interest rate (or the spread or spread multiplier used to calculate such interest rate, if applicable) is reset on an Optional Reset Date, and with respect to which the Holders of such Securities have not tendered such Securities for repayment (or have validly revoked any such tender) pursuant to the next succeeding paragraph, will bear such higher interest rate (or such higher spread or spread multiplier, if applicable).

The Holder of any such Security will have the option to elect repayment by the Company of the principal of such Security on each Optional Reset Date at a price equal to the principal amount thereof plus interest accrued to such Optional Reset Date. In order to obtain repayment on an Optional Reset Date, the Holder must follow the procedures set forth in Article Thirteen for repayment at the option of Holders except that the period for delivery or notification to the Trustee shall be at least 25 but not more than 35 days prior to such Optional Reset Date and except that, if the Holder has tendered any Security for repayment pursuant to the Reset Notice, the Holder may, by written notice to the Trustee, revoke such tender or repayment until the close of business on the tenth day before such Optional Reset Date.

Subject to the foregoing provisions of this Section and Section 306, each Security delivered under this Indenture upon registration of transfer of or in exchange for or in lieu of any other Security shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Security.

SECTION 309. Optional Extension of Stated Maturity.

The provisions of this Section 309 may be made applicable to any series of Securities pursuant to Section 301 (with such modifications, additions or substitutions as may be specified pursuant to such Section 301). The Stated Maturity of any Security of such series may be extended at the option of the Company for the period or periods specified on the face of such Security (each an "Extension Period") up to but not beyond the date (the "Final Maturity") set forth on the face of such Security. The Company may exercise such option with respect to any Security by notifying the Trustee of such exercise at least 50 but not more than 60 days prior to the Stated Maturity of such Security in effect prior to the exercise of such option (the "Original Stated Maturity"). If the Company exercises such option, the Trustee shall transmit, in the manner provided for in Section 106, to the Holder of such Security not later than 40 days prior to the Original Stated Maturity a notice (the "Extension Notice") indicating (i) the election of the Company to extend the Stated Maturity, (ii) the new Stated Maturity, (iii) the interest rate, if any, applicable to the Extension Period and (iv) the provisions, if any, for redemption during such Extension Period. Upon the Trustee's transmittal of the Extension Notice, the Stated Maturity of such Security shall be extended automatically and, except as modified by the Extension Notice and as described in the next paragraph, such Security will have the same terms as prior to the transmittal of such Extension Notice.

Notwithstanding the foregoing, not later than 20 days before the Original Stated Maturity of such Security, the Company may, at its option, revoke the interest rate provided for in the Extension Notice and establish a higher interest rate for the Extension Period by causing the Trustee to transmit, in the manner provided for in Section 106, notice of such higher interest rate to the Holder of such Security. Such notice shall be irrevocable. All Securities with respect to which the Stated Maturity is extended will bear such higher interest rate.

If the Company extends the Maturity of any Security, the Holder will have the option to elect repayment of such Security by the Company on the Original Stated Maturity at a price equal to the principal amount thereof, plus interest accrued to such date. In order to obtain repayment on the Original Stated Maturity once the Company has extended the Maturity thereof, the Holder must follow the procedures set forth in Article Thirteen for repayment at the option of Holders, except that the period for delivery or notification to the Trustee shall be at least 25 but not more than 35 days prior to the Original Stated Maturity and except that, if the Holder has tendered any Security for repayment pursuant to an Extension Notice, the Holder may by written notice to the Trustee revoke such tender for repayment until the close of business on the tenth day before the Original Stated Maturity.

SECTION 310. Persons Deemed Owners.

Prior to due presentment of a Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name such Security is registered as the owner of such Security for the purpose of receiving payment of principal of (and premium, if any) and (subject to Sections 306 and 308) interest, if any, on such Security and for all other purposes whatsoever, whether or not such Security be overdue, and none of the Company, the Trustee or any agent of the Company or the Trustee shall be affected by notice to the contrary.

None of the Company, the Trustee, any Paying Agent or the Security Registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests of a Security in global form or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Notwithstanding the foregoing, with respect to any Global Security, nothing herein shall prevent the Company, the Trustee, or any agent of the Company or the Trustee, from giving effect to any written certification, proxy or other authorization furnished by any Depositary, as a Holder, with respect to such Global Security or impair, as between such Depositary and owners of beneficial interests in such Global Security, the operation of customary practices governing the exercise of the rights of such depositary (or its nominee) as Holder of such Global Security.

SECTION 311. Cancellation.

All Securities surrendered for payment, redemption, repayment at the option of the Holder, registration of transfer or exchange or for credit against any current or future sinking fund payment shall, if surrendered to any Person other than the Trustee, be delivered to the Trustee. All Securities so delivered to the Trustee shall be promptly cancelled by it. The Company may at any time deliver to the Trustee for cancellation any Securities previously authenticated and delivered hereunder which the Company may have acquired in any manner whatsoever, and may deliver to the Trustee (or to any other Person for delivery to the Trustee) for cancellation any Securities previously authenticated hereunder which the Company has not issued and sold, and all Securities so delivered shall be promptly cancelled by the Trustee. If the Company shall so acquire any of the Securities, however, such acquisition shall not operate as a redemption or satisfaction of the indebtedness represented by such Securities unless and until the same are surrendered to the Trustee for cancellation. No Securities shall be authenticated in lieu of or in exchange for any Securities cancelled as provided in this Section, except as expressly permitted by this Indenture. All cancelled Securities held by the Trustee shall be disposed of by the Trustee in accordance with its customary procedures, unless by Company Order the Company shall direct that cancelled Securities be returned to it.

SECTION 312. Computation of Interest.

Except as otherwise specified as contemplated by Section 301 with respect to any Securities, interest, if any, on the Securities of each series shall be computed on the basis of a 360-day year of twelve 30-day months.

SECTION 313. CUSIP Numbers.

The Company in issuing the Securities may use "CUSIP" numbers (if then generally in use) in addition to serial numbers, and, if so, the Trustee shall use such "CUSIP" numbers in addition to serial numbers in notices of repurchase as a convenience to Holders; provided that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Securities or as contained in any notice of a repurchase and that reliance may be placed only on the serial or other identification numbers printed on the Securities, and any such repurchase shall not be affected by any defect in or omission of such "CUSIP" numbers. The Company will promptly notify the Trustee of any change in the "CUSIP" numbers.

ARTICLE FOUR

SATISFACTION AND DISCHARGE

SECTION 401. Satisfaction and Discharge of Indenture.

This Indenture shall, upon Company Request, cease to be of further effect with respect to any series of Securities specified in such Company Request (except as to any surviving rights of registration of transfer or exchange of Securities of such series expressly provided for herein or pursuant hereto) and the Trustee, on demand of and at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture as to such series when

(1) either

(A) all Securities of such series theretofore authenticated and delivered have been delivered to the Trustee for cancellation; or

(B) all Securities of such series not theretofore delivered to the Trustee for cancellation

(i) have become due and payable, or

(ii) will become due and payable at their Stated Maturity within one year, or

(iii) if redeemable at the option of the Company, are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company,

and the Company, in the case of (i), (ii) or (iii) above, has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust for such purpose an amount sufficient to pay and discharge the entire indebtedness on such Securities not theretofore delivered to the Trustee for cancellation, for principal (and premium, if any) and interest, if any, to the date of such deposit (in the case of Securities which have become due and payable) or to the Stated Maturity or Redemption Date, as the case may be;

(2) the Company has paid or caused to be paid all other sums payable hereunder by the Company; and

(3) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture as to such series have been complied with.

Notwithstanding the satisfaction and discharge of this Indenture, the obligations of the Company to the Trustee under Section 606, the obligations of the Trustee to any Authenticating Agent under Section 612 and, if money shall have been deposited with the Trustee pursuant to subclause (B) of Subsection (1) of this Section, the obligations of the Trustee under Section 402 and the last paragraph of Section 1003 shall survive.

SECTION 402. Application of Trust Money.

Subject to the provisions of the last paragraph of Section 1003, all money deposited with the Trustee pursuant to Section 401 shall be held in trust and applied by it, in accordance with the provisions of the Securities and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Persons entitled thereto, of the principal (and premium, if any) and interest, if any, for whose payment such money has been deposited with the Trustee.

ARTICLE FIVE

REMEDIES

SECTION 501. Events of Default.

"Event of Default", wherever used herein with respect to Securities of any series, means any one of the following events:

(1) default in the payment of any installment of interest upon any Security of such series when it becomes due and payable, continued for 30 days; or

(2) default in the payment of the principal of (or premium, if any, on) any Security of such series at its Maturity; or

(3) failure on the part of the Company to observe or perform any other covenant or agreement contained in this Indenture (other than a covenant or agreement included in this Indenture solely for the benefit of less than all series of Securities or a covenant the default in the performance of which would be covered by clause (7) below) for 60 days after written notice of such failure, requiring the Company to remedy the same, has been given to the Company by the Trustee or to the Company and the Trustee by the Holders of at least 25% in aggregate principal amount of outstanding Securities of such series; or

(4) default under any indenture or instrument under which the Company or any Restricted Subsidiary has at the time outstanding indebtedness for borrowed money or guarantees thereof in any individual instance in excess of $15,000,000 and, if not already matured in accordance with its terms, such indebtedness has been accelerated and such acceleration is not rescinded or annulled within 15 days after notice thereof has been given to the Company by the Trustee or to the Company and the Trustee by the Holders of at least 25% in aggregate principal amount of outstanding Securities of such series; provided that, if, prior to the entry of judgment in favor of the Trustee for payment of the Indenture Securities of such series, the default under such indenture or instrument has been remedied or cured by the Company or such Restricted Subsidiary, or waived by the holders of such indebtedness, then the Event of Default under the Indenture will be deemed likewise to have been remedied, cured or waived; or

(5) the entry of a decree or order by court having jurisdiction in the premises adjudging the Company a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in

respect of the Company under the Bankruptcy Code or any other applicable federal or state law, or appointing a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Company or of any substantial part of the property of the Company, or ordering the winding up or liquidation of the affairs of the Company, and the continuance of any such decree or order unstayed and in effect for a period of 90 consecutive days; or

(6) the institution by the Company of proceedings to be adjudicated a bankrupt or insolvent, or the consent by the Company to the institution of bankruptcy or insolvency proceedings against it, or the filing by the Company of a petition or answer or consent seeking reorganization or relief under the Bankruptcy Code or any other applicable federal or state law, or the consent by the Company to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Company or of any substantial part of the property of the Company of an assignment for the benefit of creditors, or the admission by the Company in writing of its inability to pay its debts generally as they become due; or

(7) any other Event of Default provided for the benefit of Securities of such series.

SECTION 502. Acceleration of Maturity; Rescission and Annulment.

If any Event of Default described in Section 501 with respect to Securities of any series at the time Outstanding occurs and is continuing, then in every such case the Trustee or the Holders of not less than 25% in principal amount of the Outstanding Securities of that series may declare the principal amount (or, if the Securities of that series are Original Issue Discount Securities or Indexed Securities, such portion of the principal amount as may be specified in the terms of that series) of all of the Securities of that series and all accrued interest thereon to be due and payable immediately, by a notice in writing to the Company (and to the Trustee if given by Holders), and upon any such declaration such principal amount (or specified portion thereof) shall become immediately due and payable.

At any time after such a declaration of acceleration with respect to securities of any series (or of all series, as the case may be) has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter in this Article provided, the Holders of a majority in principal amount of the Outstanding Securities of that series (or of all series, as the case may be), by written notice to the Company, and the Trustee, may rescind and annul such declaration and its consequences if

(a) the Company has paid or deposited with the Trustee a sum sufficient to pay (except as otherwise specified pursuant to Section 301 for the Securities of such series);

(1) all overdue interest, if any, on all Outstanding Securities of that series (or of all series, as the case may be),

(2) all unpaid principal of (and premium, if any, on) any Outstanding Securities of that series (or of all series, as the case may be) which has become due otherwise than by such declaration of acceleration, and interest on such unpaid principal (and premium, if any) at the rate or rates prescribed therefor in such Securities,

(3) interest upon such overdue interest at the rate or rates prescribed therefor in such Securities, and

(4) all sums paid or advanced by the Trustee for such series hereunder and reasonable compensation, expenses, disbursements and advances of such Trustee, its agents and counsel;

(b) all Events of Default with respect to Securities of that series (or of all series, as the case may be), other than the non-payment of principal of (or premium, if any, on) or interest, if any, on Securities of that series (or of all series, as the case may be) which have become due solely by such declaration of acceleration, have been cured or waived as provided in Section 513.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

SECTION 503. Collection of Indebtedness and Suits for Enforcement by Trustee.

The Company covenants that if

(1) default is made in the payment of any interest on any Security when such interest becomes due and payable and such default continues for a period of 30 days, or

(2) default is made in the payment of the principal of (or premium, if any, on) any Security at the Maturity thereof,

then the Company will, upon demand of the Trustee, pay to it for the benefit of the Holders of such Securities, the whole amount then due and payable on such Securities for principal (and premium, if any) and interest, if any, and interest on any overdue principal (and premium, if any) and on any overdue interest, at the rate or rates prescribed therefor in such Securities, and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

If the Company fails to pay such amounts forthwith upon such demand, the Trustee, in its own name as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid, may prosecute such proceeding to judgment or final decree and may enforce the same against the Company or any other obligor upon such Securities and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the property of the Company or any other obligor upon such Securities, wherever situated.

If an Event of Default with respect to Securities of any series (or of all series, as the case may be) occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders of Securities of such series (or of all series, as the case may be) under this Indenture by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce such rights.

SECTION 504. Trustee May File Proofs of Claim.

In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Company or any other obligor upon the Securities or the property of the Company or of such other obligor or their creditors, the Trustee (irrespective of whether the principal of the Securities shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand on the Company for the payment of overdue principal, premium, if any, or interest) shall be entitled and empowered, by intervention in such proceeding or otherwise,

(i) to file and prove a claim for the whole amount of principal (and premium, if any), or such portion of the principal amount of any series of Original Issue Discount Securities or Indexed Securities as may be specified in the terms of such series, and interest, if any, owing and unpaid in respect of the Securities and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and of the Holders allowed in such judicial proceeding, and

(ii) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 606.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any proposal, plan of reorganization, arrangement, adjustment or composition or other similar arrangement affecting the Securities or the rights of any Holder thereof or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

SECTION 505. Trustee May Enforce Claims Without Possession of Securities.

All rights of action and claims under this Indenture or the Securities may be prosecuted and enforced by the Trustee without the possession of any of the Securities or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name and as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders of the Securities in respect of which such judgment has been recovered.

SECTION 506. Application of Money Collected.

Any money collected by the Trustee pursuant to this Article shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal (or premium, if any) or interest, if any, upon presentation of the Securities and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

First: To the payment of all amounts due the Trustee under Section 606;

Second: To the payment of the amounts then due and unpaid for principal of (and premium, if any) and interest, if any, on the Securities in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on such Securities for principal (and premium, if any) and interest, if any, respectively; and

Third: The balance, if any, to the Company.

SECTION 507. Limitation on Suits.

No Holder of any Security of any series shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless

(1) such Holder has previously given written notice to the Trustee of a continuing Event of Default with respect to the Securities of that series;

(2) the Holders of not less than 25% in principal amount of the Outstanding Securities of that series shall have made written request to the Trustee to institute proceedings in respect of an Event of Default described in Section 501 in its own name as Trustee hereunder;

(3) such Holder or Holders have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

(4) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and

(5) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority or more in principal amount of the Outstanding Securities of that series;

it being understood and intended that no one or more of such Holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other Holders of Securities of the same series, in respect of any Event of Default described in Section 501, or to obtain or to seek to obtain priority or preference over any other of such Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all Holders of Securities of the same series, in respect of such Event of Default.

SECTION 508. Unconditional Right of Holders to Receive Principal, Premium and Interest.

Notwithstanding any other provision in this Indenture, the Holder of any Security shall have the right, which is absolute and unconditional, to receive payment of the principal of (and premium, if any) and (subject to Section 308) interest, if any, on, such

Security on the respective Stated Maturities expressed in such Security (or, in the case of redemption, on the Redemption Date) and to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such Holder.

SECTION 509. Restoration of Rights and Remedies.

If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then and in every such case the Company, the Trustee and the Holders shall, subject to any determination in such proceeding, be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of the Trustee and the Holders shall continue as though no such proceeding had been instituted.

SECTION 510. Rights and Remedies Cumulative.

Except as otherwise provided in Section 307, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders of Securities is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

SECTION 511. Delay or Omission Not Waiver.

No delay or omission of the Trustee or of any Holder of any Security to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders, as the case may be.

SECTION 512. Control by Holders.

With respect to the Securities of any series, the Holders of not less than a majority in principal amount of the Outstanding Securities of such series shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee, related to or arising under Section 501, provided that in each case

(1) such direction shall not be in conflict with any rule of law or with this Indenture or expose the Trustee to personal liability, and

(2) subject to the provisions of the TIA Section 315, the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

SECTION 513. Waiver of Past Defaults.

Subject to Section 502, the Holders of not less than a majority in principal amount of the Outstanding Securities of any series may on behalf of the Holders of all the Securities of such series waive any past Default or Event of Default in Section 501 and its consequences, except a Default or Event of Default,

(1) in respect of the payment of the principal of (or premium, if any) or interest, if any, on any Security, or

(2) in respect of a covenant or provision hereof which under Article Nine cannot be modified or amended without the consent of the Holder of each Outstanding Security of such series affected.

Upon any such waiver, such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other Default or Event of Default or impair any right consequent thereon.

SECTION 514. Undertaking for Costs.

All parties to this Indenture agree, and each Holder of Securities of any series by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken, suffered or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees and expenses, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section shall not apply to any suit instituted by the Trustee, to any suit instituted by any Holder, or group of Holders, holding in the aggregate more than 10% in principal amount of the Outstanding Securities of any series, or to any suit instituted by any Holder for the enforcement of the payment of the principal of (or premium, if any) or interest on Securities of any series on or after the respective Stated Maturities expressed in such Security (or, in the case of redemption, on or after the Redemption Date); provided that neither this Section 514 nor the Trust Indenture Act shall be deemed to authorize any court to require such an undertaking or to make such an assessment in any suit instituted by the Company.

SECTION 515. Waiver of Stay or Extension Laws.

The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

ARTICLE SIX

THE TRUSTEE

SECTION 601. Notice of Defaults.

Within 90 days after the occurrence of any Default hereunder with respect to the Securities of any series, the Trustee shall transmit by mail to all Holders, as their names and addresses appear in the Security Register, notice of such default hereunder known to the Trustee, unless such Default shall have been cured or waived; provided, however, that, except in the case of a default in the payment of the principal of (or premium, if any) or interest, if any, on any Security of such series or in the payment of any sinking fund installment with respect to Securities of such series, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee or a trust committee of directors and/or Responsible Officers of the Trustee in good faith determines that the withholding of such notice is in the interest of the Holders of Securities of such series; and provided further that in the case of any default or breach of the character specified in Section 501(3) with respect to Securities of such series, no such notice to Holders shall be given until at least 30 days after the occurrence thereof.

SECTION 602. Certain Rights of Trustee.

Subject to the provisions of TIA Sections 315(a) through 315(d):

(1) the Trustee may conclusively rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(2) any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order and any resolution of the Board of Directors may be sufficiently evidenced by a Board Resolution;

(3) whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officers' Certificate;

(4) the Trustee may consult with counsel of its selection and the advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(5) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders of Securities of any series pursuant to this Indenture, unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(6) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney;

(7) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder; and

(8) no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

SECTION 603. Trustee Not Responsible for Recitals or Issuance of Securities.

The recitals contained herein and in the Securities, except for the Trustee's certificates of authentication, shall be taken as the statements of the Company, and neither the Trustee nor any Authenticating Agent assumes any responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Securities. The Trustee shall not be accountable for the use or application by the Company of Securities or the proceeds thereof, except that the Trustee represents that it is duly authorized to execute and deliver this Indenture, authenticate the Securities and perform its obligations hereunder and that the statements to be made by it in a Statement of Eligibility on Form T-1 supplied to the Company are true and accurate, subject to the qualifications set forth therein. Neither the Trustee nor any Authenticating Agent shall be accountable for the use or application by the Company of Securities or the proceeds thereof.

SECTION 604. May Hold Securities.

The Trustee, any Authenticating Agent, any Paying Agent, any Security Registrar or any other agent of the Company or of the Trustee, in its individual or any other capacity, may become the owner or pledgee of Securities and, subject to TIA Sections 310(b) and 311, may otherwise deal with the Company with the same rights it would have if it were not Trustee, Authenticating Agent, Paying Agent, Security Registrar or such other agent.

SECTION 605. Money Held in Trust.

Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed in writing with the Company.

SECTION 606. Compensation and Reimbursement.

The Company agrees:

(1) to pay to the Trustee from time to time such compensation as shall be agreed to in writing between the Company and the Trustee for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(2) except as otherwise expressly provided herein, to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith; and

(3) to indemnify each of Trustee or any predecessor Trustee for, and to hold it harmless against, any and all loss, damage, claim, liability or expense including taxes (other than taxes based on the income of the Trustee) incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of this trust, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

As security for the performance of the obligations of the Company under this Section 606, the Trustee shall have a lien prior to the Securities upon all property and funds held or collected by the Trustee as such, except funds held in trust for the payment of principal of (or premium, if any) or interest, if any, on particular Securities.

The provisions of this Section shall survive the termination of this Indenture.

SECTION 607. Conflicting Interests. The Trustee shall comply with the provisions of Section 310(b) of the Trust Indenture Act.

SECTION 608. Corporate Trustee Required; Eligibility; Conflicting Interests.

There shall at all times be a Trustee hereunder qualified or to be qualified under TIA Section 310(a)(1) and which, to the extent there is such an institution eligible and willing to serve, shall have a combined capital and surplus of at least $50,000,000. If such Trustee publishes reports of condition at least annually, pursuant to law or to the requirements of federal, state, territorial or District of Columbia supervising or examining authority, then for the purposes of this Section 608, the combined capital and surplus of the Trustee shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section 608, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

SECTION 609. Resignation and Removal; Appointment of Successor.

(a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee under Section 610.

(b) The Trustee may resign at any time with respect to the Securities of one or more series by giving written notice thereof to the Company. If the instrument of acceptance by a successor Trustee required by Section 610 shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may, at the expense of the Company, petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Securities of such series.

(c) The Trustee may be removed at any time with respect to the Securities of any series by Act of the Holders of not less than a majority in principal amount of the Outstanding Securities of such series, delivered to the Trustee and the Company. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within 30 days after the giving of such notice of removal, the removed Trustee may, at the expense of the Company, petition a court of competent jurisdiction for the appointment of a successor Trustee.

(d) If at any time:

(1) the Trustee shall fail to comply with the provisions of TIA Section 310(b) after written request therefor by the Company or by any Holder who has been a bona fide Holder of a Security for at least six months, or

(2) the Trustee shall cease to be eligible under Section 608 and shall fail to resign after written request therefor by the Company or by any Holder who has been a bona fide Holder of a Security for at least six months, or

(3) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, (i) the Company, by a Board Resolution, may remove the Trustee with respect to all Securities, or (ii) subject to TIA Section 514, the Holder of any Security who has been a bona fide Holder of a Security for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee with respect to all Securities and the appointment of a successor Trustee or Trustees.

(e) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause, with respect to the Securities of one or more series, the Company, by a Board Resolution, shall promptly appoint a successor Trustee or Trustees with respect to the Securities of that or those series (it being understood that any such successor Trustee may be appointed with respect to the Securities of one or more or all of such series and that at any time there shall be only one Trustee with respect to the Securities of any particular series). If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee with respect to the Securities of any series shall be appointed by Act of the Holders of a majority in principal amount of the Outstanding Securities of such series delivered to the Company and the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment in accordance with Section 610, become the successor Trustee with respect to the Securities of such series and to that extent supersede the successor Trustee appointed by the Company. If no successor Trustee with respect to the Securities of any series shall have been so appointed by the Company or the Holders and accepted appointment in the manner hereinafter provided, any Holder who has been a bona fide Holder of a Security of such series for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Securities of such series.

(f) The Company shall give notice of each resignation and each removal of the Trustee with respect to the Securities of any series and each appointment of a successor Trustee with respect to the Securities of any series to the Holders of Securities of such series in the manner provided for in Section 106. Each notice shall include the name of the successor Trustee with respect to the Securities of such series and the address of its Corporate Trust Office.

SECTION 610. Acceptance of Appointment by Successor.

(a) Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to the Company and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee; provided, however, that the retiring Trustee shall continue to be entitled to the benefit of Section 606; but, on the request of the Company or the successor Trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder.

(b) In case of the appointment hereunder of a successor Trustee with respect to the Securities of one or more (but not all) series, the Company, the retiring Trustee and each successor Trustee with respect to the Securities of one or more series shall execute and deliver an indenture supplemental hereto wherein each successor Trustee shall accept such appointment and which (1) shall contain such provisions as shall be necessary or desirable to transfer and confirm to, and to vest in, each successor Trustee all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series to which the appointment of such successor Trustee relates, (2) if the retiring Trustee is not retiring with respect to all Securities, shall contain such provisions as shall be deemed necessary or desirable to confirm that all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series as to which the retiring Trustee is not retiring shall continue to be vested in the retiring Trustee, and (3) shall add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, it being understood that nothing herein or in such supplemental indenture shall constitute such Trustees co-trustees of the same trust and that each such Trustee shall be trustee of a trust or trusts hereunder separate and apart from any trust or trusts hereunder administered by any other such Trustee; and upon the execution and delivery of such supplemental indenture the resignation or removal of the retiring Trustee shall become effective to the extent provided therein and each such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series to which the appointment of such successor Trustee relates; but, on request of the Company or any successor Trustee, such retiring Trustee shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder with respect to the Securities of that or those series to which the appointment of such successor Trustee relates. Whenever there is a successor Trustee with respect to one or more (but less than all) series of securities issued pursuant to this Indenture, the terms "Indenture" and "Securities" shall have the meanings specified in the provisos to the respective definitions of those terms in Section 101 which contemplate such situation.

(c) Upon request of any such successor Trustee, the Company shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all rights, powers and trusts referred to in paragraph (a) or (b) of this Section, as the case may be.

(d) No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under this Article.

SECTION 611. Merger, Conversion, Consolidation or Succession to Business.

Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Securities shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Securities so authenticated with the same effect as if such successor Trustee had itself authenticated such Securities. In case any of the Securities shall not have been authenticated by such predecessor Trustee, any successor Trustee may authenticate such Securities either in the name of any predecessor hereunder or in the name of the successor Trustee. In all such cases such certificates shall have the full force and effect which this Indenture provides for the certificate of authentication of the Trustee; provided, however, that the right to adopt the certificate of authentication of any predecessor Trustee or to authenticate Securities in the name of any predecessor Trustee shall apply only to its successor or successors by merger, conversion or consolidation.

SECTION 612. Appointment of Authenticating Agent.

At any time when any of the Securities remain Outstanding, the Trustee may appoint an Authenticating Agent or Agents with respect to one or more series of Securities which shall be authorized to act on behalf of the Trustee to authenticate Securities of such series and the Trustee shall give written notice of such appointment to all Holders of Securities of the series with respect to which such Authenticating Agent will serve, in the manner provided for in Section 106. Securities so authenticated shall be entitled to the benefits of this Indenture and shall be valid and obligatory for all purposes as if authenticated by the Trustee hereunder. Any such appointment shall be evidenced by an instrument in writing signed by an

Authorized Officer of the Trustee, and a copy of such instrument shall be promptly furnished to the Company. Wherever reference is made in this Indenture to the authentication and delivery of Securities by the Trustee or the Trustee's certificate of authentication, such reference shall be deemed to include authentication and delivery on behalf of the Trustee by an Authenticating Agent and a certificate of authentication executed on behalf of the Trustee by an Authenticating Agent. Each Authenticating Agent shall be acceptable to the Company and shall at all times be a corporation organized and doing business under the laws of the United States of America, any state thereof or the District of Columbia, authorized under such laws to act as Authenticating Agent, having a combined capital and surplus of not less than $50,000,000 and subject to supervision or examination by federal or state authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time an Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect specified in this Section.

Any corporation into which an Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which such Authenticating Agent shall be a party, or any corporation succeeding to the corporate agency or corporate trust business of an Authenticating Agent, shall continue to be an Authenticating Agent, provided such corporation shall be otherwise eligible under this Section, without the execution or filing of any paper or any further act on the part of the Trustee or the Authenticating Agent.

An Authenticating Agent may resign at any time by giving written notice thereof to the Trustee and to the Company. The Trustee may at any time terminate the agency of an Authenticating Agent by giving written notice thereof to such Authenticating Agent and to the Company. Upon receiving such a notice of resignation or upon such a termination, or in case at any time such Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, the Trustee may appoint a successor Authenticating Agent which shall be acceptable to the Company and shall give written notice of such appointment to all Holders of Securities of the series with respect to which such Authenticating Agent will serve, in the manner provided for in Section 106. Any successor Authenticating Agent upon acceptance of its appointment hereunder shall become vested with all the rights, powers and duties of its predecessor hereunder, with like effect as if originally named as an Authenticating Agent. No successor Authenticating Agent shall be appointed unless eligible under the provisions of this Section.

The Company agrees to pay to each Authenticating Agent from time to time reasonable compensation for its services under this Section.

If an appointment with respect to one or more series is made pursuant to this Section, the Securities of such series may have endorsed thereon, in addition to the Trustee's certificate of authentication, an alternate certificate of authentication in the following form:

Dated: ____________________

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

U.S. BANK TRUST NATIONAL ASSOCIATION,
as Trustee

By
----
as Authenticating Agent

By

Authorized Officer

SECTION 613. Preferential Collection of Claims Against Company.

If and when the Trustee shall be or become a creditor of the Company (or any other obligor under the Securities), the Trustee shall be subject to the provisions of the Trust Indenture Act regarding the collection of claims against the Company (or any such other obligor).

ARTICLE SEVEN

HOLDERS' LISTS AND REPORTS BY TRUSTEE AND COMPANY

SECTION 701. Disclosure of Names and Addresses of Holders.

Every Holder of Securities by receiving and holding the same, agrees with the Company and the Trustee that none of the Company or the Trustee or any agent of either of them shall be held accountable by reason of the disclosure of any information as to the names and addresses of the Holders in accordance with TIA Section 312, regardless of the source from which such information was derived, and that the Trustee shall not be held accountable by reason of mailing any material pursuant to a request made under TIA Section 312.

SECTION 702. Reports by Trustee.

Within 60 days after April 1 of each year commencing with the first April 1 after the first issuance of Securities pursuant to this Indenture, the Trustee shall transmit to the Holders of Securities, in the manner and to the extent provided in TIA Section 313(c), a brief report dated as of such April 1 if required by TIA Section 313(a).

SECTION 703. Reports by Company.

The Company shall:

(1) file with the Trustee, within 30 days after the Company is required to file the same with the Commission, copies of the annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the Commission may from time to time by rules and regulations prescribe) which the Company may be required to file with the Commission pursuant to Section 13 or Section 15(d) of the Exchange Act; or, if the Company is not required to file information, documents or reports pursuant to either of such Sections, then it shall file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such of the supplementary and periodic information, documents and reports which may be required pursuant to Section 13 of the Exchange Act in respect of a security listed and registered on a national securities exchange as may be prescribed from time to time in such rules and regulations;

(2) file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such additional information, documents and reports with respect to compliance by the Company with the conditions and covenants of this Indenture as may be required from time to time by such rules and regulations; and

(3) transmit by mail to all Holders, as their names and addresses appear in the Security Register, within 30 days after the filing thereof with the Trustee, in the manner and to the extent provided in TIA Section 313(c), such summaries of any information, documents and reports required to be filed by the Company pursuant to Subsections (1) and (2) of this Section as may be required by rules and regulations prescribed from time to time by the Commission.

ARTICLE EIGHT

CONSOLIDATION, MERGER, CONVEYANCE, TRANSFER OR LEASE

SECTION 801. Company May Consolidate, Etc., Only on Certain Terms.

The Company shall not consolidate with or merge into, or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its assets to, any Person, unless:

(1) Immediately after giving effect to such transaction, no Event of Default (or event that with notice or lapse of time, or both, would become an Event of Default) shall have happened and be continuing;

(2) The corporation or other entity formed by such consolidation or into which the Company is merged, or the Person to which such properties and assets will have been conveyed, transferred or leased, assumes the Company's obligation as to the due and punctual payment of the principal of (and premium, if any, on) and interest, if any, on all the Securities and the performance and observance of every covenant to be performed by the Company under the Indenture, and will be organized under the laws of the United States, one of the states thereof or the District of Columbia; and

(3) The Company has delivered to the Trustee an Officers' Certificate and Opinion of Counsel, each stating that such consolidation, merger, conveyance, transfer or lease and such supplemental indenture comply with this Article and that all conditions precedent herein provided for relating to such transaction have been complied with.

This Section shall only apply to a merger or consolidation in which the Company is not the surviving corporation and to conveyances, leases and transfers by the Company as transferor or lessor.

SECTION 802. Rights and Duties of Successor Corporation.

In case of any such consolidation, merger, conveyance or transfer to which Section 801 applies and upon any such assumption by the successor corporation or Person, such successor corporation or Person shall succeed to and be substituted for the Company with the same effect as if it had been named herein as the Company and the predecessor corporation shall be relieved of any further obligation under this Indenture. Such successor corporation or Person thereupon may cause to be signed, and may issue either in its own name or in the name of the Company any or all of the Securities issuable hereunder which theretofore shall not have been signed by the Company and delivered to the Trustee; and, upon the order of such successor corporation or Person, instead of the Company, and subject to all the terms, conditions and limitations in this Indenture prescribed, the Trustee shall authenticate and shall deliver any Securities which previously shall have been signed and delivered by the officers of the Company to the Trustee for authentication, and any Securities which such successor corporation or Person thereafter shall cause to be signed and delivered to the Trustee for that purpose. All the Securities so issued shall in all respects have the same legal rank and benefit under this Indenture as the Securities theretofore or thereafter issued in accordance with the terms of this Indenture as though all of such Securities had been issued at the date of the execution hereof. As used in this Section, "successor corporation or Person" means the corporation formed by such consolidation or into which the Company is merged, or the Person which acquires by conveyance, transfer or lease the properties and assets of the Company substantially as an entirety, as the case may be, in each case as provided in Section 801.

SECTION 803. Securities to be Secured in Certain Events.

If, upon any such consolidation of the Company with, or merger of the Company , into, any other corporation, or upon any conveyance, transfer or lease of the property of the Company substantially as the entirety to any other Person, any Principal Property of the Company or any Restricted Securities owned immediately prior thereto, would become or be subject to any Lien, then unless such Lien could be created pursuant to Section 1006 without equally and ratably securing the Securities, the Company prior to or simultaneously with such transaction will, as to such Principal Property or Restricted Securities, secure the Securities Outstanding hereunder (together with, if the Company shall so determine, any other Debt of the Company now existing or hereafter created which is not subordinate to the Securities) equally and ratably with (or prior to) the Debt which upon such is to become secured as to such Principal Property or Restricted Securities by such Lien, or will cause such Securities to be so secured; provided that for the purpose of providing such equal and ratable security the principal amount of Original Issue Discount Securities and Indexed Securities shall mean that amount which, at the time of making such provision of such equal and ratable security, would be due and payable pursuant to Section 502 and the terms of such Original Issue Discount Securities and Indexed Securities upon a declaration of acceleration of the Maturity thereof, and the extent of such equal and ratable security shall be adjusted, to the extent permitted by law, as and when said amount changes over time pursuant to the terms of such Original Issue Discount Securities and Indexed Securities.

ARTICLE NINE

SUPPLEMENTAL INDENTURES

SECTION 901. Supplemental Indentures Without Consent of Holders.

Without the consent of any Holders, the Company, when authorized by a Board Resolution, and the Trustee, at any time and from time to time, may enter into one or more indentures supplemental hereto, in form satisfactory to the Trustee, for any of the following purposes:

(1) to evidence the succession of another Person to the Company and the assumption by any such successor of the covenants of the Company herein and in the Securities; or

(2) to add to the covenants of the Company for the benefit of the Holders of all or any series of Securities (and if such covenants are to be for the benefit of less than all series of Securities, stating that such covenants are being included solely for the benefit of such series) or to surrender any right or power herein or in the Securities conferred upon the Company; or

(3) to add any additional Events of Default (and if such Events of Default are to be for the benefit of less than all series of Securities, stating that such Events of Default are being included solely for the benefit of such series); or

(4) to change or eliminate any of the provisions of this Indenture; provided that any such change or elimination shall become effective only when there is no Security Outstanding of any series created prior to the execution of such supplemental indenture which is entitled to the benefit of such provision; or

(5) to secure the Securities pursuant to the requirements of Section 803 or 1006 or otherwise; or

(6) to establish the form or terms of Securities of any series as permitted by Sections 201 and 301; or

(7) to evidence and provide for the acceptance of appointment hereunder by a successor Trustee with respect to the Securities of one or more series and to add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, pursuant to the requirements of Section 610(b); or

(8) to close this Indenture with respect to the authentication and delivery of additional series of Securities; or

(9) to cure any ambiguity, to correct or supplement any provision herein which may be defective or inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under this Indenture; provided that such action shall not adversely affect the interests of the Holders of Securities of any series in any material respect; or

(10) to supplement any of the provisions of this Indenture to such extent as shall be necessary to permit or facilitate the defeasance and discharge of any series of Securities pursuant to Sections 401, 1402 and 1403; provided that any such action shall not adversely affect the interests of the Holders of Securities of such series or any other series of Securities in any material respect; or

(11) to make any other change that does not adversely affect the rights of any Holder.

SECTION 902. Supplemental Indentures with Consent of Holders.

With the consent of the Holders of not less than a majority in principal amount of all Outstanding Securities affected by such supplemental indenture, by Act of such Holders delivered to the Company and the Trustee, the Company, when authorized by a Board Resolution, and the Trustee may enter into one or more indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of modifying in any manner the rights of the Holders of Securities under this Indenture; provided, however, that no such supplemental indenture amendment or waiver shall, without the consent of the Holder of each Outstanding Security affected thereby:

(1) change the Stated Maturity of the principal of (or premium, if any) or any installment of interest on any Security, or reduce the principal amount thereof (or premium, if any) or the rate of interest, if any, thereon, or change any obligation of the Company to pay Additional Amounts as contemplated by Section 1008 (except as contemplated by Section 801(2) and permitted by Section 901(1)), or reduce the amount of the principal of an Indexed Security or an Original Issue Discount Security that would be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 502 or the amount thereof provable in bankruptcy pursuant to Section 504, or adversely affect any

right of repayment at the option of any Holder of any Security, or change any Place of Payment where, any Security or any premium or interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption or repayment at the option of the Holder, on or after the Redemption Date or Repayment Date, as the case may be), or adversely affect any right to convert or exchange any Security as may be provided pursuant to Section 301 herein, or

(2) reduce the percentage in principal amount of the Outstanding Securities, the consent of whose Holders is required for any such supplemental indenture, or the consent of whose Holders is required for any waiver (of compliance with certain provisions of this Indenture or certain defaults hereunder and their consequences) provided for in this Indenture, or

(3) modify any of the provisions of this Section 902, Section 513 or Section 1009, except to increase any such percentage or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Outstanding Security affected thereby.

A supplemental indenture which changes or eliminates any covenant or other provision of this Indenture which has expressly been included solely for the benefit of one or more particular series of Securities, or which modifies the rights of the Holders of Securities of such series with respect to such covenant or other provision, shall be deemed not to affect the rights under this Indenture of the Holders of Securities of any other series.

It shall not be necessary for any Act of Holders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

SECTION 903. Execution of Supplemental Indentures.

In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article or the modifications thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and (subject to TIA Section 315(a) through 315(d) and Section 602 hereof) shall be fully protected in relying upon an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

SECTION 904. Effect of Supplemental Indentures.

Upon the execution of any supplemental indenture under this Article, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Securities theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

SECTION 905. Conformity with Trust Indenture Act.

Every supplemental indenture executed pursuant to this Article shall conform to the requirements of the Trust Indenture Act as then in effect.

SECTION 906. Reference in Securities to Supplemental Indentures.

Securities of any series authenticated and delivered after the execution of any supplemental indenture pursuant to this Article may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Securities of any series so modified as to conform, in the opinion of the Trustee and the Company, to any such supplemental indenture may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for Outstanding Securities of such series.

SECTION 907. Notice of Supplemental Indentures.

Promptly after the execution by the Company and the Trustee of any supplemental indenture pursuant to the provisions of Section 902, the Company shall give notice thereof to the Holders of each Outstanding Security affected, in the manner provided for in Section 106, setting forth in general terms the substance of such supplemental indenture.

ARTICLE TEN

COVENANTS

SECTION 1001. Payment of Principal, Premium and Interest.

The Company covenants and agrees for the benefit of each series of Securities that it will duly and punctually pay the principal of (and premium, if any, on) and interest, if any, on the Securities of such series in accordance with the terms of such Securities and this Indenture.

SECTION 1002. Maintenance of Office or Agency.

The Company will maintain in each Place of Payment for Securities of such series an office or agency where Securities of such series may be presented or surrendered for payment, where Securities of such series may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Company in respect of the Securities of such series and this Indenture may be served.

The Company shall give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee.

The Company may also from time to time designate one or more other offices or agencies where the Securities of one or more series may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; provided, however, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in accordance with the requirements set forth above for Securities of any series for such purposes. The Company shall give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency. Unless otherwise specified with respect to any Securities pursuant to Section 301 with respect to a series of Securities, the Company hereby designates as Places of Payment for each series of Securities the office or agency of the Trustee in the Borough of Manhattan, The City of New York, and initially appoints the Trustee at its Corporate Trust Office in Chicago, Illinois and at the office of its agent in the Borough of Manhattan, the City of New York as Paying Agent in each such city as its agent to receive all such presentations, surrenders, notices and demands.

SECTION 1003. Money for Security Payments to Be Held in Trust.

If the Company shall at any time act as its own Paying Agent with respect to any series of Securities, it shall, before each due date of the principal of (and premium, if any, on) and interest, if any, on any of the Securities of such series, segregate and hold in trust for the benefit of the Persons entitled thereto a sum (except as otherwise specified pursuant to Section 301 for the Securities of such) sufficient to pay the principal of (and premium, if any, on) and interest, if any, on Securities of such Series so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided and will promptly notify the Trustee of its action or failure so to act.

Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease; provided, however, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be published once, in an Authorized Newspaper, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication, any unclaimed balance of such money then remaining will be repaid to the Company.

SECTION 1004. Statement as to Compliance.

The Company shall deliver to the Trustee, within 120 days after the end of each fiscal year, commencing with its fiscal year ending after the date hereof, a brief certificate from its principal executive officer, principal financial officer or principal accounting officer as to his or her knowledge of the compliance by the Company with all conditions and covenants under this Indenture. For purposes of this Section 1004, such compliance shall be determined without regard to any period of grace or requirement of notice under this Indenture.

SECTION 1005. Corporate Existence.

Subject to Article Eight, the Company shall do or cause to be done all things necessary to preserve and keep in full force and effect its respective corporate existence, rights (charter and statutory) and franchises and the respective corporate existence, rights (charter and statutory) and franchises of its Subsidiaries; provided, however, that the Company shall not be required to preserve any such existence, right or franchise if the Company shall determine that the preservation thereof is no longer desirable in the conduct of the business of it and its Subsidiaries as a whole and not disadvantageous in any material respect to the Holders.

SECTION 1006. Limitations on Liens.

The Company covenants and agrees that it will not, and will not permit any Restricted Subsidiary to, create, incur, issue or assume any Indebtedness secured by any Lien on any Principal Property, or on shares of stock or Indebtedness of any Restricted Subsidiary ("Restricted Securities"), without making effective provision for the Outstanding Securities (except as otherwise specified pursuant to Section 301 for the Securities of any series) to be secured by the Lien equally and ratably with, or prior to, any and all Indebtedness and obligations secured or to be secured thereby for so long as such Indebtedness is so secured, except that the foregoing restriction shall not apply to:

(1) Any Lien existing on the date of the first issuance of Securities under the Indenture, including, but not limited to, the Liens on property or after-acquired property of the Company or its Subsidiaries under the United Cities Indenture or the Greeley Indenture.

(2) Any Lien on any Principal Property or Restricted Securities of any Person existing at the time such Person is merged or consolidated with or into the Company or a Restricted Subsidiary, or becomes a Restricted Subsidiary.

(3) Any Lien on any Principal Property existing at the time of acquisition of such Principal Property by the Company or a Restricted Subsidiary, whether or not assumed by the Company or such Restricted Subsidiary, provided that no such Lien may extend to any other Principal Property of the Company or any Restricted Subsidiary.

(4) Any Lien on any Principal Property (including any improvements on an existing Principal Property) of the Company or any Restricted Subsidiary, and any Lien on the shares of stock of a Restricted Subsidiary that was formed or is held for the purpose of acquiring and holding such Principal Property, in each case to secure all or any part of the cost of acquisition, development, operation, construction, alteration, repair or improvement of all or any part of such Principal Property (or to secure Indebtedness incurred by the

Company or a Restricted Subsidiary for the purpose of financing all or any part of such cost); provided that such Lien is created prior to, at the time of, or within 12 months after the latest of, the acquisition, completion of construction or improvement or commencement of commercial operation of such Principal Property and provided, further, that no such Lien may extend to any other Principal Property of the Company or any Restricted Subsidiary, other than any theretofore unimproved real property on which the Principal Property is so constructed or developed or the improvement is located.

(5) Any Lien on any Principal Property or Restricted Securities to secure Indebtedness owing to the Company or to another Restricted Subsidiary.

(6) Any Lien in favor of governmental bodies to secure advances or other payments pursuant to any contract or statute or to secure Indebtedness incurred to finance the purchase price or cost of constructing or improving the property subject to such Lien.

(7) Any Lien created in connection with a project financed with, and created to secure, Non-Recourse Indebtedness.

(8) Any Lien required to be placed on any property of the Company or its Subsidiaries pursuant to the provisions of the Greeley Indenture, the United Cities Indenture, the Note Purchase Agreements or the Loan Agreement.

(9) Any extension, renewal, substitution or replacement (or successive extensions, renewals, substitutions or replacements), in whole or in part, of any Lien referred to in the foregoing clauses (1) through (8), provided that the Indebtedness secured thereby may not exceed the principal amount of Indebtedness so secured at the time of such renewal or refunding, and that such renewal or refunding Lien must be limited to all or any part of the same property and improvements thereon, shares of stock or Indebtedness that secured the Lien renewed or refunded.

(10) Any Lien not permitted above securing Indebtedness that, together with the aggregate outstanding principal amount of other secured Indebtedness that would otherwise be subject to the foregoing restrictions (excluding Indebtedness secured by Liens permitted under the foregoing exceptions) and the Attributable Debt in respect of all Sale and Leaseback Transactions (not including Attributable Debt in respect of any such Sale and Leaseback Transactions described in clause (3) or (4) of Section 1007) would not then exceed 10% of Consolidated Net Tangible Assets.

SECTION 1007. Limitation on Sale and Leaseback Transactions.

The Company convenants and agrees that it will not, and will not permit any Restricted Subsidiary to, enter into any Sale and Leaseback Transaction unless (i) the Company or a Restricted Subsidiary would be entitled, without securing the Outstanding Securities, to incur Indebtedness secured by a Lien on the Principal Property that is the subject of such Sale and Leaseback Transaction pursuant to the provisions of Section 1006: (ii) the Attributable Debt associated therewith would be in an amount permitted under Section 1006 (10); (iii) the proceeds received in respect of the Principal Property so sold and leased back at the time of entering into such Sale and Leaseback Transaction are used for the business and operations of the Company or any Subsidiary; or (iv) within 12 months after the sale or transfer, an amount equal to the proceeds received in respect of the Principal Property so sold and leased back at the time of entering into such Sale and Leaseback Transaction is applied to the prepayment (other than mandatory prepayment pursuant to Section 1201) of any Outstanding Securities or Funded Indebtedness of the Company or a Restricted Subsidiary (other than Funded Indebtedness that is held by the Company or any Restricted Subsidiary or Funded Indebtedness of the Company that is subordinate in right of payment to any Outstanding Securities).

SECTION 1008. Additional Amounts.

If any Securities of a series provide for the payment of additional amounts to any Holder who is not a United States person in respect of any tax, assessment or governmental charge ("Additional Amounts"), the Company shall pay to the Holder of any Security of such series such Additional Amounts as may be specified pursuant to Section 301. Whenever in this Indenture there is mentioned, in any context, the payment of the principal of (and premium, if any, on) or interest, if any, on, or in respect of, any Security of a series or the net proceeds received on the sale or exchange of any Security of a series, such mention shall be deemed to include mention of the payment of Additional Amounts provided for by the terms of such series established pursuant to Section 301 to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof pursuant to such terms, and express mention of the payment of Additional Amounts (if applicable) in any provisions hereof shall not be construed as excluding Additional Amounts in those provisions hereof where such express mention is not made. Except as otherwise specified pursuant to Section 301, if the Securities of a series provide for the payment of Additional Amounts, at least 10 days prior to the first Interest Payment Date, if any, with respect to Securities of such series (or if the Securities of such series do not bear interest or will not bear interest prior to Maturity, the first day on which a payment of principal and any premium is made), and at least 10 days prior to each date of payment of interest or principal and any premium if there has been any change with respect to the matters set forth in the below-mentioned Officers' Certificate, the Company shall furnish the Trustee and the Paying Agent or Paying Agents, if other than the Trustee, with an Officers' Certificate instructing the Trustee and the Paying Agent or Paying Agents whether such payment of principal of (and premium, if any, on) or interest, if any, on the Securities of such series shall be made to Holders of Securities of such series who are not United States persons without withholding for or on account of any tax, assessment or other governmental charge described in the Securities of the series. If any such withholding shall be required, then such Officers' Certificate shall specify by country the amount, if any, required to be withheld on such payments to such Holders of Securities of such series and the Company shall pay to the Trustee or the Paying Agent or Paying Agents the Additional Amounts required by the terms of such Securities. In the event that the Trustee or any Paying Agent, as the case may be, shall not so receive the above-mentioned certificate, then the Trustee or such Paying Agent shall be entitled (i) to assume that no such withholding or deduction is required with respect to any payment of principal, premium or interest with respect to any Securities of a series until it shall have received a certificate advising otherwise and (ii) to make all payments of principal, premium and interest with respect to the Securities of a series without withholding or deductions until otherwise advised. The Company hereby covenants and agrees to indemnify the Trustee and any Paying Agent for, and to hold them harmless against, any loss, liability, cost or expense reasonably incurred without negligence or bad faith on their part arising out of or in connection with actions taken or omitted by any of them in reliance on any Officers' Certificate furnished pursuant to this Section.

SECTION 1009. Waiver of Certain Covenants.

Company may omit in any particular instance to comply with any term, provision or condition set forth in Section 803 or Sections 1005 to 1007, inclusive, if before or after the time for such compliance the Holders of at least a majority in principal amount of all Outstanding Securities, by Act of such Holders, waive such compliance in such instance or generally waive compliance with such term, provision or condition, but no such waiver shall extend to or affect such term, provision or condition except to the extent so expressly waived, and, until such waiver shall become effective, the obligations of the Company and the duties of the Trustee in respect of any such term, provision or condition shall remain in full force and effect.

ARTICLE ELEVEN

REDEMPTION OF SECURITIES

SECTION 1101. Applicability of Article.

Securities of any series which are redeemable before their Stated Maturity shall be redeemable in accordance with the terms of such Securities and (except as otherwise specified as contemplated by Section 301 for Securities of any series) in accordance with this Article.

SECTION 1102. Election to Redeem; Notice to Trustee.

The election of the Company to redeem any Securities shall be evidenced by or pursuant to a Board Resolution. In case of any redemption at the election of the Company, the Company shall, at least 60 days prior to the Redemption Date fixed by the Company (unless a shorter notice shall be satisfactory to the Trustee), notify the Trustee of such Redemption Date and of the principal amount of Securities of such series to be redeemed and shall deliver to the Trustee such documentation and records as shall enable the Trustee to select the Securities to be redeemed pursuant to Section 1103. In the case of any redemption of Securities prior to the expiration of any restriction on such redemption provided in the terms of such Securities or elsewhere in this Indenture, the Company shall furnish the Trustee with an Officers' Certificate evidencing compliance with such restriction.

SECTION 1103. Selection by Trustee of Securities to Be Redeemed.

If less than all the Securities of any series are to be redeemed, the particular Securities to be redeemed shall be selected not more than 60 days prior to the Redemption Date by the Trustee, from the Outstanding Securities of such series not previously called for redemption, by such method as the Trustee shall deem fair and appropriate and which may provide for the selection for redemption of portions of the principal of Securities of such series; provided, however, that no such partial redemption shall reduce the portion of the principal amount of a Security not redeemed to less than the minimum authorized denomination for Securities of such series established pursuant to Section 301.

The Trustee shall promptly notify the Company in writing of the Securities selected for redemption and, in the case of any Securities selected for partial redemption, the principal amount thereof to be redeemed.

For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Securities shall relate, in the case of any Security redeemed or to be redeemed only in part, to the portion of the principal amount of such Security which has been or is to be redeemed.

SECTION 1104. Notice of Redemption.

Except as otherwise specified as contemplated by Section 301, notice of redemption shall be given in the manner provided for in Section 106 not less than 30 nor more than 60 days prior to the Redemption Date, to each Holder of Securities to be redeemed.

All notices of redemption shall identify the Securities (including CUSIP number, if any) to be redeemed and shall state:

(1) the Redemption Date,

(2) the Redemption Price and the amount of accrued interest to the Redemption Date payable as provided in Section 1106, if any,

(3) if less than all the Outstanding Securities of any series are to be redeemed, the identification (and, in the case of partial redemption, the principal amounts) of the particular Securities to be redeemed,

(4) in case any Security is to be redeemed in part only, the notice which relates to such Security shall state that on and after the Redemption Date, upon surrender of such Security, the Holder will receive, without charge, a new Security or

Securities of authorized denominations for the principal amount thereof remaining unredeemed,

(5) that on the Redemption Date, the Redemption Price and accrued interest, if any, to the Redemption Date payable as provided in Section 1106 will become due and payable upon each such Security, or the portion thereof, to be redeemed and, if applicable, that interest thereon will cease to accrue on and after said date,

(6) the Place or Places of Payment where such Securities maturing after the Redemption Date, are to be surrendered for payment of the Redemption Price and accrued interest, if any, and

(7) that the redemption is for a sinking fund, if such is the case.

Notice of redemption of Securities to be redeemed at the election of the Company shall be given by the Company or, at the Company's request, by the Trustee in the name and at the expense of the Company.

SECTION 1105. Deposit of Redemption Price.

Prior to any Redemption Date, the Company shall deposit with the Trustee or with a Paying Agent (or, if the Company is acting as its own Paying Agent, segregate and hold in trust as provided in Section 1003) an amount of money (except as otherwise specified pursuant to Section 301 for the Securities of such series) sufficient to pay the Redemption Price of, and accrued interest, if any, on, all the Securities which are to be redeemed on that date.

SECTION 1106. Securities Payable on Redemption Date.

Notice of redemption having been given as aforesaid, the Securities so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein (except as otherwise specified pursuant to Section 301 for the Securities of such series)(together with accrued interest, if any, to the Redemption Date), and from and after such date (unless the Company shall default in the payment of the Redemption Price and accrued interest, if any) such Securities shall, if the same were interest-bearing, cease to bear interest, and except to the extent provided below, shall be void. Upon surrender of any such Security for redemption in accordance with said notice such Security shall be paid by the Company at the Redemption Price, together with accrued interest, if any, to the Redemption Date; provided, however, that installments of interest on Securities whose Stated Maturity is on or prior to the Redemption Date shall be payable to the Holders of such Securities, or one or more

Predecessor Securities, registered as such at the close of business on the relevant Record Dates according to their terms and the provisions of Section 308.

If any Security called for redemption shall not be so paid upon surrender thereof for redemption, the principal (and premium, if any) shall, until paid, bear interest from the Redemption Date at the rate of interest or Yield to Maturity (in the case of Original Issue Discount Securities) set forth in such Security.

SECTION 1107. Securities Redeemed in Part.

Any Security which is to be redeemed only in part (pursuant to the provisions of this Article or of Article Twelve) shall be surrendered at a Place of Payment therefor (with, if the Company or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder thereof or such Holder's attorney duly authorized in writing), and the Company shall execute, and the Trustee shall authenticate and deliver to the Holder of such Security without service charge, a new Security or Securities of the same series, of any authorized denomination as requested by such Holder, in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Security so surrendered.

ARTICLE TWELVE

SINKING FUNDS

SECTION 1201. Applicability of Article.

Retirements of Securities of any series pursuant to any sinking fund shall be made in accordance with the terms of such Securities and (except as otherwise specified as contemplated by Section 301 for Securities of any series) in accordance with this Article.

The minimum amount of any sinking fund payment provided for by the terms of Securities of any series is herein referred to as a "mandatory sinking fund payment", and any payment in excess of such minimum amount provided for by the terms of Securities of any series is herein referred to as an "optional sinking fund payment". If provided for by the terms of Securities of any series, the cash amount of any mandatory sinking fund payment may be subject to reduction as provided in Section 1202. Each sinking fund payment shall be applied to the redemption of Securities of any series as provided for by the terms of Securities of such series.

SECTION 1202. Satisfaction of Sinking Fund Payments with Securities.

Subject to Section 1203, in lieu of making all or any part of any mandatory sinking fund payment with respect to any Securities of a series in cash, the Company may at its option (1) deliver to the Trustee Outstanding Securities of a series (other than any previously called for redemption) theretofore purchased or otherwise acquired by the Company and/or (2) receive credit for the principal amount of Securities of such series which have been previously delivered to the Trustee by the Company or for Securities of such series which have been redeemed either at the election of the Company pursuant to the terms of such Securities or through the application of permitted optional sinking fund payments pursuant to the terms of such Securities, in each case in satisfaction of all or any part of any mandatory sinking fund payment with respect to the Securities of the same series required to be made pursuant to the terms of such Securities as provided for by the terms of such series; provided, however, that such Securities have not been previously so credited. Such Securities shall be received and credited for such purpose by the Trustee at the Redemption Price specified in such Securities for redemption through operation of the sinking fund and the amount of such mandatory sinking fund payment shall be reduced accordingly.

SECTION 1203. Redemption of Securities for Sinking Fund.

Not less than 60 days prior to each sinking fund payment date for any series of Securities, the Company will deliver to the Trustee an Officers' Certificate specifying the amount of the next ensuing sinking fund payment for that series pursuant to the terms of that series, the portion thereof, if any, which is to be satisfied by payment of cash (except as otherwise specified pursuant to Section 301 for the Securities of such series) and the portion thereof, if any, which is to be satisfied by delivering or crediting Securities of that series pursuant to Section 1202 (which Securities will, if not previously delivered, accompany such certificate) and whether the Company intends to exercise its right to make a permitted optional sinking fund payment with respect to such series. Such certificate shall be irrevocable and upon its delivery the Company shall be obligated to make the cash payment or payments therein referred to, if any, on or before the next succeeding sinking fund payment date. In the case of the failure of the Company to deliver such certificate, the sinking fund payment due on the next succeeding sinking fund payment date for that series shall be paid entirely in cash and shall be sufficient to redeem the principal amount of such Securities subject to a mandatory sinking fund payment without the option to deliver or credit Securities as provided in Section 1202 and without the right to make any optional sinking fund payment, if any, with respect to such series.

Not more than 60 days before each such sinking fund payment date the Trustee shall select the Securities to be redeemed upon such sinking fund payment date in the manner specified in Section 1103 and cause notice of the redemption thereof to be given in the name of and at the expense of the Company in the manner provided in Section 1104. Such notice having been duly given, the redemption of such Securities shall be made upon the terms and in the manner stated in Sections 1106 and 1107.

Prior to any sinking fund payment date, the Company shall pay to the Trustee or a Paying Agent (or, if the Company is acting as its own Paying Agent, segregate and hold in trust as provided in Section 1003) in cash a sum equal to any interest that will accrue to the date fixed for redemption of Securities or portions thereof to be redeemed on such sinking fund payment date pursuant to this Section 1203.

Notwithstanding the foregoing, with respect to a sinking fund for any series of Securities, if at any time the amount of cash to be paid into such sinking fund on the next succeeding sinking fund payment date, together with any unused balance of any preceding sinking fund payment or payments for such series, does not exceed in the aggregate $100,000, the Trustee, unless requested by the Company, shall not give the next succeeding notice of the redemption of Securities of such series through the operation of the sinking fund. Any such unused balance of moneys deposited in such sinking fund shall be added to the sinking fund payment for such series to be made in cash on the next succeeding sinking fund payment date or, at the written request of the Company, shall be applied at any time or from time to time to the purchase of Securities of such series, by public or private purchase, in the open market or otherwise, at a purchase price for such Securities (excluding accrued interest and brokerage commissions, for which the Trustee or any Paying Agent will be promptly reimbursed by the Company) not in excess of the principal amount thereof.

ARTICLE THIRTEEN

REPAYMENT AT OPTION OF HOLDERS

SECTION 1301. Applicability of Article.

Repayment of Securities of any series before their Stated Maturity at the option of Holders thereof shall be made in accordance with the terms of such Securities and (except as otherwise specified as contemplated by Section 301 for Securities of any series) in accordance with this Article.

SECTION 1302. Repayment of Securities.

Securities of any series subject to repayment in whole or in part at the option of the Holders thereof will, unless otherwise provided in the terms of such Securities, be repaid at a price equal to the principal amount thereof, together with interest, if any, thereon accrued to the Repayment Date specified in or pursuant to the terms of such Securities. The Company covenants that on or before the Repayment Date it will deposit with the Trustee or with a Paying Agent (or, if the Company is acting as its own Paying Agent, segregate and hold in trust as provided in Section 1003) an amount of money (except as otherwise specified pursuant to Section 301 for the Securities of such series) sufficient to pay the principal (or, if so provided by the terms of the Securities of any series, a percentage of the principal) of and (except if the Repayment Date shall be an Interest Payment Date) accrued interest, if any, on, all the Securities or portions thereof, as the case may be, to be repaid on such date.

SECTION 1303. Exercise of Option.

Securities of any series subject to repayment at the option of the Holders thereof will contain an "Option to Elect Repayment" form on the reverse of such Securities. To be repaid at the option of the Holder, any Security so providing for such repayment, with the "Option to Elect Repayment" form on the reverse of such Security duly completed by the Holder (or by the Holder's attorney duly authorized in writing), must be received by the Company at the Place of Payment therefor specified in the terms of such Security (or at such other place or places of which the Company shall from time to time notify the Holders of such Securities) not earlier than 45 days nor later than 30 days prior to the Repayment Date. If less than the entire principal amount of such Security is to be repaid in accordance with the terms of such Security, the principal amount of such Security to be repaid, in increments of the minimum denomination for Securities of such series, and the denomination or denominations of the Security or Securities to be issued to the Holder for the portion of the principal amount of such Security surrendered that is not to be repaid, must be specified. The principal amount of any Security providing for repayment at the option of the Holder thereof may not be repaid in part if, following such repayment, the unpaid principal amount of such Security would be less than the minimum authorized denomination of Securities of the series of which such Security to be repaid is a part. Except as otherwise may be provided by the terms of any Security providing for repayment at the option of the Holder thereof, exercise of the repayment option by the Holder shall be irrevocable unless waived by the Company.

SECTION 1304. When Securities Presented for Repayment Become Due and Payable.

If Securities of any series providing for repayment at the option of the Holders thereof shall have been surrendered as provided in this Article and as provided by or pursuant to the terms of such Securities, such Securities or the portions thereof, as the case may be, to be repaid shall become due and payable and shall be paid by the Company on the Repayment Date therein specified, and on and after such Repayment Date (unless the Company shall default in the payment of such Securities on such Repayment Date) such Securities shall, if the same were interest-bearing, cease to bear interest and except to the extent provided below, shall be void. Upon surrender of any such Security for repayment in accordance with such provisions, the principal amount of such Security so to be repaid shall be paid by the Company, together with accrued interest, if any, to the Repayment Date; provided, however, that, in the case of Securities, installments of interest, if any, whose Stated Maturity is on or prior to the Repayment Date shall be payable to the Holders of such Securities, or one or more Predecessor Securities, registered as such at the close of business on the relevant Record Dates according to their terms and the provisions of Section 308.

If the principal amount of any Security surrendered for repayment shall not be so repaid upon surrender thereof, such principal amount (together with interest, if any, thereon accrued to such Repayment Date) shall, until paid, bear interest from the Repayment Date at the rate of interest or Yield to Maturity (in the case of Original Issue Discount Securities) set forth in such Security.

SECTION 1305. Securities Repaid in Part.

Upon surrender of any Security which is to be repaid in part only, the Company shall execute and the Trustee shall authenticate and deliver to the Holder of such Security, without service charge and at the expense of the Company, a new Security or Securities of the same series, of any authorized denomination specified by the Holder, in an aggregate principal amount equal to and in exchange for the portion of the principal of such Security so surrendered which is not to be repaid.

ARTICLE FOURTEEN

DEFEASANCE AND COVENANT DEFEASANCE

SECTION 1401. Company's Option to Effect Defeasance or Covenant Defeasance.

Except as otherwise specified as contemplated by Section 301 for Securities of any series, the provisions of this Article Fourteen shall apply to each series of Securities, and the Company may, at its option, effect defeasance of the Securities of or within a series under Section 1402, or covenant defeasance of the Securities of or within a series under Section 1403 in accordance with the terms of such Securities and in accordance with this Article.

SECTION 1402. Defeasance and Discharge.

Upon the Company's exercise of the above option applicable to this Section with respect to any Securities of or within a series, the Company shall be deemed to have been discharged from its obligations with respect to such Outstanding Securities on the date the conditions set forth in Section 1404 are satisfied (hereinafter, "defeasance"). For this purpose, such defeasance means that the Company shall be deemed to have paid and discharged the entire indebtedness represented by such Outstanding Securities, which shall thereafter be deemed to be "Outstanding" only for the purposes of Section 1405 and the other Sections of this Indenture referred to in (A) and (B) below, and to have satisfied all its other obligations under such Securities and this Indenture insofar as such Securities are concerned (and the Trustee, at the expense of the Company, shall execute proper instruments acknowledging the same), except for the following which shall survive until otherwise terminated or discharged hereunder: (A) the rights of Holders of such Outstanding Securities to receive, solely from the trust fund described in Section 1404 and as more fully set forth in such Section, payments in respect of the principal of (and premium, if any) and interest, if any, on such Securities when such payments are due, (B) the Company's obligations with respect to such Securities under Sections 305, 306, 307, 1002 and 1003 and with respect to the payment of Additional Amounts, if any, on such Securities as contemplated by Section 1008, (C) the rights, powers, trusts, duties and immunities of the Trustee hereunder and (D) this Article Fourteen. Subject to compliance with this Article Fourteen, the Company may exercise its option under this Section 1402 notwithstanding the prior exercise of its option under Section 1403 with respect to such Securities.

SECTION 1403. Covenant Defeasance.

Upon the Company's exercise under Section 1401 of the option applicable to this Section 1403 with respect to any Securities of or within a series, the Company shall be released from its obligations under Sections 1006 and 1007, and if specified pursuant to Section 301, its obligations under any other covenant, with respect to such Outstanding Securities on and after the date the conditions set forth in Section 1404 are satisfied (hereinafter, "covenant defeasance"), and such Securities shall thereafter be deemed to be not "Outstanding" for the purposes of any direction, waiver, consent or declaration or Act of Holders (and the consequences of any thereof) in connection with such covenants, but shall continue to be deemed "Outstanding" for all other purposes hereunder (it being understood that such Securities shall not be deemed Outstanding for financial accounting purposes). For this purpose, such covenant defeasance means that, with respect to such Outstanding Securities, the Company may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such covenant, whether directly or indirectly, by reason of any reference elsewhere herein to any such covenant or by reason of reference in any such covenant to any other provision herein or in any other document and such omission to comply shall not constitute a Default or an Event of Default under Section 501(3) or Section 501(7) or otherwise, as the case may be, but, except as specified above, the remainder of this Indenture and such Securities shall be unaffected thereby.

SECTION 1404. Conditions to Defeasance or Covenant Defeasance.

The following shall be the conditions to application of either Section 1402 or Section 1403 to any Outstanding Securities of or within a series:

(1) The Company shall irrevocably have deposited or caused to be deposited with the Trustee (or another trustee satisfying the requirements of Section 608 who shall agree to comply with the provisions of this Article Fourteen applicable to it) as trust funds in trust for the purpose of making the following payments, specifically pledged as security for, and dedicated solely to, the benefit of the Holders of such Securities, (A) an amount or (B) Government Obligations applicable to such Securities which through the scheduled payment of principal and interest in respect thereof in accordance with their terms will provide, not later than one day before the due date of any payment of principal of and premium, if any, and interest, if any, under such Securities money in an amount, or (C) a combination thereof, sufficient, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, to pay and discharge, and which shall be applied by the Trustee (or other qualifying trustee) to pay and discharge, (i) the principal of (and premium, if any) and

interest, if any, on such Outstanding Securities on the Stated Maturity (or Redemption Date, if applicable) of such principal (and premium, if any) or installment of interest, if any, and (ii) any mandatory sinking fund payments or analogous payments applicable to such Outstanding Securities on the day on which such payments are due and payable in accordance with the terms of this Indenture and of such Securities; provided that the Trustee shall have been irrevocably instructed to apply such money or the proceeds of such Government Obligations to said payments with respect to such Securities. Before such a deposit, the Company may give to the Trustee, in accordance with Section 1102 hereof, a notice of its election to redeem all or any portion of such Outstanding Securities at a future date in accordance with the terms of the Securities of such series and Article Eleven hereof, which notice shall be irrevocable. Such irrevocable redemption notice, if given, shall be given effect in applying the foregoing.

(2) No Default or Event of Default with respect to such Securities shall have occurred and be continuing on the date of such deposit or, insofar as paragraphs (5) and (6) of Section 501 are concerned, at any time during the period ending on the 91st day after the date of such deposit (it being understood that this condition shall not be deemed satisfied until the expiration of such period).

(3) No event or condition shall exist that would prevent the Company from making payments of the principal of (and premium, if any) or interest on the Securities on the date of such deposit or at any time during the period ending on the 91st day after the date of such deposit (it being understood that this condition shall not be deemed satisfied until the expiration of such period).

(4) Such defeasance or covenant defeasance shall not result in a breach or violation of, or constitute a default under, this Indenture or any other material agreement or instrument to which the Company is a party or by which it is bound.

(5) In the case of an election under Section 1402, the Company shall have delivered to the Trustee an Opinion of Counsel stating that (x) the Company has received from, or there has been published by, the Internal Revenue Service a ruling, or (y) since the date of execution of this Indenture, there has been a change in the applicable federal income tax law, in either case to the effect that, and based thereon such opinion shall confirm that, the Holders of such Outstanding Securities will not recognize income, gain or loss for federal income tax purposes as a result of such defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance had not occurred.

(6) In the case of an election under Section 1403, the Company shall have delivered to the Trustee an Opinion of Counsel to the effect that the Holders of such Outstanding Securities will not recognize income, gain or loss for federal income tax purposes as a result of such covenant defeasance and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such covenant defeasance had not occurred.

(7) In the case of an election under either Section 1402 or 1403, the Company shall represent to the Trustee that the deposit made by the Company pursuant to its election under Section 1402 or 1403 was not made by the Company with the intent of preferring the Holders of Securities of any series over other creditors of the Company or with the intent of defeating, hindering, delaying or defrauding creditors of the Company or others.

(8) Notwithstanding any other provisions of this Section, such defeasance or covenant defeasance shall be effected in compliance with any additional or substitute terms, conditions or limitations in connection therewith pursuant to Section 301.

(9) The Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for relating to either the defeasance under Section 1402 or the covenant defeasance under Section 1403 (as the case may be) have been complied with.

SECTION 1405. Deposited Money and Government Obligations to Be Held in Trust; Other Miscellaneous Provisions.

Subject to the provisions of the last paragraph of Section 1003, all money and Government Obligations (or other property as may be provided pursuant to Section 301) (including the proceeds thereof) deposited with the Trustee (or other qualifying trustee, collectively for purposes of this Section 1405, the "Trustee") pursuant to Section 1404 in respect of such Outstanding Securities shall be held in trust and applied by the Trustee, in accordance with the provisions of such Securities and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Holders of such Securities of all sums due and to become due thereon in respect of principal (and premium, if any) and interest, if any, but such money need not be segregated from other funds except to the extent required by law.

The Company shall pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the Government Obligations deposited pursuant to Section 1404 or the principal and interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of such Outstanding Securities.

Anything in this Article Fourteen to the contrary notwithstanding, the Trustee shall deliver or pay to the Company from time to time upon Company Request any money or Government Obligations (or other property and any proceeds therefrom) held by it as provided in Section 1404 which, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, are in excess of the amount thereof which would then be required to be deposited to effect an equivalent defeasance or covenant defeasance, as applicable, in accordance with this Article.

SECTION 1406. Reinstatement.

If the Trustee or any Paying Agent is unable to apply any money in accordance with Section 1405 by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, then the Company's obligations under this Indenture and such Securities shall be revived and reinstated as though no deposit had occurred pursuant to Section 1402 or 1403, as the case may be, until such time as the Trustee or Paying Agent is permitted to apply all such money in accordance with Section 1405; provided, however, that if the Company makes any payment of principal of (or premium, if any) or interest, if any, on any such Security following the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Securities to receive such payment from the money held by the Trustee or Paying Agent.

This Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same Indenture.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed all as of the day and year first above written.

ATMOS ENERGY CORPORATION

By:

Name:
Title:

U.S. BANK TRUST NATIONAL ASSOCIATION

By:

Name:
Title:

</TEXT>
</DOCUMENT>

<DOCUMENT>
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EXHIBIT 4.3(d)

AMENDMENT TO NOTE PURCHASE AGREEMENT

THIS AMENDMENT TO NOTE PURCHASE AGREEMENT is made and entered into as of the 22nd day of December, 1993 by and between ATMOS ENERGY CORPORATION (formerly Energas Company), a Texas corporation ("Borrower"), and JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY, a Massachusetts corporation ("Purchaser").

W I T N E S S E T H:

WHEREAS, Borrower and Purchaser entered into that certain Note Purchase Agreement dated as of December 21, 1987, as amended by two Amendments to Note Purchase Agreement dated October 11, 1989 and November 12, 1991 (such Note Purchase Agreement as amended being hereinafter referred to as the "Agreement"), pursuant to which Borrower sold to Purchaser certain of its 8.94% Senior Notes in an aggregate principal amount of $8,750,000 and certain of its 11.20% Senior Notes in an aggregate principal amount of $17,000,000; and

WHEREAS, Borrower and Purchaser now desire to amend the Agreement in the manner hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Section 1.02 of the Agreement shall be, and hereby is, amended by adding the following definitions therein:

"Tenth Supplemental Indenture" means that certain Tenth Supplemental Indenture dated as of December 1, 1993 between Borrower and Colorado National Bank (formerly Central Bank Denver, National Association).

"Greeley Indenture" means the Indenture of Mortgage and Deed of Trust dated as of March 1, 1957 between Greeley Gas Company and the Central Bank and Trust Company, as Trustee, as supplemented by the First through Tenth Supplemental Indentures thereto (the obligations of Greeley Gas Company and its successors under the Greeley Indenture and under the bonds issued pursuant thereto having been assumed by the Company under the First Amendment to Bond Purchase Agreement dated as of December 1, 1993, between Borrower and First Colony Life Insurance Company).

2. Paragraph (B) of Section 4.10(b) of the Agreement shall be, and hereby is, amended to read in its entirety as follows:

> (B) Liens existing on any real property (including leaseholds) and fixtures thereon (and in the cases of the Liens of the Western Kentucky Indenture and Greeley Indenture, other property covered by the Western Kentucky Indenture as specifically limited by the Twelfth Supplemental Indenture or by the Greeley Indenture as specifically limited by the Tenth Supplemental Indenture) at the time of acquisition of such property by Borrower or by such Subsidiary through a merger or consolidation permitted under Section 4.04 above, whether or not assumed, or on any such property of a Subsidiary at the time such Subsidiary is acquired by Borrower or another Subsidiary in an acquisition permitted under Section 4.15; provided that every such Lien described in this clause (B) shall apply and attach only to the specific items of property originally subject thereto and fixed improvements constructed thereon (and including repairs thereto and replacements thereof) and any extensions located entirely in the State of Kentucky of the former Western Kentucky Gas Utility Corporation system with respect to the Lien of the Western Kentucky Indenture or extensions located in the States of Colorado, Kansas, or Missouri of the former Greeley Gas Company system with respect to the Lien of the Greeley Indenture and shall not extend to any other assets or property whatsoever (including, without limitation, to any property or assets of the acquiring entity or of the other corporation or corporations which are party to the merger or consolidation), other than such assets of the acquired company for so long as the acquired company shall remain a separate corporate entity; and provided further that at no time shall the aggregate principal amount of all Debt secured by Liens described in this clause (B), including without limitation the Liens of the Western Kentucky Indenture and Greeley Indenture, exceed 55% of the aggregate cost (including the secured Debt) or fair value (without deducting the secured Debt), whichever is less, of the assets subject thereto (with the lower of cost or fair value to be determined separately with respect to each such asset);

3. Except to the extent amended or modified herein, the Agreement is, and shall continue, in full force and effect in accordance with the terms and provisions thereof.

<PAGE> 3

IN WITNESS WHEREOF, the parties hereto have executed this Amendment to Note Purchase Agreement effective as of the date first written above.

ATMOS ENERGY CORPORATION

By: /s/ JAMES F. PURSER

James F. Purser
Executive Vice President
and Chief Financial Officer

JOHN HANCOCK MUTUAL LIFE
INSURANCE COMPANY

By: /s/ MARILYN O. BOSS

Marilyn O. Boss
Investment Officer

EXHIBIT 4.3(d)

AMENDMENT TO NOTE PURCHASE AGREEMENT

THIS AMENDMENT TO NOTE PURCHASE AGREEMENT is made and entered into as of the 22nd day of December, 1993 by and between ATMOS ENERGY CORPORATION (formerly Energas Company), a Texas corporation ("Borrower"), and MELLON BANK N.A., TRUSTEE UNDER MASTER TRUST AGREEMENT OF AT&T CORPORATION DATED JANUARY 1, 1984 FOR EMPLOYEE PENSION PLANS - AT&T - JOHN HANCOCK - PRIVATE PLACEMENT ("Purchaser").

W I T N E S S E T H:

WHEREAS, Borrower and Purchaser entered into that certain Note Purchase Agreement dated as of December 21, 1987, as amended by two Amendments to Note Purchase Agreement dated October 11, 1989 and November 12, 1991 (such Note Purchase Agreement as amended being hereinafter referred to as the "Agreement"), pursuant to which Borrower sold to Purchaser certain of its 8.94% Senior Notes in an aggregate principal amount of $1,250,000 and certain of its 11.20% Senior Notes in an aggregate principal amount of $2,500,000; and

WHEREAS, Borrower and Purchaser now desire to amend the Agreement in the manner hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Section 1.02 of the Agreement shall be, and hereby is, amended by adding the following definitions therein:

"Tenth Supplemental Indenture" means that certain Tenth Supplemental Indenture dated as of December 1, 1993 between Borrower and Colorado National Bank (formerly Central Bank Denver, National Association).

"Greeley Indenture" means the Indenture of Mortgage and Deed of Trust dated as of March 1, 1957 between Greeley Gas Company and the Central Bank and Trust

Company, as Trustee, as supplemented by the First through Tenth Supplemental Indentures thereto (the obligations of Greeley Gas Company and its successors under the Greeley Indenture and under the bonds issued pursuant thereto having been assumed by the Company under the First Amendment to Bond Purchase Agreement dated as of December 1, 1993, between Borrower and First Colony Life Insurance Company).

2. Paragraph (B) of Section 4.10(b) of the Agreement shall be, and hereby is, amended to read in its entirety as follows:

(B) Liens existing on any real property (including leaseholds) and fixtures thereon (and in the cases of the Liens of the Western Kentucky Indenture and Greeley Indenture, other property covered by the Western Kentucky Indenture as specifically limited by the Twelfth Supplemental Indenture or by the Greeley Indenture as specifically limited by the Tenth Supplemental Indenture) at the time of acquisition of such property by Borrower or by such Subsidiary through a merger or consolidation permitted under Section 4.04 above, whether or not assumed, or on any such property of a Subsidiary at the time such Subsidiary is acquired by Borrower or another Subsidiary in an acquisition permitted under Section 4.15; provided that every such Lien described in this clause (B) shall apply and attach only to the specific items of property originally subject thereto and fixed improvements constructed thereon (and including repairs thereto and replacements thereof) and any extensions located entirely in the State of Kentucky of the former Western Kentucky Gas Utility Corporation system with respect to the Lien of the Western Kentucky Indenture or extensions located in the States of Colorado, Kansas, or Missouri of the former Greeley Gas Company system with respect to the Lien of the Greeley Indenture and shall not extend to any other assets or property whatsoever (including, without limitation, to any property or assets of the acquiring entity or of the other corporation or corporations which are party to the merger or consolidation), other than such assets of the acquired company for so long as the acquired company shall remain a separate corporate entity; and provided further that at no time shall the aggregate principal amount of all Debt secured by Liens described in this clause (B), including without limitation the Liens of the Western Kentucky Indenture and Greeley Indenture, exceed 55% of the aggregate cost (including the secured Debt) or fair value (without deducting the secured Debt), whichever is less, of the assets subject thereto (with the lower of cost or fair value to be determined separately with respect to each such asset);

3. Except to the extent amended or modified herein, the Agreement is, and shall continue, in full force and effect in accordance with the terms and provisions thereof.

<PAGE> 6

IN WITNESS WHEREOF, the parties hereto have executed this Amendment to Note Purchase Agreement effective as of the date first written above.

ATMOS ENERGY CORPORATION

By: /s/ JAMES F. PURSER

Executive Vice President
and Chief Financial Officer

MELLON BANK N.A., TRUSTEE
UNDER MASTER TRUST AGREEMENT
OF AT&T CORPORATION DATED
JANUARY 1, 1984 FOR EMPLOYEE
PENSION PLANS - AT&T-AS DIRECTED
BY JOHN HANCOCK - PRIVATE
PLACEMENT

By: /s/ JUDITH A. MANION

Judith A. Manion
Paralegal

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EXHIBIT 4.3(e)

AMENDMENT TO
NOTE PURCHASE AGREEMENT

THIS AMENDMENT TO NOTE PURCHASE AGREEMENT is made and entered into as of the 20th day of December, 1994 by and among ATMOS ENERGY CORPORATION (formerly Energas Company), a Texas corporation ("Borrower"), JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY, a Massachusetts corporation, and MELLON BANK N.A., TRUSTEE UNDER MASTER TRUST AGREEMENT OF AT&T CORPORATION DATED JANUARY 1, 1984 FOR EMPLOYEE PENSION PLANS - AT&T - JOHN HANCOCK - PRIVATE PLACEMENT (John Hancock Mutual Life Insurance Company and Mellon Bank N.A., Trustee being hereinafter collectively referred to as the "Purchasers").

W I T N E S S E T H:

WHEREAS, Borrower and Purchasers entered into those certain Note Purchase Agreements, executed in multiple counterparts, dated as of December 21, 1987, as amended by two Amendments to Note Purchase Agreement dated October 11, 1989, November 12, 1991, and December 22, 1993 (such Note Purchase Agreements as amended being hereinafter referred to as the "Agreement"), pursuant to which Borrower sold to Purchasers its 8.94% Senior Notes in an aggregate principal amount of $10,000,000 and its 11.20% Senior Notes in an aggregate principal amount of $20,000,000; and

WHEREAS, Borrower and Purchasers now desire to amend the Agreement in the manner hereinafter set forth, as evidenced by the execution hereof by the requisite percentage of the Purchasers holding the Senior Notes; and

WHEREAS, Borrower has notified Purchasers that, effective December 31, 1994, Enermart, Inc., a Delaware corporation and Wholly Owned Subsidiary of Borrower, will transfer all of its assets into a Pennsylvania business trust, known as Enermart Trust, of which Enermart, Inc. is the sole certificate holder, and Borrower has requested Purchasers' consent to such transfer of assets;

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. The definition of "Subsidiary" in Section 1.02 of the Agreement shall be, and hereby is, amended to read in its entirety as follows:

> "Subsidiary" means each corporation, trust, partnership, or association in which the Borrower owns, directly or through another such corporation, trust, partnership, or association, fifty percent or more of the voting securities. All references in the Agreements with respect to a Subsidiary organized in the form of a corporate entity shall be deemed, when appropriate, to refer also to a Subsidiary organized in the form of a trust, partnership, or association."

2. Section 3.01(b) of the Agreement shall be, and hereby is, amended by adding the following sentence at the end of such section:

> "Enermart, Inc. is, and shall at all times be, the sole certificate holder of Enermart Trust, and Enermart Trust shall at all times be deemed a Wholly Owned Subsidiary under the Agreements and shall be bound by all applicable provisions of the Agreements."

3. Purchasers, by their execution of this Amendment to Note Purchase Agreement, hereby consent to the transfer of the assets of Enermart, Inc. to Enermart Trust as described above.

4. Except to the extent amended or modified herein, the Agreement is, and shall continue, in full force and effect in accordance with the terms and provisions thereof.

5. This Amendment to Note Purchase Agreement may be executed in multiple counterparts, all of which shall constitute one instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment to Note Purchase Agreement effective as of the date first written above.

ATMOS ENERGY CORPORATION

By: /s/ JAMES F. PURSER

James F. Purser
Executive Vice President and
Chief Financial Officer

JOHN HANCOCK MUTUAL LIFE
INSURANCE COMPANY

By: /s/ MARILYN O. BOSS

Marilyn O. Boss
Investment Officer

MELLON BANK N.A., TRUSTEE
UNDER MASTER TRUST AGREEMENT
OF AT&T CORPORATION DATED
JANUARY 1, 1984 FOR EMPLOYEE
PENSION PLANS - AT&T - JOHN
HANCOCK - PRIVATE PLACEMENT
DIRECTED BY JOHN HANCOCK
MUTUAL LIFE INSURANCE COMPANY

By: /s/ JUDITH A. MANION

Judith A. Manion
Assistant Officer

EXHIBIT 4.3(e)

AMENDMENT TO NOTE PURCHASE AGREEMENT

THIS AMENDMENT TO NOTE PURCHASE AGREEMENT is made and entered into as of the 20th day of December, 1994 by and among ATMOS ENERGY CORPORATION (formerly Energas Company), a Texas corporation ("Borrower"), JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY, a Massachusetts corporation, and MELLON BANK N.A., TRUSTEE UNDER MASTER TRUST AGREEMENT OF AT&T CORPORATION DATED JANUARY 1, 1984 FOR EMPLOYEE PENSION PLANS - AT&T - JOHN HANCOCK - PRIVATE PLACEMENT (John Hancock Mutual Life Insurance Company and Mellon Bank N.A., Trustee being hereinafter collectively referred to as the "Purchasers").

W I T N E S S E T H:

WHEREAS, Borrower and Purchasers entered into those certain Note Purchase Agreements, executed in multiple counterparts, dated as of December 21, 1987, as amended by two Amendments to Note Purchase Agreement dated October 11, 1989, November 12, 1991, and December 22, 1993 (such Note Purchase Agreements as amended being hereinafter referred to as the "Agreement"), pursuant to which Borrower sold to Purchasers its 8.94% Senior Notes in an aggregate principal amount of $10,000,000 and its 11.20% Senior Notes in an aggregate principal amount of $20,000,000; and

WHEREAS, Borrower and Purchasers now desire to amend the Agreement in the manner hereinafter set forth, as evidenced by the execution hereof by the requisite percentage of the Purchasers holding the Senior Notes; and

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WHEREAS, Borrower has notified Purchasers that, effective December 31, 1994, Enermart, Inc., a Delaware corporation and Wholly Owned Subsidiary of Borrower, will transfer all of its assets into a Pennsylvania business trust, known as Enermart Trust, of which Enermart, Inc. is the sole certificate holder, and Borrower has requested Purchasers' consent to such transfer of assets;

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. The definition of "Subsidiary" in Section 1.02 of the Agreement shall be, and hereby is, amended to read in its entirety as follows:

> "Subsidiary" means each corporation, trust, partnership, or association in which the Borrower owns, directly or through another such corporation, trust, partnership, or association, fifty percent or more of the voting securities. All references in the Agreements with respect to a Subsidiary organized in the form of a corporate entity shall be deemed, when appropriate, to refer also to a Subsidiary organized in the form of a trust, partnership, or association."

2. Section 3.01(b) of the Agreement shall be, and hereby is, amended by adding the following sentence at the end of such section:

> "Enermart, Inc. is, and shall at all times be, the sole certificate holder of Enermart Trust, and Enermart Trust shall at all times be deemed a Wholly Owned Subsidiary under the Agreements and shall be bound by all applicable provisions of the Agreements."

3. Purchasers, by their execution of this Amendment to Note Purchase Agreement, hereby consent to the transfer of the assets of Enermart, Inc. to Enermart Trust as described above.

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4. Except to the extent amended or modified herein, the Agreement is, and shall continue, in full force and effect in accordance with the terms and provisions thereof.

5. This Amendment to Note Purchase Agreement may be executed in multiple counterparts, all of which shall constitute one instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment to Note Purchase Agreement effective as of the date first written above.

ATMOS ENERGY CORPORATION

By: /s/ JAMES F. PURSER

James F. Purser
Executive Vice President and
Chief Financial Officer

JOHN HANCOCK MUTUAL LIFE
INSURANCE COMPANY

By: /s/ MARILYN O. BOSS

Marilyn O. Boss
Investment Officer

MELLON BANK N.A., TRUSTEE
UNDER MASTER TRUST AGREEMENT
OF AT&T CORPORATION DATED
JANUARY 1, 1984 FOR EMPLOYEE
PENSION PLANS - AT&T - JOHN
HANCOCK - PRIVATE PLACEMENT
DIRECTED BY JOHN HANCOCK
MUTUAL LIFE INSURANCE COMPANY

By: /s/ JUDITH A. MANION

Judith A. Manion
Assistant Officer

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EXHIBIT 4.3(f)

AMENDMENT TO NOTE PURCHASE AGREEMENT

THIS AMENDMENT TO NOTE PURCHASE AGREEMENT is made and entered into as of the 29th day of July, 1997 by and between ATMOS ENERGY CORPORATION, a Texas corporation ("Borrower"), and JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY, a Massachusetts corporation ("Purchaser").

W I T N E S S E T H:

WHEREAS, Borrower and Purchaser entered into that certain Note Purchase Agreement dated as of December 21, 1987, as amended by four Amendments to Note Purchase Agreement dated October 11, 1989, November 12, 1991, December 22, 1993 and December 20, 1994 (such Note Purchase Agreement as amended being hereinafter referred to as the "Agreement"), pursuant to which Borrower sold to Purchaser certain of its 8.94% Senior Notes in an aggregate principal amount of $8,750,000 and certain of its 11.20% Senior Notes in an aggregate principal amount of $17,500,000; and

WHEREAS, Borrower and Purchaser now desire to amend the Agreement in the manner hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Section 1.02 of the Agreement shall be, and hereby is, amended by adding the following definitions therein:

> "Twenty-Second Supplemental Indenture" means that certain Twenty-Second Supplemental Indenture dated as of July 29, 1997 between

Borrower and First Trust National Association (as successor to Bank of America Illinois, Continental Bank, N.A., and City National Bank and Trust Company of Chicago) and Russell C. Bergman (as successor to M.J. Kruger and R. Emmett Hanley).

"United Cities Indenture" means the Indenture of Mortgage dated as of July 15, 1959 between United Cities Gas Company and City National Bank and Trust Company of Chicago and R. Emmett Hanley, as Trustees, as supplemented by the First through Twenty-Second Supplemental Indentures thereto (the obligations of United Cities Gas Company and its successors under the United Cities Indenture and under the bonds issued pursuant thereto having been assumed by the Company under the Twenty-Second Supplemental Indenture).

2. Paragraph (B) of Section 4.10(b) of the Agreement shall be, and hereby is, amended to read in its entirety as follows:

(B) Liens existing on any real property (including leaseholds) and fixtures thereon (and in the cases of the Liens of the Greeley Indenture and United Cities Indenture, other property covered by the Greeley Indenture as specifically limited by the Tenth Supplemental Indenture or by the United Cities Indenture as specifically limited by the Twenty-Second Supplemental Indenture) at the time of acquisition of such property by Borrower or by such Subsidiary through a merger or consolidation permitted under Section 4.04 above, whether or not assumed, or on any such property of a Subsidiary at the time such Subsidiary is acquired by Borrower or another Subsidiary in an acquisition permitted under Section 4.15; provided that every such Lien described in this clause (B) shall apply and attach only to the specific items of property originally subject thereto and fixed improvements constructed thereon (and including repairs thereto and replacements thereof) and any extensions located in the States of Colorado, Kansas, or Missouri of the former Greeley Gas Company system with respect to the Lien of the Greeley Indenture or extensions located in the States of Georgia, Illinois, Iowa, Kansas, Kentucky, Missouri, North Carolina, South Carolina, Tennessee, or Virginia of the former United Cities Gas Company system with respect to the Lien of the United Cities Indenture and shall not extend to any other assets or property whatsoever (including, without limitation, to any property or assets of the acquiring entity or of the other corporation or corporations which are party to the merger or consolidation), other than such assets of the acquired company for so long as the acquired company shall remain a separate corporate entity; and provided further that at no time shall the aggregate principal amount of all Debt secured by Liens described in this clause (B), including without limitation the Liens of the Greeley Indenture and United Cities Indenture, exceed 55% of the aggregate cost (including the secured Debt) or fair value (without deducting the secured Debt), whichever is less, of the assets subject thereto (with the lower of cost or fair value to be determined separately with respect to each such asset);

3. Except to the extent amended or modified herein, the Agreement is, and shall continue, in full force and effect in accordance with the terms and provisions thereof.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment to Note Purchase Agreement effective as of the date first written above.

ATMOS ENERGY CORPORATION

By: /s/ LARRY J. DAGLEY

Larry J. Dagley
Executive Vice President and
Chief Financial Officer

JOHN HANCOCK MUTUAL LIFE
INSURANCE COMPANY

By: /s/ MARILYN O. BOSS

Printed/Typed Name: Marilyn O. Boss
Title: Investment Officer

EXHIBIT 4.3(f)

AMENDMENT TO NOTE PURCHASE AGREEMENT

THIS AMENDMENT TO NOTE PURCHASE AGREEMENT is made and entered into as of the 29th day of July, 1997 by and between ATMOS ENERGY CORPORATION (formerly Energas Company), a Texas corporation ("Borrower"), and MELLON BANK N.A., TRUSTEE UNDER MASTER TRUST AGREEMENT OF AT&T CORPORATION DATED JANUARY 1, 1984 FOR EMPLOYEE PENSION PLANS - AT&T - JOHN HANCOCK - PRIVATE PLACEMENT ("Purchaser").

W I T N E S S E T H:

WHEREAS, Borrower and Purchaser entered into that certain Note Purchase Agreement dated as of December 21, 1987, as amended by four Amendments to Note Purchase Agreement dated October 11, 1989, November 12, 1991, December 22, 1993 and December 20, 1994 (such Note Purchase Agreement as amended being hereinafter referred to as the "Agreement"), pursuant to which Borrower sold to Purchaser certain of its 8.94% Senior Notes in an aggregate principal amount of $1,250,000 and certain of its 11.20% Senior Notes in an aggregate principal amount of $2,500,000; and

WHEREAS, Borrower and Purchaser now desire to amend the Agreement in the manner hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Section 1.02 of the Agreement shall be, and hereby is, amended by adding the following definitions therein:

> "Twenty-Second Supplemental Indenture" means that certain Twenty-Second Supplemental Indenture dated as of July 29, 1997 between Borrower and First Trust National Association (as successor to Bank of America Illinois, Continental Bank, N.A., and City National Bank and Trust Company of Chicago) and Russell C. Bergman (as successor to M.J. Kruger and R. Emmett Hanley).
>
> "United Cities Indenture" means the Indenture of Mortgage dated as of July 15, 1959 between United Cities Gas Company and City National Bank and Trust Company of Chicago and R. Emmett Hanley, as Trustees, as supplemented by the First through Twenty-Second Supplemental Indentures thereto (the obligations of United Cities Gas Company and its successors under the United Cities Indenture and under the bonds issued pursuant thereto having been assumed by the Company under the Twenty-Second Supplemental Indenture).

2. Paragraph (B) of Section 4.10(b) of the Agreement shall be, and hereby is, amended to read in its entirety as follows:

> (B) Liens existing on any real property (including leaseholds) and fixtures thereon (and in the cases of the Liens of the Greeley Indenture and United Cities Indenture, other property covered by the Greeley Indenture as specifically limited by the Tenth Supplemental Indenture or by the United Cities Indenture as specifically limited by the Twenty-Second Supplemental Indenture) at the time of acquisition of such property by Borrower or by such Subsidiary through a merger or consolidation permitted under Section 4.04 above, whether or not assumed, or on any such property of a Subsidiary at the time such Subsidiary is acquired by Borrower or another Subsidiary in an acquisition permitted under Section 4.15; provided that every such Lien described in this clause (B) shall apply and attach only to the specific items of property originally subject thereto and fixed improvements constructed thereon (and including repairs thereto and replacements thereof) and any extensions located in the States of Colorado, Kansas, or Missouri of the former Greeley Gas Company system with respect to the Lien of the Greeley Indenture or extensions located in the States of Georgia, Illinois,

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Iowa, Kansas, Kentucky, Missouri, North Carolina, South Carolina, Tennessee, or Virginia of the former United Cities Gas Company system with respect to the Lien of the United Cities Indenture and shall not extend to any other assets or property whatsoever (including, without limitation, to any property or assets of the acquiring entity or of the other corporation or corporations which are party to the merger or consolidation), other than such assets of the acquired company for so long as the acquired company shall remain a separate corporate entity; and provided further that at no time shall the aggregate principal amount of all Debt secured by Liens described in this clause (B), including without limitation the Liens of the Greeley Indenture and United Cities Indenture, exceed 55% of the aggregate cost (including the secured Debt) or fair value (without deducting the secured Debt), whichever is less, of the assets subject thereto (with the lower of cost or fair value to be determined separately with respect to each such asset);

3. Except to the extent amended or modified herein, the Agreement is, and shall continue, in full force and effect in accordance with the terms and provisions thereof.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment to Note Purchase Agreement effective as of the date first written above.

ATMOS ENERGY CORPORATION

By: /s/ LARRY J. DAGLEY

Larry J. Dagley
Executive Vice President and
Chief Financial Officer

MELLON BANK N.A., TRUSTEE UNDER MASTER TRUST AGREEMENT OF AT&T CORPORATION DATED JANUARY 1, 1984 FOR EMPLOYEE PENSION PLANS - AT&T - JOHN HANCOCK - PRIVATE PLACEMENT (AS DIRECTED BY JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY)

By: /s/ SUSAN G. TESTA

Printed/Typed Name: Susan G. Testa
Title: Trust Officer

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EXHIBIT 4.4(c)

AMENDMENT TO NOTE PURCHASE AGREEMENT

THIS AMENDMENT TO NOTE PURCHASE AGREEMENT is made and entered into as of the 22nd day of December, 1993 by and between ATMOS ENERGY CORPORATION, a Texas corporation ("Borrower"), and JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY, a Massachusetts corporation ("Purchaser").

W I T N E S S E T H:

WHEREAS, Borrower and Purchaser entered into that certain Note Purchase Agreement dated as of October 11, 1989, as amended by an Amendment to Note Purchase Agreement dated November 12, 1991 (such Note Purchase Agreement as amended being hereinafter referred to as the "Agreement"), pursuant to which Borrower sold to Purchaser certain of its 9.76% Senior Notes in an aggregate principal amount of $30,000,000; and

WHEREAS, Borrower and Purchaser now desire to amend the Agreement in the manner hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Section 1.02 of the Agreement shall be, and hereby is, amended by adding the following definitions therein:

"Tenth Supplemental Indenture" means that certain Tenth Supplemental Indenture dated as of December 1, 1993 between Borrower and Colorado National Bank (formerly Central Bank Denver, National Association).

"Greeley Indenture" means the Indenture of Mortgage and Deed of Trust dated as of March 1, 1957 between Greeley Gas Company and the Central Bank and Trust Company, as Trustee, as supplemented by the First through Tenth Supplemental Indentures thereto (the obligations of Greeley Gas Company and its successors under the Greeley Indenture and under the bonds issued pursuant thereto having been assumed by the Company under the First Amendment to Bond Purchase

Agreement dated as of December 1, 1993, between Borrower and First Colony Life Insurance Company).

2. Paragraph (B) of Section 4.10(b) of the Agreement shall be, and hereby is, amended to read in its entirety as follows:

(B) Liens existing on any real property (including leaseholds) and fixtures thereon (and in the cases of the Liens of the Western Kentucky Indenture and Greeley Indenture, other property covered by the Western Kentucky Indenture as specifically limited by the Twelfth Supplemental Indenture or by the Greeley Indenture as specifically limited by the Tenth Supplemental Indenture) at the time of acquisition of such property by Borrower or by such Subsidiary through a merger or consolidation permitted under Section 4.04 above, whether or not assumed, or on any such property of a Subsidiary at the time such Subsidiary is acquired by Borrower or another Subsidiary in an acquisition permitted under Section 4.15; provided that every such Lien described in this clause (B) shall apply and attach only to the specific items of property originally subject thereto and fixed improvements constructed thereon (and including repairs thereto and replacements thereof) and any extensions located entirely in the State of Kentucky of the former Western Kentucky Gas Utility Corporation system with respect to the Lien of the Western Kentucky Indenture or extensions located in the States of Colorado, Kansas, or Missouri of the former Greeley Gas Company system with respect to the Lien of the Greeley Indenture and shall not extend to any other assets or property whatsoever (including, without limitation, to any property or assets of the acquiring entity or of the other corporation or corporations which are party to the merger or consolidation), other than such assets of the acquired company for so long as the acquired company shall remain a separate corporate entity; and provided further that at no time shall the aggregate principal amount of all Debt secured by Liens described in this clause (B), including without limitation the Liens of the Western Kentucky Indenture and Greeley Indenture, exceed 55% of the aggregate cost (including the secured Debt) or fair value (without deducting the secured Debt), whichever is less, of the assets subject thereto (with the lower of cost or fair value to be determined separately with respect to each such asset);

3. Except to the extent amended or modified herein, the Agreement is, and shall continue, in full force and effect in accordance with the terms and provisions thereof.

<PAGE> 3

IN WITNESS WHEREOF, the parties hereto have executed this Amendment to Note Purchase Agreement effective as of the date first written above.

ATMOS ENERGY CORPORATION

By: /s/ JAMES F. PURSER

James F. Purser
Executive Vice President
and Chief Financial Officer

JOHN HANCOCK MUTUAL LIFE
INSURANCE COMPANY

By: /s/ MARILYN O. BOSS

Marilyn O. Boss
Investment Officer

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<TYPE> EX-4.4(D)
<DESCRIPTION> Amendment to Note Purchase Agreement - 12/20/94
<TEXT>

EXHIBIT 4.4(d)

AMENDMENT TO NOTE PURCHASE AGREEMENT

THIS AMENDMENT TO NOTE PURCHASE AGREEMENT is made and entered into as of the 20th day of December, 1994 by and between ATMOS ENERGY CORPORATION, a Texas corporation ("Borrower"), and JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY, a Massachusetts corporation ("Purchaser").

W I T N E S S E T H:

WHEREAS, Borrower and Purchaser entered into that certain Note Purchase Agreement dated as of October 11, 1989, as amended by Amendments to Note Purchase Agreement dated November 12, 1991 and December 22, 1993 (the "Agreement"), pursuant to which Borrower sold to Purchaser its 9.76% Senior Notes in an aggregate principal amount of $30,000,000; and

WHEREAS, Borrower and Purchaser now desire to amend the Agreement in the manner hereinafter set forth; and

WHEREAS, Borrower has notified Purchaser that, effective December 31, 1994, Enermart, Inc., a Delaware corporation and Wholly Owned Subsidiary of Borrower, will transfer all of its assets into a Pennsylvania business trust, known as Enermart Trust, of which Enermart, Inc. is the sole certificate holder, and Borrower has requested Purchaser's consent to such transfer of assets;

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. The definition of "Subsidiary" in Section 1.02 of the Agreement shall be, and hereby is, amended to read in its entirety as follows:

> "Subsidiary" means each corporation, trust, partnership, or association in which the Borrower owns, directly or through another such corporation, trust, partnership, or association, fifty percent or more of the voting securities. All references in the Agreements with respect to a Subsidiary organized in the form of a corporate entity shall be deemed, when appropriate, to refer also to a Subsidiary organized in the form of a trust, partnership, or association."

2. Section 3.01(b) of the Agreement shall be, and hereby is, amended by adding the following sentence at the end of such section:

> "Enermart, Inc. is, and shall at all times be, the sole certificate holder of Enermart Trust, and Enermart Trust shall at all times be deemed a Wholly Owned Subsidiary under the Agreements and shall be bound by all applicable provisions of the Agreements."

3. Purchaser, by its execution of this Amendment to Note Purchase Agreement, hereby consents to the transfer of the assets of Enermart, Inc. to Enermart Trust as described above.

4. Except to the extent amended or modified herein, the Agreement is, and shall continue, in full force and effect in accordance with the terms and provisions thereof.

5. This Amendment to Note Purchase Agreement may be executed in multiple counterparts, all of which shall constitute one instrument.

<PAGE> 3

IN WITNESS WHEREOF, the parties hereto have executed this Amendment to Note Purchase Agreement effective as of the date first written above.

ATMOS ENERGY CORPORATION

By: /s/ JAMES F. PURSER

James F. Purser
Executive Vice President and
Chief Financial Officer

JOHN HANCOCK MUTUAL LIFE
INSURANCE COMPANY

By: /s/ MARILYN O. BOSS

Marilyn O. Boss
Investment Officer

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<TYPE> EX-4.4(E)
<DESCRIPTION> Amendment to Note Purchase Agreement -7/29/97
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EXHIBIT 4.4(e)

AMENDMENT TO NOTE PURCHASE AGREEMENT

THIS AMENDMENT TO NOTE PURCHASE AGREEMENT is made and entered into as of the 29th day of July, 1997 by and between ATMOS ENERGY CORPORATION, a Texas corporation ("Borrower"), and JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY, a Massachusetts corporation ("Purchaser").

W I T N E S S E T H:

WHEREAS, Borrower and Purchaser entered into that certain Note Purchase Agreement dated as of October 11, 1989, as amended by three Amendments to Note Purchase Agreement dated November 12, 1991, December 22, 1993 and December 20, 1994 (such Note Purchase Agreement as amended being hereinafter referred to as the "Agreement"), pursuant to which Borrower sold to Purchaser certain of its 9.76% Senior Notes in an aggregate principal amount of $30,000,000; and

WHEREAS, Borrower and Purchaser now desire to amend the Agreement in the manner hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Section 1.02 of the Agreement shall be, and hereby is, amended by adding the following definitions therein:

> "Twenty-Second Supplemental Indenture" means that certain Twenty-Second Supplemental Indenture dated as of July 29, 1997, between Borrower and First Trust National Association (as successor to Bank of America Illinois, Continental Bank, N.A., and City National Bank and Trust Company of Chicago) and Russell C. Bergman (as successor to M.J. Kruger and R. Emmett Hanley).

"United Cities Indenture" means the Indenture of Mortgage dated as of July 15, 1959 between United Cities Gas Company and City National Bank and Trust Company of Chicago and R. Emmett Hanley, as Trustees, as supplemented by the First through Twenty-Second Supplemental Indentures thereto (the obligations of United Cities Gas Company and its successors under the United Cities Indenture and under the bonds issued pursuant thereto having been assumed by the Company under the Twenty-Second Supplemental Indenture).

2. Paragraph (B) of Section 4.10(b) of the Agreement shall be, and hereby is, amended to read in its entirety as follows:

(B) Liens existing on any real property (including leaseholds) and fixtures thereon (and in the cases of the Liens of the Greeley Indenture and United Cities Indenture, other property covered by the Greeley Indenture as specifically limited by the Tenth Supplemental Indenture or by the United Cities Indenture as specifically limited by the Twenty-Second Supplemental Indenture) at the time of acquisition of such property by Borrower or by such Subsidiary through a merger or consolidation permitted under Section 4.04 above, whether or not assumed, or on any such property of a Subsidiary at the time such Subsidiary is acquired by Borrower or another Subsidiary in an acquisition permitted under Section 4.15; provided that every such Lien described in this clause (B) shall apply and attach only to the specific items of property originally subject thereto and fixed improvements constructed thereon (and including repairs thereto and replacements thereof) and any extensions located in the States of Colorado, Kansas, or Missouri of the former Greeley Gas Company system with respect to the Lien of the Greeley Indenture or extensions located in the States of Georgia, Illinois, Iowa, Kansas, Kentucky, Missouri, North Carolina, South Carolina, Tennessee, or Virginia of the former United Cities Gas Company system with respect to the Lien of the United Cities Indenture and shall not extend to any other assets or property whatsoever (including, without limitation, to any property or assets of the acquiring entity or of the other corporation or corporations which are party to the merger or consolidation), other than such assets of the acquired company for so long as the acquired company shall remain a separate corporate entity; and provided further that at no time shall the aggregate principal amount of all Debt secured by Liens described in this clause (B), including without limitation the Liens of the Greeley Indenture and United Cities Indenture, exceed 55% of the aggregate cost (including the secured Debt) or fair value (without deducting the secured Debt), whichever is less, of the assets subject thereto (with the lower of cost or fair value to be determined separately with respect to each such asset);

3. Except to the extent amended or modified herein, the Agreement is, and shall continue, in full force and effect in accordance with the terms and provisions thereof.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment to Note Purchase Agreement effective as of the date first written above.

ATMOS ENERGY CORPORATION

By: /s/ LARRY J. DAGLEY

Larry J. Dagley
Executive Vice President and
Chief Financial Officer

JOHN HANCOCK MUTUAL LIFE
INSURANCE COMPANY

By: /s/ MARILYN O. BOSS

Printed/Typed Name: Marilyn O. Boss
Title: Investment Officer

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<TYPE> EX-4.5(C)
<DESCRIPTION> Amendment to Note Purchase Agreement - 12/22/93
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EXHIBIT 4.5(c)

AMENDMENT TO NOTE PURCHASE AGREEMENT

THIS AMENDMENT TO NOTE PURCHASE AGREEMENT is made and entered into as of the 22nd day of December, 1993 by and between ATMOS ENERGY CORPORATION, a Texas corporation (the "Company"), and THE VARIABLE ANNUITY LIFE INSURANCE COMPANY, a Texas life insurance company ("Purchaser").

W I T N E S S E T H:

WHEREAS, the Company and Purchaser entered into that certain Note Purchase Agreement dated as of August 29, 1991, as amended by an Amendment to Note Purchase Agreement dated November 26, 1991 (such Note Purchase Agreement as amended being hereinafter referred to as the "Agreement"), pursuant to which the Company sold to Purchaser certain of its 9.57% Senior Notes in an aggregate principal amount of $20,000,000; and

WHEREAS, the Company and Purchaser now desire to amend the Agreement in the manner hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Section 1.2 of the Agreement shall be, and hereby is, amended by adding the following definitions therein:

> "Tenth Supplemental Indenture" means that certain Tenth Supplemental Indenture dated as of December 1, 1993 between the Company and Colorado National Bank (formerly Central Bank Denver, National Association).

> "Greeley Indenture" means the Indenture of Mortgage and Deed of Trust dated as of March 1, 1957 between Greeley Gas Company and the Central Bank and Trust Company, as Trustee, as supplemented by the First through Tenth Supplemental Indentures thereto (the obligations of Greeley Gas Company and its successors under the Greeley Indenture and under the bonds issued pursuant thereto having been assumed by the Company under the First Amendment to Bond Purchase

Agreement dated as of December 1, 1993, between the Company and First Colony Life Insurance Company).

2. Paragraph (ii) of Section 4.10(b) of the Agreement shall be, and hereby is, amended to read in its entirety as follows:

(ii) Liens existing on any real property (including leaseholds) and fixtures thereon (and in the cases of the Liens of the Western Kentucky Indenture and Greeley Indenture, other property covered by the Western Kentucky Indenture as specifically limited by the Twelfth Supplemental Indenture or by the Greeley Indenture as specifically limited by the Tenth Supplemental Indenture) at the time of acquisition of such property by the Company or by such Subsidiary through a merger or consolidation permitted under Section 4.4 above, whether or not assumed, or on any such property of a Subsidiary at the time such Subsidiary is acquired by the Company or another Subsidiary in an acquisition permitted under Section 4.15; provided that every such Lien described in this clause (ii) shall apply and attach only to the specific items of property originally subject thereto and fixed improvements constructed thereon (and including repairs thereto and replacements thereof) and any extensions located entirely in the State of Kentucky of the former Western Kentucky Gas Utility Corporation system with respect to the Lien of the Western Kentucky Indenture or extensions located in the States of Colorado, Kansas, or Missouri of the former Greeley Gas Company system with respect to the Lien of the Greeley Indenture and shall not extend to any other assets or property whatsoever (including, without limitation, to any property or assets of the acquiring entity or of the other corporation or corporations which are party to the merger or consolidation), other than such assets of the acquired company for so long as the acquired company shall remain a separate corporate entity; and provided further that at no time shall the aggregate principal amount of all Debt secured by Liens described in this clause (ii), including without limitation the Liens of the Western Kentucky Indenture and Greeley Indenture, exceed 55% of the aggregate cost (including the secured Debt) or fair value (without deducting the secured Debt), whichever is less, of the assets subject thereto (with the lower of cost or fair value to be determined separately with respect to each such asset);

3. Except to the extent amended or modified herein, the Agreement is, and shall continue, in full force and effect in accordance with the terms and provisions thereof.

<PAGE> 3

IN WITNESS WHEREOF, the parties hereto have executed this Amendment to Note Purchase Agreement effective as of the date first written above.

ATMOS ENERGY CORPORATION

By: /s/ JAMES F. PURSER
James F. Purser
Executive Vice President
and Chief Financial Officer

THE VARIABLE ANNUITY LIFE INSURANCE COMPANY

By: /s/ JULIA S. TUCKER
Julia S. Tucker
Investment Officer

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<DESCRIPTION> Amendment to Note Purchase Agreement - 7/29/97
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EXHIBIT 4.5(d)

AMENDMENT TO NOTE PURCHASE AGREEMENT

THIS AMENDMENT TO NOTE PURCHASE AGREEMENT is made and entered into as of the 29th day of July, 1997 by and between ATMOS ENERGY CORPORATION, a Texas corporation ("Company"), and THE VARIABLE ANNUITY LIFE INSURANCE COMPANY, a Texas life insurance company ("Purchaser").

W I T N E S S E T H:

WHEREAS, the Company and Purchaser entered into that certain Note Purchase Agreement dated as of August 29, 1991, as amended (such Note Purchase Agreement as amended being hereinafter referred to as the "Agreement"), pursuant to which the Company sold to Purchaser certain of its 9.57% Senior Notes in an aggregate principal amount of $20,000,000; and

WHEREAS, the Company and Purchaser now desire to amend the Agreement in the manner hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Section 1.2 of the Agreement shall be, and hereby is, amended by adding the following definitions therein:

> "Twenty-Second Supplemental Indenture" means that certain Twenty-Second Supplemental Indenture dated as of July 29, 1997 between the Company and First Trust National Association (as successor to Bank of America Illinois, Continental Bank, N.A., and City National Bank and Trust Company of Chicago) and Russell C. Bergman (as successor to M.J. Kruger and R. Emmett Hanley).

"United Cities Indenture" means the Indenture of Mortgage dated as of July 15, 1959 between United Cities Gas Company and City National Bank and Trust Company of Chicago and R. Emmett Hanley, as Trustees, as supplemented by the First through Twenty-Second Supplemental Indentures thereto (the obligations of United Cities Gas Company and its successors under the United Cities Indenture and under the bonds issued pursuant thereto having been assumed by the Company under the Twenty-Second Supplemental Indenture).

2. Paragraph (ii) of Section 4.10(b) of the Agreement shall be, and hereby is, amended to read in its entirety as follows:

(ii) Liens existing on any real property (including leaseholds) and fixtures thereon (and in the cases of the Liens of the Greeley Indenture and United Cities Indenture, other property covered by the Greeley Indenture as specifically limited by the Tenth Supplemental Indenture or by the United Cities Indenture as specifically limited by the Twenty-Second Supplemental Indenture) at the time of acquisition of such property by the Company or by such Subsidiary through a merger or consolidation permitted under Section 4.4 above, whether or not assumed, or on any such property of a Subsidiary at the time such Subsidiary is acquired by the Company or another Subsidiary in an acquisition permitted under Section 4.15; provided that every such Lien described in this clause (ii) shall apply and attach only to the specific items of property originally subject thereto and fixed improvements constructed thereon (and including repairs thereto and replacements thereof) and any extensions located in the States of Colorado, Kansas, or Missouri of the former Greeley Gas Company system with respect to the Lien of the Greeley Indenture or extensions located in the States of Georgia, Illinois, Iowa, Kansas, Kentucky, Missouri, North Carolina, South Carolina, Tennessee, or Virginia of the former United Cities Gas Company system with respect to the Lien of the United Cities Indenture and shall not extend to any other assets or property whatsoever (including, without limitation, to any property or assets of the acquiring entity or of the other corporation or corporations which are party to the merger or consolidation), other than such assets of the acquired company for so long as the acquired company shall remain a separate corporate entity; and provided further that at no time shall the aggregate principal amount of all Debt secured by Liens described in this clause (ii), including without limitation the Liens of the Greeley Indenture and

United Cities Indenture, exceed 55% of the aggregate cost (including the secured Debt) or fair value (without deducting the secured Debt), whichever is less, of the assets subject thereto (with the lower of cost or fair value to be determined separately with respect to each such asset);

3. Except to the extent amended or modified herein, the Agreement is, and shall continue, in full force and effect in accordance with the terms and provisions thereof.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment to Note Purchase Agreement effective as of the date first written above.

ATMOS ENERGY CORPORATION

By: /s/ LARRY J. DAGLEY
Larry J. Dagley
Executive Vice President and
Chief Financial Officer

THE VARIABLE ANNUITY LIFE
INSURANCE COMPANY

By: /s/ JULIA S. TUCKER
Printed/Typed Name: Julia S. Tucker
Title: Investment Officer

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<DESCRIPTION> Amendment to Note Purchase Agreement - 12/22/93
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EXHIBIT 4.6(b)

AMENDMENT TO NOTE PURCHASE AGREEMENT

THIS AMENDMENT TO NOTE PURCHASE AGREEMENT is made and entered into as of the 22nd day of December, 1993 by and between ATMOS ENERGY CORPORATION, a Texas corporation (the "Company"), and THE VARIABLE ANNUITY LIFE INSURANCE COMPANY, a Texas life insurance company ("Purchaser").

W I T N E S S E T H:

WHEREAS, the Company and Purchaser entered into that certain Note Purchase Agreement dated as of August 31, 1992, (such Note Purchase Agreement being hereinafter referred to as the "Agreement"), pursuant to which the Company sold to Purchaser certain of its 7.95% Senior Notes in an aggregate principal amount of $10,000,000; and

WHEREAS, the Company and Purchaser now desire to amend the Agreement in the manner hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Section 1.2 of the Agreement shall be, and hereby is, amended by adding the following definitions therein:

> Tenth Supplemental Indenture" means that certain Tenth Supplemental Indenture dated as of December 1, 1993 between the Company and Colorado National Bank (formerly Central Bank Denver, National Association).
>
> Greeley Indenture" means the Indenture of Mortgage and Deed of Trust dated as of March 1, 1957 between Greeley Gas Company and the Central Bank and Trust Company, as Trustee, as supplemented by the First through Tenth Supplemental Indentures thereto (the obligations of Greeley Gas Company and its successors under the Greeley Indenture and under the bonds issued pursuant thereto having been assumed by the Company under the First Amendment to Bond Purchase Agreement dated as of December 1, 1993, between the Company and First Colony Life Insurance Company).

2. Paragraph (ii) of Section 4.10(b) of the Agreement shall be, and hereby is, amended to read in its entirety as follows:

> (ii) Liens existing on any real property (including leaseholds) and fixtures thereon (and in the cases of the Liens of the Western Kentucky Indenture and Greeley Indenture, other property covered by the Western Kentucky Indenture as specifically limited by the Twelfth Supplemental Indenture or by the Greeley Indenture as specifically limited by the Tenth Supplemental Indenture) at the time of acquisition of such property by the Company or by such Subsidiary through a merger or consolidation permitted under Section 4.4 above, whether or not assumed, or on any such property of a Subsidiary at the time such Subsidiary is acquired by the Company or another Subsidiary in an acquisition permitted under Section 4.15; provided that every such Lien described in this clause (ii) shall apply and attach only to the specific items of property originally subject thereto and fixed improvements constructed thereon (and including repairs thereto and replacements thereof) and any extensions located entirely in the State of Kentucky of the former Western Kentucky Gas Utility Corporation system with respect to the Lien of the Western Kentucky Indenture or extensions located in the States of Colorado, Kansas, or Missouri of the former Greeley Gas Company system with respect to the Lien of the Greeley Indenture and shall not extend to any other assets or property whatsoever (including, without limitation, to any property or assets of the acquiring entity or of the other corporation or corporations which are party to the merger or consolidation), other than such assets of the acquired company for so long as the acquired company shall remain a separate corporate entity; and provided further that at no time shall the aggregate principal amount of all Debt secured by Liens described in this clause (ii), including without limitation the Liens of the Western Kentucky Indenture and Greeley Indenture, exceed 55% of the aggregate cost (including the secured Debt) or fair value (without deducting the secured Debt), whichever is less, of the assets subject thereto (with the lower of cost or fair value to be determined separately with respect to each such asset);

3. Except to the extent amended or modified herein, the Agreement is, and shall continue, in full force and effect in accordance with the terms and provisions thereof.

<PAGE> 3

IN WITNESS WHEREOF, the parties hereto have executed this Amendment to Note Purchase Agreement effective as of the date first written above.

ATMOS ENERGY CORPORATION

By: /s/ JAMES F. PURSER
James F. Purser
Executive Vice President
and Chief Financial Officer

THE VARIABLE ANNUITY LIFE INSURANCE COMPANY

By: /s/ JULIA S. TUCKER
Julia S. Tucker
Investment Officer

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<DESCRIPTION> Amendment to Note Purchase Agreement - 7/29/97
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EXHIBIT 4.6 (c)

AMENDMENT TO NOTE PURCHASE AGREEMENT

THIS AMENDMENT TO NOTE PURCHASE AGREEMENT is made and entered into as of the 29th day of July, 1997 by and between ATMOS ENERGY CORPORATION, a Texas corporation ("Company"), and THE VARIABLE ANNUITY LIFE INSURANCE COMPANY, a Texas life insurance company ("Purchaser").

W I T N E S S E T H:

WHEREAS, the Company and Purchaser entered into that certain Note Purchase Agreement dated as of August 31, 1992, as amended by an Amendment to Note Purchase Agreement dated December 22, 1993 (such Note Purchase Agreement as amended being hereinafter referred to as the "Agreement"), pursuant to which the Company sold to Purchaser certain of its 7.95% Senior Notes in an aggregate principal amount of $10,000,000; and

WHEREAS, the Company and Purchaser now desire to amend the Agreement in the manner hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Section 1.2 of the Agreement shall be, and hereby is, amended by adding the following definitions therein:

> "Twenty-Second Supplemental Indenture" means that certain Twenty-Second Supplemental Indenture dated as of July 29, 1997 between the Company and First Trust National Association (as successor to Bank of America Illinois, Continental Bank, N.A., and City National Bank and Trust Company of Chicago) and Russell C. Bergman (as successor to M.J. Kruger and R. Emmett Hanley).

"United Cities Indenture" means the Indenture of Mortgage dated as of July 15, 1959 between United Cities Gas Company and City National Bank and Trust Company of Chicago and R. Emmett Hanley, as Trustees, as supplemented by the First through Twenty-Second Supplemental Indentures thereto (the obligations of United Cities Gas Company and its successors under the United Cities Indenture and under the bonds issued pursuant thereto having been assumed by the Company under the Twenty-Second Supplemental Indenture).

2. Paragraph (ii) of Section 4.10(b) of the Agreement shall be, and hereby is, amended to read in its entirety as follows:

(ii) Liens existing on any real property (including leaseholds) and fixtures thereon (and in the cases of the Liens of the Greeley Indenture and United Cities Indenture, other property covered by the Greeley Indenture as specifically limited by the Tenth Supplemental Indenture or by the United Cities Indenture as specifically limited by the Twenty-Second Supplemental Indenture) at the time of acquisition of such property by the Company or by such Subsidiary through a merger or consolidation permitted under Section 4.4 above, whether or not assumed, or on any such property of a Subsidiary at the time such Subsidiary is acquired by the Company or another Subsidiary in an acquisition permitted under Section 4.15; provided that every such Lien described in this clause (ii) shall apply and attach only to the specific items of property originally subject thereto and fixed improvements constructed thereon (and including repairs thereto and replacements thereof) and any extensions located in the States of Colorado, Kansas, or Missouri of the former Greeley Gas Company system with respect to the Lien of the Greeley Indenture or extensions located in the States of Georgia, Illinois, Iowa, Kansas, Kentucky, Missouri, North Carolina, South Carolina, Tennessee, or Virginia of the former United Cities Gas Company system with respect to the Lien of the United Cities Indenture and shall not extend to any other assets or property whatsoever (including, without limitation, to any property or assets of the acquiring entity or of the other corporation or corporations which are party to the merger or consolidation), other than such assets of the acquired company for so long as the acquired company shall remain a separate corporate entity; and provided further that at no time shall the aggregate principal amount of all Debt secured by Liens described in this clause (ii), including without limitation the Liens of the Greeley Indenture and

United Cities Indenture, exceed 55% of the aggregate cost (including the secured Debt) or fair value (without deducting the secured Debt), whichever is less, of the assets subject thereto (with the lower of cost or fair value to be determined separately with respect to each such asset);

3. Except to the extent amended or modified herein, the Agreement is, and shall continue, in full force and effect in accordance with the terms and provisions thereof.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment to Note Purchase Agreement effective as of the date first written above.

ATMOS ENERGY CORPORATION	THE VARIABLE ANNUITY LIFE INSURANCE COMPANY
By: /s/ LARRY J. DAGLEY	By: /s/ JULIA S. TUCKER
Larry J. Dagley Executive Vice President and Chief Financial Officer	Printed/Typed Name: Julia S. Tucker Title: Investment Officer

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<TYPE> EX-4.7(B)
<DESCRIPTION> Amendment to Note Purchase Agreement - 7/29/97
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EXHIBIT 4.7(b)

AMENDMENT TO NOTE PURCHASE AGREEMENT

THIS AMENDMENT TO NOTE PURCHASE AGREEMENT is made and entered into as of the 29th day of July, 1997 by and between ATMOS ENERGY CORPORATION, a Texas corporation ("Company"), and NEW YORK LIFE INSURANCE COMPANY, a New York mutual life insurance company, NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION, a Delaware corporation, THE VARIABLE ANNUITY LIFE INSURANCE COMPANY, a Texas life insurance company, AMERICAN GENERAL LIFE INSURANCE COMPANY, a Texas life insurance company, and MERIT LIFE INSURANCE COMPANY, a Texas life insurance company (each a "Purchaser", collectively the "Purchasers").

W I T N E S S E T H:

WHEREAS, the Company and the Purchasers entered into that certain Note Purchase Agreement dated as of November 14, 1994, (such Note Purchase Agreement being hereinafter referred to as the "Agreement"), pursuant to which the Company sold to the Purchasers certain of its 8.07% Senior Notes in an aggregate principal amount of $20,000,000 and certain of its 8.26% Senior Notes in the aggregate amount of $20,000,000; and

WHEREAS, the Company and the Purchasers now desire to amend the Agreement in the manner hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Section 1.2 of the Agreement shall be, and hereby is, amended by adding the following definitions therein:

"Twenty-Second Supplemental Indenture" means that certain Twenty-Second Supplemental Indenture dated as of July 29, 1997 between the Company and First Trust National Association (as successor to Bank of America Illinois, Continental Bank, N.A., and National Bank and Trust Company of Chicago) and Russell C. Bergman (as successor to M.J. Kruger and R. Emmett Hanley).

"United Cities Indenture" means the Indenture of Mortgage dated as of July 15, 1959 between United Cities Gas Company and City National Bank and Trust Company of Chicago and R. Emmett Hanley, as Trustees, as supplemented by the First through Twenty-Second Supplemental Indentures thereto (the obligations of United Cities Gas Company and its successors under the United Cities Indenture and under the bonds issued pursuant thereto having been assumed by the Company under the Twenty-Second Supplemental Indenture).

2. Paragraph (ii) of Section 4.10(b) of the Agreement shall be, and hereby is, amended to read in its entirety as follows:

(ii) Liens existing on any real property (including leaseholds) and fixtures thereon (and, in the cases of the Liens of the Greeley Indenture and United Cities Indenture, other property covered by the Greeley Indenture or by the United Cities Indenture as described therein) at the time of acquisition of such property by the Company or by such Subsidiary through a merger or consolidation permitted under Section 4.4 above, whether or not assumed, or on any such property of a Subsidiary at the time such Subsidiary is acquired by the Company or another Subsidiary in an acquisition permitted under Section 4.15; provided, however, that every such Lien described in this clause (ii) shall apply and attach only to the specific items of property originally subject thereto and fixed improvements constructed thereon (and including repairs thereto and replacements thereof) and any extensions and other acquired properties as are subject to the Lien of the Greeley Indenture or to the Lien of the United Cities Indenture as set forth therein and shall not extend to any other assets or property whatsoever (including, without limitation, to any property or assets of the acquiring entity or of the other corporation or corporations which are party to the merger or consolidation), other than such assets of the acquired company for so long as the acquired company shall remain a separate corporate entity; and provided further that at no time shall the aggregate principal amount of all Debt secured by Liens described in this clause (ii), including, without limitation, the Liens of the Greeley Indenture and

United Cities Indenture, exceed 55% of the aggregate cost (including the secured Debt) or fair value (without deducting the secured Debt), whichever is less, of the assets subject thereto (with the lower of cost or fair value to be determined separately with respect to each such asset);

3. Except to the extent amended or modified herein, the Agreement is, and shall continue, in full force and effect in accordance with the terms and provisions thereof.

4. This Agreement may be executed in multiple counterparts, all of which shall constitute one instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment to Note Purchase Agreement effective as of the date first written above.

ATMOS ENERGY CORPORATION

By: /s/ LARRY J. DAGLEY

Larry J. Dagley
Executive Vice President and
Chief Financial Officer

NEW YORK LIFE INSURANCE COMPANY

By: /s/ LISA A. SCUDERI

Printed/Typed Name: Lisa A. Scuderi
Title: Investment Manager

NEW YORK LIFE INSURANCE AND
ANNUITY CORPORATION
By: NEW YORK LIFE INSURANCE COMPANY

By: /s/ LISA A. SCUDERI

Printed/Typed Name: Lisa A. Scuderi
Title: Investment Manager

<PAGE> 4

THE VARIABLE ANNUITY LIFE
INSURANCE COMPANY

By: /s/ JULIA S. TUCKER

Printed/Typed Name: Julia S. Tucker
Title: Investment Officer

AMERICAN GENERAL LIFE INSURANCE
COMPANY

By: /s/ JULIA S. TUCKER

Printed/Typed Name: Julia S. Tucker
Title: Investment Officer

MERIT LIFE INSURANCE COMPANY

By: /s/ JULIA S. TUCKER

Printed/Typed Name: Julia S. Tucker
Title: Investment Officer

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<TYPE> EX-5.1
<DESCRIPTION> Opinion of Locke Purnell Rain Harrell
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EXHIBIT 5.1

[Letterhead of Locke Purnell Rain Harrell (A Professional Corporation)]

April 20, 1998

Atmos Energy Corporation
1800 Three Lincoln Centre
5430 LBJ Freeway
Dallas, TX 75240

Ladies and Gentlemen:

We have acted as counsel for Atmos Energy Corporation, a Texas and Virginia corporation (the "Company"), in connection with the Registration Statement on Form S-3 (the "Registration Statement"), filed by the Company with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Securities Act"), relating to the proposed issuance and sale from time to time of up to $150,000,000 in aggregate principal amount of the Company's debt securities (the "Debt Securities"), each series of which will be issued under an Indenture (the "Indenture") to be entered into between the Company and U.S. Bank Trust National Association, as Trustee (the "Trustee").

In our capacity as your counsel in the connection referred to above, we have examined the Restated Articles of Incorporation, As Amended, and Amended and Restated Bylaws of the Company and the form of the Indenture (filed as an exhibit to the Registration Statement), and have examined the originals, or copies certified or otherwise identified, of corporate records of the Company, including minute books of the Company as furnished to us by the Company, certificates of public officials and of representatives of the Company, statutes and other instruments or documents, as a basis for the opinions hereinafter expressed. In giving such opinions, we have relied upon certificates of officers of the Company with respect to the accuracy of the material factual matters contained in such certificates. In making our examination, we have assumed that all signatures on documents examined by us are genuine, that all documents submitted to us as originals are authentic and that all documents submitted to us as certified or photostatic copies conform with the original copies of such documents.

On the basis of the foregoing, and subject to the assumptions, limitations and qualifications set forth herein, we are of the opinion that:

1. The Company is duly incorporated, validly existing and in good standing under the laws of the State of Texas and the Commonwealth of Virginia.

2. The Company has the corporate power and authority to enter into and perform the Indenture. The execution, delivery and performance by the Company of the Indenture has been duly authorized by all requisite corporate action of the Company and when executed and delivered by the Company will constitute a valid and legally binding instrument of the Company enforceable against the Company in accordance with its terms, subject to (x) any applicable bankruptcy, insolvency, reorganization or other laws relating to or affecting creditors' rights generally and (y) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

3. The Debt Securities have been duly authorized and, when the final terms thereof have been duly established and approved and when duly executed by the Company, in each case pursuant to the authority granted in the Board Resolutions, and authenticated by the Trustee in accordance with the Indenture and delivered to and paid for by the purchasers thereof, will constitute valid and legally binding obligations of the Company entitled to the benefits of the Indenture, subject to (x) any applicable bankruptcy, insolvency, reorganization or other laws relating to or affecting creditors' rights generally and (y) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Our opinions are limited solely to the laws of the State of Texas, the Virginia Stock Corporation Act of the Commonwealth of Virginia and the United States federal securities laws, each as presently in effect, insofar as such laws may govern the matters addressed in these opinions. You should be aware that we are not admitted to practice law in the Commonwealth of Virginia and any opinion herein as to the laws of such commonwealth is based solely upon the latest unofficial compilation of the corporate statutes and case laws of such commonwealth available to us. To the extent that the laws of any other jurisdiction (i.e., other than the State of Texas, the Virginia Stock Corporation Act of the Commonwealth of Virginia or the United States federal securities laws) govern any matters included in this opinion, no opinion is expressed herein. In that regard, we note that the Indenture provides that it and the Debt Securities are governed by the laws of the State of New York. In providing the opinions expressed herein, we have assumed, with your permission and without any investigation, that the applicable laws of the State of New York with respect to the enforceability of the Indenture against the Company are the same, in all relevant respects, as the laws of the State of Texas. We undertake no obligation to advise you of facts or changes in law occurring after the date of this opinion which might affect the opinions expressed herein.

At your request, this opinion is being furnished to you for filing as Exhibit 5.1 to the Registration Statement. We hereby consent to the reference to our Firm under the caption "Legal Matters" in the Registration Statement. In giving such consent, we do not thereby concede that we are within the category of persons whose consent is required under Section 7 of the Securities Act or the rules and regulations of the Commission promulgated thereunder.

Very truly yours,

Locke Purnell Rain Harrell
(A Professional Corporation)

By: /s/ VAN M. JOLAS

Van M. Jolas

VMJ:pp
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<DESCRIPTION> Computation of Ratio of Earnings to Fixed Charges
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EXHIBIT 12.1

ATMOS ENERGY CORPORATION
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(Dollar amounts in thousands)

<TABLE>
<CAPTION>

	Quarter Ended December 31		Year ended September 30				
	1997	1996	1997	1996	1995	1994	1993
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Income from continuing operations before provision for income taxes per statement of income	$ 32,406	$29,004	$38,136	$64,467	$45,352	$41,242	$45,573
Add							
Portion of rents representative of the Interest factor	849	851	3,507	3,237	3,058	3,113	2,726
Interest on debt & amort of debt expense	9,309	8,701	33,595	31,677	30,186	28,107	30,393
Income as adjusted	$ 42,564	$38,556	$75,238	$99,381	$78,596	$72,462	$78,692
Fixed charges							
Interest on debt & amort of debt expense (1)	9,309	8,701	33,595	31,677	30,186	28,107	30,393
Capitalized interest (2)	1,000	79	1,570	376	775	237	325
Rents	2,546	2,553	10,522	9,710	9,175	9,339	8,177
Portion of rents representative of the interest factor (3)	849	851	3,507	3,237	3,058	3,113	2,726
Fixed charges (1)+(2)+(3)	$ 11,158	$ 9,631	$38,672	$35,290	$34,019	$31,457	$33,444
Ratio of earnings to fixed charges	3.81	4.00	1.95	2.82	2.31	2.30	2.35

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EXHIBIT 23.1

CONSENT OF INDEPENDENT AUDITOR

We consent to the reference of our firm under the caption "Experts" in the Registration Statement (Form S-3) and related Prospectus of Atmos Energy Corporation for the registration of $150,000,000 of debt securities and to the incorporation by reference therein of our report dated November 11, 1997 with respect to the consolidated financial statements of Atmos Energy Corporation included in its Annual Report on Form 10-K for the year ended September 30, 1997, filed with the Securities and Exchange Commission.

/s/ ERNST & YOUNG LLP

Dallas, Texas
April 16, 1998
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<DOCUMENT>
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<DESCRIPTION> Consent of Arthur Anderson LLP
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EXHIBIT 23.2

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference in this Form S-3 of Atmos Energy Corporation of our report dated February 14, 1997 appearing in the Annual Report on Form 10-K for the year ended December 31, 1996 of United Cities Gas Company.

/s/ ARTHUR ANDERSEN LLP

Arthur Andersen LLP

Nashville, Tennessee
April 16, 1998
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<DOCUMENT>
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<DESCRIPTION> Statement of Eligibility & Qualifications-Form T-1
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<PAGE> 1

EXHIBIT 25.1

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM T-1

STATEMENT OF ELIGIBILITY UNDER
THE TRUST INDENTURE ACT OF 1939 OF A
CORPORATION DESIGNATED TO ACT AS TRUSTEE
Check if an Application to Determine Eligibility of
a Trustee Pursuant to Section 305(b)(2) ___

U.S. BANK TRUST NATIONAL ASSOCIATION
(Exact name of Trustee as specified in its charter)

<Table>

<S>	<C>	<C>
111 EAST WACKER DRIVE, SUITE 3000 CHICAGO, ILLINOIS	60601	36-4046888
(Address of principal executive offices)	(Zip Code)	I.R.S. Employer Identification No.

</Table>

R. C. Bergman
111 East Wacker Drive, Suite 3000
Chicago, Illinois 60601
Telephone (312) 228-9421
(Name, address and telephone number of agent for service)

ATMOS ENERGY CORPORATION
(Exact name of obligor as specified in its charter)

<Table>

<S>	<C>
TEXAS AND VIRGINIA	75-1743247
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

</Table>

1800 THREE LINCOLN CENTRE
5430 LBJ FREEWAY
DALLAS, TEXAS — 75240
(Address of Principal Executive Offices) — (Zip Code)

DEBT SECURITIES
(Title of the Indenture Securities)

FORM T-1

ITEM 1. GENERAL INFORMATION. Furnish the following information as to the Trustee.

a) Name and address of each examining or supervising authority to which it is subject.
Comptroller of the Currency
Washington, D.C.

b) Whether it is authorized to exercise corporate trust powers.
Yes

ITEM 2. AFFILIATIONS WITH OBLIGOR. If the obligor is an affiliate of the Trustee, describe each such affiliation.
None

ITEMS 13. There is not nor has there been a default with respect to the securities under this Indenture. The Trustee is a Trustee under other Indentures under which securities issued by the obligor are outstanding. There is not and there has not been a default with respect to the securities outstanding under such other Indentures.

ITEM 16. LIST OF EXHIBITS: List below all exhibits filed as a part of this statement of eligibility and qualification.

1. A copy of the Articles of Association of the Trustee now in effect, incorporated herein by reference to Exhibit 1 of Form T-1, Registration No. 333-18235.

2. A copy of the certificate of authority of the Trustee to commence business, incorporated herein by reference to Exhibit 2 of Form T-1, Registration No. 333-18235.

3. A copy of the certificate of authority of the Trustee to exercise corporate trust powers, incorporated herein by reference to Exhibit 3 of Form T-1, Registration No. 333-18235.

4. A copy of the existing bylaws of the Trustee, as now in effect, incorporated herein by reference to Exhibit 4 of Form T-1, Registration No. 333-18235.

5. Not applicable.

6. The consent of the Trustee required by Section 321(b) of the Trust Indenture Act of 1939, incorporated herein by reference to Exhibit 6 of Form T-1, Registration No. 333-18235.

7. A copy of the latest report of condition of the Trustee published pursuant to law or the requirements of its supervising or examining authority, filed herewith.

8. Not applicable.

9. Not applicable.

SIGNATURE

Pursuant to the requirements of the Trust Indenture Act of 1939, as amended, the Trustee, U.S. BANK TRUST NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, has duly caused this statement of eligibility and qualification to be signed on its behalf by the undersigned, thereunto duly authorized, all in the City of Chicago, State of Illinois on the 17th day of April, 1998.

U.S. BANK TRUST NATIONAL ASSOCIATION

By: /s/ R. C. Bergman

R. C. Bergman
Vice President and Assistant Secretary

CONSOLIDATED REPORT OF CONDITION FOR INSURED COMMERCIAL
AND STATE-CHARTERED SAVINGS BANKS FOR DECEMBER 31, 1997

All schedules are to be reported in thousands of dollars. Unless otherwise indicated, report the amount outstanding as of the last business day of the quarter.

SCHEDULE RC - BALANCE SHEET
<Table>
<Caption>

					C200 (- Dollar Amounts in Thousands
<S>			<C> RCON	<C>	<C>
ASSETS					
1. Cash and balances due from depository institutions (from Schedule RC-A):					
a. Noninterest-bearing balances and currency and coin(1)			0081. .	55,536	1.a.
b. Interest-bearing balances(2)			0071. .	0	1.b.
2. Securities:					
a. Held-to-maturity securities (from Schedule RC-B, column A)			1754. .	0	2.a.
b. Available-for-sale securities (from Schedule RC-B, column D)			1773. .	3,216	2.b.
3. Federal funds sold and securities purchased under agreements to resell			1350. .	0	3.
4. Loans and lease financing receivables:	RCON				
a. Loans and leases, net of unearned income (from Schedule RC-C)	2122. .	0		. . . . . .	4.a.
b. LESS: Allowance for loan and lease losses	3123. .	0		. . . . . .	4.b.
c. LESS: Allocated transfer risk reserve	3128. .	0		. . . . . .	4.c.
d. Loans and leases, net of unearned income, allowance, and reserve (item 4.a minus 4.b and 4.c)			2125. .	0	4.d.
5. Trading assets			3545. .	0	5.
6. Premises and fixed assets (including capitalized leases)			2145. .	95	6.
7. Other real estate owned (from Schedule RC-M)			2150. .	0	7.
8. Investments in unconsolidated subsidiaries and associated companies (from Schedule RC-M)			2130. .	0	8.
9. Customers' liability to this bank on acceptances outstanding			2155. .	0	9.
10. Intangible assets (from Schedule RC-M)			2143. .	48,072	10.
11. Other assets (from Schedule RC-F)			2160. .	2,435	11.
12. Total assets (sum of items 1 through 11)			2170. .	109,354	12.

</Table>

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(1) Includes cash items in process of collection and unposted debits.
(2) Includes time certificates of deposit not held for trading.

SCHEDULE RC--CONTINUED

<Table>
<Caption>

Dollar Amounts in Thousands

<S>	<C>	<C>	<C>	<C>	<C>
LIABILITIES					
13. Deposits:			RCON		
a. In domestic offices (sum of totals of columns A and C from Schedule RC-E)			2200	0	13.a.
	RCON				
(1) Noninterest-bearing(1)	6631	0			13.a.(1)
(2) Interest-bearing	6636	0			13.a.(2)
b. In foreign offices, Edge and Agreement subsidiaries, and IBFs					
(1) Noninterest-bearing					
(2) Interest-bearing					
14. Federal funds purchased and securities sold under agreements to repurchase			2800	0	14.
15. a. Demand notes issued to the U.S. Treasury			2840	0	15.a
b. Trading liabilities			3548	0	15.b
16. Other borrowed money (includes mortgage indebtedness and obligations under capitalized leases):					
a. With a remaining maturity of one year or less			2332	0	16.a
b. With a remaining maturity of more than one year through three years			A547	0	16.b
c. With a remaining maturity of more than three years			A548	0	16.c
17. Not applicable					
18. Bank's liability on acceptances executed and outstanding			2920	0	18.
19. Subordinated notes and debentures (2)			3200	0	19.
20. Other liabilities (from Schedule RC-G)			2930	2,072	20.
21. Total liabilities (sum of items 13 through 20)			2948	2,072	21.
22. Not applicable					
EQUITY CAPITAL					
23. Perpetual preferred stock and related surplus			3838	0	23.
24. Common stock			3230	1,000	24.
25. Surplus (exclude all surplus related to preferred stock)			3839	106,712	25.
26. a. Undivided profits and capital reserves			3632	(430)	26.a.
b. Net unrealized holding gains (losses) on available-for-sale securities			8434	0	26.b.
27. Cumulative foreign currency translation adjustments					
28. Total equity capital (sum of items 23 through 27)			3210	107,282	28.
29. Total liabilities, and equity capital (sum of items 21 and 28)			3300	109,354	29.

</Table>

<Table>

<S>	<C>	<C>	
Memorandum			
To be reported only with the March Report of Condition.			
1. Indicate in the box at the right the number of the statement below that best describes the most comprehensive level of auditing work performed for the bank by independent external auditors as of any date during 1996	6724	N/A	M.1.

</Table>

<Table>

<S>	<C>
1 = Independent audit of the bank conducted in accordance with generally accepted auditing standards by a certified public accounting firm which submits a report on the bank	4 = Directors' examination of the bank performed by other external auditors (may be required by state chartering authority)
2 = Independent audit of the bank's parent holding company conducted in accordance with generally accepted auditing standards by a certified public accounting firm which submits a report on the consolidated holding company (but not on the bank separately)	5 = Review of the bank's financial statements by external auditors
3 = Directors' examination of the bank conducted in accordance with generally accepted auditing standards by a certified public accounting firm (may be required by state chartering authority)	6 = Compilation of the bank's financial statements by external auditors
	7 = Other audit procedures (excluding tax preparation work)
	8 = No external audit work

</Table>

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(1) Includes total demand deposits and noninterest-bearing time and savings deposits.
(2) Includes limited life preferred stock and related surplus.

SCHEDULE RC-A - CASH AND BALANCES DUE FROM DEPOSITORY INSTITUTIONS

Exclude assets held for trading.

<Table>
<Caption>

C205 (-
Dollar Amounts in Thousands

<S>	<C> RCON	<C>	<C>
1. Cash items in process of collection, unposted debits, and currency and coin:			
a. Cash items in process of collection and unposted debits	0020. .	0	1.a
b. Currency and coin	0080. .	0	1.b
2. Balances due from depository institutions in the U.S.:			
a. U.S. branches and agencies of foreign banks	0083. .	0	2.a
b. Other commercial banks in the U.S. and other depository institutions in the U.S. (including their IBFs)	0085. .	55,536	2.b
3. Balances due from banks in foreign countries and foreign central banks:			
a. Foreign branches of other U.S. banks	0073. .	0	3.a
b. Other banks in foreign countries and foreign central banks	0074. .	0	3.b
4. Balances due from Federal Reserve Banks	0090. .	0	4.
5. Total (sum of items 1 through 4) (must equal Schedule RC, sum of items 1.a and 1.b)	0010. .	55,536	5.

<Caption>

Memorandum — Dollar Amounts in Thousands

<S>	RCON	<C>	<C>
1. Noninterest-bearing balances due from commercial banks in the U.S. (included in items 2.a and 2.b above)	0050. .	55,536	M.1

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Western Kentucky Gas Company
Case No. 99-070
Forecasted Test Period Filing Requirements
FR10(9)(k)

Description of Filing Requirement:

The most recent Federal Energy Regulatory Commission Form 1 (electric), Federal Energy Regulatory Commission Form 2 (gas), or the Automated Reporting Management Information System Report (telephone) and Public Service Commission Form T (telephone).

Response:

The requested documents are enclosed. Please refer to the testimony of Mr. Donald Burman.

2

Check Appropriate Box:

☐ Original Signed Form

☐ Conformed Copy

Form Approved
OMB No. 1902-0028
(Expires 1/31/2002)

FERC FORM NO. 2
ANNUAL REPORT OF MAJOR NATURAL GAS COMPANIES

This report is mandatory under the Natural Gas Act, Sections 10(a) and 16 and 18 CFR 260.1. Failure to report may result in criminal fines, civil penalties, another sanctions as provided by law. The Federal Energy Regulatory Commission does not consider this report to be of a confidential nature.

Exact Legal Name of Respondent (Company)	Year of Report
Atmos Energy Corporation	December 31, 98

FERC FORM NO 2:

ANNUAL REPORT OF MAJOR NATURAL GAS UTILITIES

IDENTIFICATION

01 Exact Legal Name of Respondent Atmos Energy Corporation		02 Year of Report Dec. 31, 1998
03 Previous Name and Date of Change (If name changed during year)		
04 Address of Principal Business Office at End of Year (Street, City, State, Zip Code) 5430 LBJ Freeway, Suite 160, Dallas, Tx 75240		
05 Name of Contact Person Stephen F. Chenault	06 Title of Contact Person Director, Financial Reporting & Payroll Services	
07 Address of Contact Person (Street, City, State, Zip Code) P.O. Box 650205, Dallas, Texas 75265-0205		
08 Telephone of Contact Person, Including Area Code (972) 855-9726	09 This Report is (1) [x] An Original (2) [ ] A Resubmission	10 Date of Report (Mo, Da, Yr)

ATTESTATION

The undersigned officer certifies that he/she has examined the accompanying report; that to the best of his/her knowledge, information, and belief, all statements of fact contained in the accompanying report are true and the accompanying report is a correct statement of the business and affairs of the above named respondent in respect to each and every matter set forth therein during the period from and including January 1 to and including December 31 of the year of the report.

01 Name Donald P. Burman	02 Title Assistant Controller of Atmos Energy Corporation	
03 Signature /s/ Donald P. Burman		04 Date Signed (Mo,Da,Yr) 03/30/1999

Title 18, U.S.C. 1001, makes it a crime for any person knowingly and willingly to make to any Agency or Department of the United States any false, fictitious or fraudulent statements as to any matter within its jurisdiction.

NOTE: This report reflects the operations of Atmos Energy Corporation's regulated divisions: Energas Company(TX), Greeley Gas Company (CO, KS, MO), Trans Louisiana Gas Company (LA), United Cities Gas Company (GA, IL, IA, KS, MO, SC, TN, VA), and Western Kentucky Gas Company (KY). The operating divisions do not have separate capital structures. Please refer to the enclosed Atmos Annual Report to Shareholders for further information concerning Atmos Energy Corporation's consolidated operations and activities. Amounts presented herein for 1998 include United Cities and differ somewhat from the prior year amounts which were derived from the separate reports of Atmos and United Cities. Classifications and allocations included herein are made for financial reporting purposes and may not be applicable for ratemaking or other purposes.

Name of Respondent	This Report Is:	Date of Report	Year of Report
Atmos Energy Corporation	(1) [x] An Original (2) [ ] A Resubmission	(Mo,Da,Yr)	Dec. 31, 1998

LIST OF SCHEDULES (Natural Gas Company)

Enter in column (d) the terms "none," "not applicable," or "NA," as appropriate, where no information or amounts have been reported for certain pages. Omit pages where the responses are "none," "not applicable," or "NA."

Name of Respondent Western Kentucky Gas Company	This Report Is: (1) [x] An Original (2) [ ] A Resubmission	Date of Report (Mo,Da,Yr)	Year of Report Dec. 31, 1998

LIST OF SCHEDULES (Natural Gas Company) (Continued)

Enter in column (d) the terms "none," "not applicable," or "NA," as appropriate, where no information or amounts have been reported for certain pages. Omit pages where the responses are "none," "not applicable," or "NA."

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[Next page is 101]

Name of Respondent	This Report Is:	Date of Report	Year of Report
ATMOS ENERGY CORPORATION	[X] An Original [ ] A Resubmission	(Mo, Da, Yr.)	Dec. 31, 1998

GENERAL INFORMATION

1. Provide name and title of officer having custody of the general corporate books of account and address of office where the general corporate books are kept, and address of office where any other corporate books of account are kept, if different from that where the general corporate books are kept.

Donald P. Burman, Assistant Controller
Atmos Energy Corporation
P.O. Box 650205
Dallas Texas 75265-0205

2. Provide the name of the State under the laws of which respondent is incorporated and date of incorporation. If incorporated under a special law, give reference to such law. If not incorporated, state that fact and give the type of organization and the date organized.

State of Texas - October 18, 1983
Commonwealth of Virginia - July 31, 1997

3. If at any time during the year the property of respondent was held by a receiver or trustee, give (a) name of receiver or trustee, (b) date such receiver or trustee took possession, (c) the authority by which the receivership or trusteeship was created, and (d) when possession by receiver or trustee ceased.

No corporation, business trust or similar organization held control over the respondent at any time during the year.

4. State the classes of utility and other services furnished by respondent during the year in each state in which the respondent operated.

Residential, Commercial, Industrial and Public Authority Gas Service to Customers in the following states:

Texas, Louisiana, Kentucky, Colorado, Illinois, Tennessee, Georgia, South Carolina, Virginia, Missouri, Kansas and Iowa.

5. Have you engaged as the principal accountant to audit your financial statements an accountant who is not the principal accountant for your previous years' certified financial statements?

(1) ____ **Yes...Enter the date when such independent accountant was initially engaged:**__________
(2) _X_ **No**

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Atmos Energy Corporation	(1) [X] An Original (2) [ ] A Resubmission		Dec. 31, 1998

CONTROL OVER RESPONDENT

1. Report in column (a) the names of all corporations, partnerships, business trusts, and similar organizations that directly, indirectly, or jointly held control (see page 103 for definition of control) over the respondent at the end of the year. If control is in a holding company organization, report in a footnote the chain of organization.

2. If control is held by trustees, state in a footnote the names of trustee, the names of beneficiaries for whom the trust is maintained, and the purpose of the trust.

3. In column (b) designate type of control over the respondent. Report an "M" if the company is the main parent or controlling company having ultimate control over the respondent. Otherwise, report a "D" for direct, an "I" for indirect, or a "J" for joint control.

Line No.	Company Name (a)	Type of Control (b)	State of Incorporation (c)	Percent Voting Stock Owned (D)
1	None			
2				
3				
4				
5				

Name or Respondent	This Report Is:	Date of Report (Mo., Da., Yr.)	Year of Report
Atmos Energy Corporation	[X] An Original [ ] A Resubmission		December 31, 1998

CORPORATIONS CONTROLLED BY RESPONDENT

1. Report below the names of all corporations, business trusts and similar organizations, controlled directly or indirectly by respondent at any time during the year. If control ceased prior to end of year, give particulars (details) in a footnote.

2. If control was by other means than a direct holding of voting rights, state in a footnote the manner in which control was held, naming any intermediaries involved.

3. If control was held jointly with one or more other interests state the fact in a footnote and name the other interests.

4. In column (b) designate type of control of the respondent as "D" for direct, an "I" for indirect, or a "J" for joint control.

DEFINITIONS

1. See the Uniform System of Accounts for a definition of control.

2. Direct control is that which is exercised without interposition of an intermediary.

3. Indirect control is that which is exercised by the interposition of an imtermediary that exercises direct control.

4. Joint control is that in which neither interest can effectively control or direct action without the consent of the other, as where the voting control is equally divided between two holders, or each party holds a veto power over the other. Joint control may exist by mutual agreement or understanding between two or more parties who together have control within the meaning of the definition of control in the Uniform System of Accounts, regardless of the relative voting rights of each party.

Line No.	Name of Company Controlled (a)	Type of Control (b)	Kind of Business (c)	Percent Voting Stock Owned (d)	Footnote Ref. (e)
1	Atmos Energy Services, Inc	D	Gas Marketing	100%	
2	EGASCO, Inc	D	Agriculture/Irrigation	100%	
3	EnerMart, Inc	D	Agriculture/Irrigation	100%	
4	EnerMart Trust (A subsidiary of EnerMart, Inc)	I	Agriculture/Irrigation	100%	
5	Trans Louisiana Industrial Gas Company, Inc	D	Nonutility Industrial	100%	
6	Western Kentucky Gas Resources Company	D	Nonutility Industrial	100%	
7	United Cities Gas Storage Company	D	Natural gas storage	100%	
8	UCG Energy Corporation	D	Appliance & vehicle leasing, real estate, consulting and gas procuring	100%	
9	Atmos Propane, Inc (Formerly United Cities Propane) (a subsidiary of UCG Energy Corporation)	I	Retail propane	100%	
10	UCG Leasing, Inc (a subsidiary of UCG Energy Corporation)	I	Vehicle & Real Estate Leasing	100%	

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[Next page is 107]

Name of Respondent Atmos Energy Corporation	This Report Is: (1) [x] An Original (2) [ ] A Resubmission	Date of Report (Mo,Da,Yr)	Year of Report Dec. 31, 1998

SECURITY HOLDERS AND VOTING POWERS

1. Give the names and addresses of the 10 security holders of the respondent who, at the date of the latest closing of the stock book or compilation of list of stockholders of the respondent, prior to the end of the year, had the highest voting powers in the respondent, and state the number of votes which each would have had the right to cast on that date if a meeting were then in order. If any such holder held in trust, give in a footnote the known particulars of the trust (whether voting trust, etc.), duration of trust, and principal holders of beneficiary interests in the trust. If the stock book was not closed or a list of stockholders was not compiled within one year prior to the end of the year, or if since the previous compilation of a list of stockholders, some other class of security has become vested with voting rights, then show such 10 security holders as of the close of the year. Arrange the names of the security holders in the order of voting power, commencing with the highest. Show in column (a) the titles of officers and directors included in such list of 10 security holders.
2. If any security other than stock carries voting rights, explain in a supplemental statement the circumstances whereby such security became vested with voting rights and give other important particulars (details) concerning the voting rights of such security. State whether voting rights are actual or contingent; if contingent, describe the contingency.
3. If any class or issue of security has any special privileges in the election of directors, trustees or managers, or in the determination of corporate action by any method, explain briefly in a footnote. (1)
4. Furnish particulars (details) concerning any options, warrants, or rights outstanding at the end of the year for others to purchase securities of the respondent or any securities or other assets owned by the respondent, including prices, expiration dates, and other material information relating to exercise of the options, warrants, or rights. Specify the amount of such securities or assets so entitled to be purchased by any officer, director, associated company, or any of the ten largest security holders. This instruction is inapplicable to convertible securities or to any securities substantially all of which are outstanding in the hands of the general public where the options, warrants, or rights were issued on a prorata basis.

1. Give date of the latest closing of the stock book prior to end of year, and state the purpose of such closing:	2. State the total number of votes cast at the latest general meeting prior to the end of year for election of directors of the respondent and number of such votes cast by proxy. 27,391,818 All by Proxy	3.Give the date and place of such meeting: Amarillo, Tx February 11, 1998

Line No.	Name (Title) and Address of Security Holder (a)	VOTING SECURITIES Number of votes as of (date): December 31, 1998 Total Votes (b)	Common Stock (c)	Preferred Stock (d)	Other (e)
4	TOTAL votes of all voting securities	30,624,356	30,624,356		
5	TOTAL number of security holders	36,723	36,723		
6	TOTAL votes of security holders listed below	23,752,664	23,752,664		
7					
8	CEDE & Co		19,970,237		
9	Depository Trust Company				
10	7 Hanover Square, 23 Floor				
11	New York New York 10004				
12			1,011,484		
13	Lee E. Schlessman TTEE U-A				
14	Lee E. Schlessman Irrevocable Gift Trust				
15	c/o Dolo Investment Company				
16	1301 Pennsylvania St., Suite 800				
17	Denver, CO 80203				
18					
19	Susan M. Duncan		725,775		
20	2651 S. Wadsworth Circle				
21	Lakewood, CO 80227				
22					

Name of Respondent	This Report Is:	Date of Report (Mo,Da,Yr)	Year of Report
Atmos Energy Corporation	(1) [x] An Original (2) [ ] A Resubmission		Dec. 31, 1998

SECURITY HOLDERS AND VOTING POWERS

Name (Title) and Address of Security Holder (a)	Total Votes (b)	Common Stock (c)	Preferred Stock (d)	Other (e)
Sandra L Garnett		465,265		
1055 Colina Drive				
Larmie, Wy 82070				
Gary L. Schlessman		364,287		
6472 Radcliff Avenue #C				
Englewood, Co 80111				
Cheryl S. Bennett		331,230		
7155 S. Locust Circle				
Englewood, Co 80112				
Robert H. Meyer		313,411		
108 Menard Place				
Thibodeaux, La 70301				
Dwight C. Baum TR UA		250,405		
FBO Dwight C. Baum &				
Hildagrade Braum Trust				
1011 Oak Grove Ave				
San Marino, Ca 91008				
First National Bank of Boston		173,513		
Trustee FBO Atmos SIP IRA				
Greg Cimburek				
P. O. Box 173753				
Denver, Co 80217				
Robert W. Best		147,057		
Three Lincoln Centre, Suite 1800				
5430 LBJ Fwy				
Dallas, Tx 75240				

2. None

3. None

4. None

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Atmos Energy Corporation	[X] An Original [ ] A Resubmission		Dec. 31, 1998

IMPORTANT CHANGES DURING THE YEAR

Give details concerning the matters indicated below. Make the statements explicit and precise, and number them in accordance with the inquiries. Answer each inquiry. Enter "none" or "not applicable" where applicable. If the answer is given elsewhere in the report, refer to the schedule in which it appears.

1. Changes in and important additions to franchise rights: Describe the actual consideration and state from whom the franchise rights were acquired. If the franchise rights were acquired without the payment of consideration, state that fact.

2. Acquisition of ownership in other companies by reorganization, merger, or consolidation with other companies: Give names of companies involved, particulars concerning the transactions, name of the Commission authorizing the transaction, and reference to the Commission authorization.

3. Purchase or sale of an operating unit or system: Briefly describe the property, and the related transactions, and cite Commission authorization, if any was required. Give date journal entries called for by Uniform System of Accounts were submitted to the Commission.

4. Important leaseholds (other than leaseholds for natural gas lands) that have been acquired or given, assigned or surrendered: Give effective dates, lengths of terms, names of parties, rents, and other conditions. State name of Commission authorizing lease and give reference to such authorization.

5. Important extension or reduction of transmission or distribution system: State territory added or relinquished and date operations began or ceased and cite Commission authorization, if any was required. State also the approximate number of customers added or lost and approximate annual revenues of each class of service. Each natural gas company must also state major new continuing sources of gas made available to it from purchases, development, purchase contract or otherwise, giving location and approximate total gas volumes available, period of contracts, and other parties to any such arrangements, etc.

6. Obligations incurred or assumed by respondent as guarantor for the performance by another of any agreement or obligation, including ordinary commercial paper maturing on demand or not later than one year after date of issue: State on behalf of whom the obligation was assumed and amount of the obligation. Cite Commission authorization if any was required.

7. Changes in articles of incorporation or amendments to charter: Explain the nature and purpose of such changes or amendments.

8. State the estimated annual effect and nature of any important wage scale changes during the year.

9. State briefly the status of any materially important legal proceedings pending at the end of the year, and the results of any such proceedings culminated during the year.

10. Describe briefly any materially important transactions of the respondent not disclosed elsewhere in this report in which an officer director, security holder, voting trustee, associated company or known associate of any of these persons was a party or in which any such person had a material interest.

11. Estimated increase or decrease in annual revenues caused by important rate changes: State effective date and approximate amount of increase or decrease for each revenue classification. State the number of customers affected.

1 None

2 None

3 None

4 None

5 None

6 See Note 5 Contingencies on pages 33-35 of the accompanying1998 Annual Report to Shareholders of Atmos Energy Corporation.

7 None

8 None

9 See the response to item 6 above.

10 None

11 None

Name of Respondent	This Report Is:	Date of Report	Year of Report
Atmos Energy Corporation	[X] An Original [ ] A Resubmission	(Mo, Da, Yr)	Dec. 31, 1998

COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)

Line No.	Title of Account (a)	Reference Page No. (b)	Balance at End of Current Year (in dollars) (c)	Balance at End of Previous Year (in dollars) (d)
1	UTILITY PLANT			
2	Utility Plant (101-106, 114)	200-201	1,283,410,800	1,238,695,848
3	Construction Work in Progress (107)	200-201	120,956,993	52,965,131
4	TOTAL Utility Plant (Enter Total of lines 2 and 3)	200-201	1,404,367,793	1,291,660,979
5	(Less) Accum. Prov. for Depr. Amort. (108, 111,115)		535,972,723	494,037,718
6	Net Utility Plant (Enter Total of line 4 less 5)	--	868,395,070	797,623,261
7	Nuclear Fuel (120.1-120.4, 120.6)	--	-	-
8	(Less) Accum. Prov. for Amort. of Nucl. Fuel Assemblies (120.5)	--	-	-
9	Net Nuclear Fuel (Enter Total of line 7 less 8)	--	0	0
10	Net Utility Plant (Enter Total line 6 and 9)	--	868,395,070	797,623,261
11	Utility Plant Adjustment (116)	122		589,941
12	Gas Stored-Base Gas (117.1)	220	2,282,149	2,282,149
13	System Balancing Gas (117.2)	220		
14	Gas Stored in Reservoirs and Pipelines - Noncurrent (117.3)	220		
15	Gas Owned to System Gas (117.4)	220		
16	OTHER PROPERTY AND INVESTMENTS			
17	Nonutility Property (121)		2,453,751	3,021,400
18	(Less) Accum. Prov. for Depr. and Amort. (122)		(988,811)	(867,893)
19	Investments in Associated Companies (123)	222-223		-
20	Investment in Subsidiary Companies (123.1)	224-225	8,353,208	8,353,208
21	For Cost of Account 123.1, See Footnote Page 224, line 40)	--		
22	Noncurrent Portion of Allowances	--		
23	Other Investments (124)	222-223	9,400	9,400
24	Special Funds (125-128)	--	733,624	733,624
25	TOTAL Other Property and Investments (Total of lines 17-20, 22-24)	--	10,561,172	11,249,739
26	CURRENT AND ACCRUED ASSETS			
27	Cash (131)	--	3,324,122	2,467,264
28	Special Deposits (132-134)	--	141,938	17,755
29	Working Funds (135)	--	58,967	67,605
30	Temporary Cash Investments (136)	222-223	3,000,000	2,000,000
31	Notes Receivable (141)	--	460,803	403,719
32	Customer Accounts Receivable (142)	--	112,811,568	148,994,203
33	Other Accounts Receivable (143)	--	1,521,401	936,470
34	(Less) Accum. Prov. for Uncollectible Acct.-Credit (144)	--	(1,613,361)	(2,575,558)
35	Notes Receivable from Associated Companies (145)	--		
36	Accounts Receivable from Associated Companies (146)	--	5,654,136	(5,264,072)
37	Fuel Stock (151)	--	456,837	452,799
38	Fuel Stock Expense Distributed (152)	--		
39	Residuals (Elec) and Extracted Products (Gas) (153)	--		
40	Plant Materials and Operating Supplies (154)	--	8,350,710	8,786,887
41	Merchandise (155)	--	188,868	513,904
42	Other Materials and Supplies (156)	--		
43	Nuclear Materials Held for Sale (157)	--		
44	Allowances (158.1 and 158.2)	--		
45	(Less) Noncurrent Portion of Allowances	--		
46	Stores Expense Undistributed (163)	--	4,040,991	3,270,117
47	Gas Stored Underground - Current (164.1)	220	40,284,271	36,986,860
48	Liquefied Natural Gas Stored and Held for Processing (164.2-164.3)	220	1,640,678	1,749,390
49	Prepayments (165)	230	3,327,193	4,202,601
50	Advances for Gas (166-167)	--		
51	Interest and Dividend Receivable (171)	--		
52	Rents Receivable (172)	--		
53	Accrued Utility Revenues (173)	--		19,619,769
54	Miscellaneous Current and Accrued Assets (174)	--	6,250	45,687
55	TOTAL Current and Accrued Assets (Enter Total of lines 27 thru 54)		183,655,372	222,675,400

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Atmos Energy Corporation	[X] An Original [ ] A Resubmission		Dec. 31, 1998

COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS) (Continued)

Line No.	Title of Account (a)	Reference Page No. (b)	Balance at End of Current Year (in dollars) (c)	Balance at End of Previous Year (in dollars) (d)
56	DEFERRED DEBITS			
57	Unamortized Debt Expense (181)	--	5,821,751	3,133,875
58	Extraordinary Property Losses (182.1)	230		
59	Unrecovered Plant and Regulatory Study Costs (182.2)	230		
60	Other Regulatory Assets (182.3)	232		
61	Prelim. Survey and Investigation Charges (Electric) (183)	--		
62	Prelim. Sur. and Invest. Charges (Gas) 183.1, 183.2)	--		
63	Clearing Accounts (184)	--	15,856	(1,654,299)
64	Temporary Facilities (185)	--		
65	Miscellaneous Deferred Debits (186)	233	95,375,177	79,168,650
66	Def. Losses from Disposition of Utility Plant (187)	--		
67	Research, Devel. and Demonstration Expend. (188)	--		
68	Unamortized Losses on Reacquired Debt (189)	--		
69	Accumulated Deferred Income Taxes (190)	234-235		
70	Unrecovered Purchased Gas Costs (191)	--		(3,667,783)
71	TOTAL Deferred Debits *(Enter Total of lines 57 thru 70)*		101,212,784	76,980,443
72	TOTAL Assets and Other Debits (Enter Total of lines 10-15, 25, 55, and 71)		1,166,106,547	1,111,400,933

Name of Respondent	This Report Is:	Date of Report	Year of Report
Atmos Energy Corporation	[X] An Original [ ] A Resubmission	(Mo, Da, Yr)	Dec. 31, 1998

COMPARATIVE BALANCE SHEET (LIABILITIES AND CREDITS)

Line No.	Title of Account (a)	Reference Page No. (b)	Balance at End of Current Year (in dollars) (c)	Balance at End of Previous Year (in dollars) (d)
1	PROPRIETARY CAPITAL			
2	Common Stock Issued (201)	250-251	153,122	149,255
3	Preferred Stock Issued (204)	250-251		
4	Capital Stock Subscribed (202, 205)	252		
5	Stock Liability for Conversion (203, 206)	252		
6	Premium on Capital Stock (207)	252		
7	Other Paid-in-Capital (208 - 211)	253	278,173,251	256,562,692
8	Installments Received on Capital Stock (212)	252		
9	(Less) Discount on Capital Stock (213)	254		
10	(Less) Capital Stock Expense (214)	254		
11	Retained Earnings (215, 215.1, 216)	118-119	68,448,483	61,912,389
12	Unappropriated Undistributed Subsidiary Earnings (216.1)	118-119		
13	(Less) Reacquired Capital Stock (217)	250-251		
14	TOTAL Proprietary Capital (Enter Total of lines 2 thru 13)	--	346,774,856	318,624,336
15	LONG-TERM DEBT			
16	Bonds (221)	256-257	123,360,000	147,860,000
17	(Less) Reacquired Bonds (222)	256-257		
18	Advances from Associated Companies (223)	256-257		
19	Other Long-Term Debt (224)	256-257	249,663,308	140,303,308
20	Unamortized Premium on Long-Term Debt (225)	258-259		
21	(Less) Unamortized Discount on Long-Term Debt-Dr. (226)	258-259		
22	(Less) Current Portion of Long-Term Debt			
23	TOTAL Long-Term Debt (Enter Total of lines 16 thru 22)	--	373,023,308	288,163,308
24	OTHER NONCURRENT OBLIGATIONS			
25	Obligations Under Capital Leases - Noncurrent (227)	--		
26	Accumulated Provision for Property Insurance (228.1)	--		
27	Accumulated Provision for Injuries and Damages (228.2)	--		2,675,000
28	Accumulated Provision for Pensions and Benefits (228.3)	--		
29	Accumulated Miscellaneous Operating Provisions (228.4)	--		
30	Accumulated Provision for Rate Refunds (229)	--		
31	TOTAL Other Noncurrent Liabilities (Enter Total of Lines 25 thru 30)		0	2,675,000

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Atomos Energy Corporation	[X] An Original [ ] A Resubmission		Dec. 31, 1998

COMPARATIVE BALANCE SHEET LIABILITIES AND CREDITS (Continued)

Line No.	Title of Account (a)	Reference Page No. (b)	Balance at End of Current Year (in dollars) (c)	Balance at End of Previous Year (in dollars) (d)
32	CURRENT AND ACCRUED LIABILITIES			
33	Current Portion of Long-Term Debt		14,640,000	4,140,000
34	Notes Payable (231)	--	167,993,587	213,600,000
35	Accounts Payable (232)	--	74,257,912	84,733,135
36	Notes Payable to Associated Companies (233)	--		
37	Accounts Payable to Associated Companies (234)	--		996,533
38	Customer Deposits (235)	--	11,411,351	14,642,362
39	Taxes Accrued (236)	262-263	5,333,736	3,630,658
40	Interest Accrued (237)	--	9,535,693	6,103,189
41	Dividends Declared (238)	--		
42	Matured Long-Term Debt (239)	--		
43	Matured Interest (240)	--		
44	Tax Collections Payable (241)	--	4,451,030	6,360,632
45	Miscellaneous Current and Accrued Liabilities (242)	268	11,663,040	33,685,463
46	Obligations Under Capital Leases-Current (243)	--		
47	TOTAL Current and Accrued Liabilities (Enter Total of lines 33 thru 46)		299,286,349	367,891,972
48	DEFERRED CREDITS			
49	Customer Advances for Construction (252)		10,928,362	10,490,666
50	Accumulated Deferred Investment Tax Credit (255)		3,990,397	4,385,324
51	Deferred Gains from Disposition of Utility Plant (256)			
52	Other Deferred Credits (253)	269	51,248,990	36,183,090
52.1	Injuries and Damages Reserve		3,207,830	850,000
52.2	Contributions in Aid of Construction		976,679	976,679
53	Other Regulatory Liabilities (254)	278		
54	Unamortized Gain on Reacquired Debt (257)	260		
55	Accumulated Deferred Income Taxes (281-283)		76,669,776	81,160,558
56	TOTAL Deferred Credits (Enter Total of lines 49 thru 55)		147,022,034	134,046,317
57	TOTAL Liabilities and Other Credits (Enter Total of lines 14,23,31,47 and 56)		1,166,106,547	1,111,400,933

Name of Respondent	This Report Is:	Date of Report	Year of Report
Atmos Energy Corporation	[X] An Original [ ] A Resubmission	(Mo, Da, Yr)	Dec. 31, 1998

STATEMENT OF INCOME FOR THE YEAR

1. Report amounts for accounts 412 and 413, Revenue and Expenses from Utility Plant Leased to Others, in another utility column (i,j) in a similar manner to a utility department. Spread the amounts(s) over lines 2 thru 24 as appropriate. Include these amounts in columns (c) and (d) totals.

2. Report amounts in discount 414, Other Utility Operating Income, in the same manner as accounts 412 and 413 above.

3. Report data for ines 7, 9, and 10 for Natural Gas companies using accounts 404.1, 404.2, 404.3, 407.1, and 407.2.

Line No.	Account (a)	Reference Page Number (b)	Total Current Year (in dollars) (c)	Total Previous Year (in dollars) (d)
1	UTILITY OPERATING INCOME			
2	Operating Revenues (400)	300-301	662,703,788	823,397,754
3	Operating Expenses			
4	Operation Expenses (401)	317-325	488,014,628	674,518,889
5	Maintenance Expenses (402)	317-325	9,985,176	10,828,908
6	Depreciation Expenses (403)	336-338	43,377,694	39,444,245
7	Amort. & Depl. of Utility Plant (404-405)	336-338	1,444,318	1,511,051
8	Amort. of Utility Plant Acq. Adj. (406)		200,004	169,375
9	Amort. of Property Losses, Unrecovered Plant and Regulatory Study Costs (407.1)			
10	Amort. of Conversion Expenses (407.2)			
11	Regulatory Debits (407.3)			
12	(Less) Regulatory Credits (407.4)			
13	Taxes Other Than Income Taxes (408.1)	262-263	27,852,108	31,421,007
14	Income Taxes - Federal (409.1)	262-263	20,082,034	16,337,738
15	Income Taxes - Other (409.1)	262-263	2,991,763	1,915,723
16	Provision for Deferred Inc. Taxes (410.1)	234-235	(1,615,000)	(5,189,427)
17	(Less) Provision for Deferred Income Taxes-Cr. (411.1)	234-235		
18	Investment Tax Credit Adj. - Net (411.4)		(422,684)	(362,350)
19	(Less) Gains from Disp. of Utility Plant (411.6)			
20	Losses from Disp. of Utility Plant (411.7)			
21	(Less) Gains from Disposition of Allowances (411.8)			
22	Losses from Disposition of Allowances (411.9)			
23	TOTAL Utility Operating Expenses (Enter Total of lines 4 thru 22)		591,910,041	770,595,159
24	Net Utility Operating Income (Enter Total of line 2 less 23) (Carry forward to page 116, line 25)		70,793,747	52,802,595

Name of Respondent	This Report Is:	Date of Report	Year of Report
Atmos Energy Corporation	[X] An Original [ ] A Resubmission	(Mo, Da, Yr)	Dec. 31, 1998

4. Explain in a footnote if the previous year's figures are different from those reported in prior years.

5. If the columns are insufficient for reporting additional utility departments, supply the appropriate account titles, lines 2 to 23, and report the information in the blank space on page 122 or in a supplemental statement.

ELECTRIC UTILITY		GAS UTILITY		OTHER UTILITY		
Current Year (in dollars) (e)	Previous Year (in dollars) (f)	Current Year (in dollars) (g)	Previous Year (in dollars) (h)	Current Year (in dollars) (i)	Previous Year (in dollars) (j)	Line No.
						1
		662,703,788	823,397,754			2
						3
		488,014,628	674,518,889			4
		9,985,176	10,828,908			5
		43,377,694	39,444,245			6
		1,444,318	1,511,051			7
		200,004	169,375			8
						9
						10
						11
						12
		27,852,108	31,421,007			13
		20,082,034	16,337,738			14
		2,991,763	1,915,723			15
		(1,615,000)	(5,189,427)			16
						17
		(422,684)	(362,350)			18
						19
						20
						21
						22
0 0	0 0	591,910,041	770,595,159	0	0 0	23
0 0	0 0	70,793,747	52,802,595	0	0 0	24

Name of Respondent	This Report Is:	Date of Report	Year of Report
Atmos Energy Corporation	(1) [X] An Original (2) [ ] A Resubmission	(Mo, Da, Yr)	Dec. 31, 1998

STATEMENT OF INCOME FOR THE YEAR (Continued)

Line No.	Title of Account (a)	Reference Page Number (b)	Total Current Year (in dollars) (c)	Total Previous Year (in dollars) (d)
25	Net Utility Operating Income (Carried forward from page 114)	–	70,793,747	52,802,595
26	Other Income and Deductions			
27	Other Income			
28	Nonutility Operating Income			
29	Revenues From Merchandising, Jobbing and Contract Work (415)		653,386	1,142,108
30	(Less) Costs and Exp. of Merchandising, Jobbing & Contract Work (416)		(746,828)	(1,034,968)
31	Revenues From Nonutility Operations (417)		170,400	413,336
32	(Less) Expenses of Nonutility Operations (417.1)			(480,607)
33	Nonoperating Rental Income (418)			
34	Equity in Earnings of Subsidiary Companies (418.1)	119		
35	Interest and Dividend Income (419)		994,476	2,711,278
36	Allowance for Other Funds Used in Construction (419.1)			51,853
37	Miscellaneous Nonoperating Income (421)		1,985,689	(58,849)
38	Gain on Disposition of Property (421.1)			(20,053)
39	TOTAL Other Income (Enter Total of lines 29 thru 38)		3,057,123	2,724,098
40	Other Income Deductions			
41	Loss on Disposition of Property (421.2)			0
42	Miscellaneous Amortization (425)	340	3,071	12,292
43	Miscellaneous Income Deductions (426.1-426.5)	340	1,097,036	363,941
44	TOTAL Other Income Deductions (Enter Total of lines 41 thru 43)		1,100,107	376,233
45	Taxes Applic. to Other Income and Deductions			
46	Taxes Other Than Income Taxes (406.2)	262-263		
47	Income Taxes-Federal (409.2)	262-263	603,922	413,942
48	Income Taxes-Other (409.2)	262-263	97,969	
49	Provision for Deferred Inc. Taxes (410.2)	234-235		
50	(Less) Provision for Deferred Income Taxes-Cr. (411.2)	234-235		
51	Investment Tax Credit Adj.-Net (411.5)			
52	(Less) Investment Tax Credits (420)			
53	TOTAL Taxes On Other Inc. and Ded. (Total of 46 thru 52)		701,891	413,942
54	Net Other Income and Deductions (Enter Total of lines 39, 44, 53)		1,255,125	1,933,923
55	Interest Charges			
56	Interest of Long-Term Debt (427)		29,352,548	26,294,917
57	Amort. of Debt Disc. and Expense (428)	258-259	310,270	271,063
58	Amortization of Loss on Reacquired Debt (428.1)			
59	(Less) Amort. of Premium on Debt-Credit (429)	258-259		
60	(Less) Amortization of Gain on Reacquired Debt-Credit (429.1)			
61	Interest on Debt to Assoc. Companies (430)	340		
62	Other Interest Expense (431)	340	8,502,886	6,426,243
63	(Less) Allowance for Borrowed Funds Used During Construction-Cr. (432)		(4,988,877)	(1,415,038)
64	Net Interest Charges (Enter Total of lines 56 thru 63)		33,176,827	31,577,185
65	Income Before Extraordinary Items (Enter Total of lines 25, 54 and 64)		38,872,045	23,159,333
66	Extraordinary Items			
67	Extraordinary Income (434)			
68	(Less) Extraordinary Deductions (435)			
69	Net Extraordinary Items (Enter Total of line 67 less line 68)		0	0
70	Income Taxes-Federal and Other (409.3)	262-263		
71	Extraordinary Items After Taxes (Enter Total of line 69 less line 70)		0	
72	Net Income (Enter Total of lines 65 and 71)		38,872,045	23,159,333

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[Next page is 118]

Name of Respondent	This Report Is:	Date of Report	Year of Report
Atmos Energy Corporation	[X] An Original [ ] A Resubmission	(Mo, Da, Yr)	Dec. 31, 1998

STATEMENT OF RETAINED EARNINGS FOR THE YEAR

1. Report changes in appropriated retained earnings, unappropriated retained earnings, and unappropriated undistributed subsidiary earnings for the year.
2. Each credit and debit during the year should be identified as to the retained earnings account in which recorded (Accounts 433, 436-439 inclusive). Show the contra primary account affected in column (b).
3. State the purpose and amount for each reservation or appropriation of retained earnings.
4. List first Account 439, Adjustments to Retained Earnings, reflecting adjustments to the opening balance of retained earnings. Follow by credit, then debit items, in that order.
5. Show dividends for each class and series of capital stock.

Line No.	Item (a)	Contra Primary Account Affected (b)	Current Year Amount (in dollars) (c)	Previous Year Amount (in dollars) (d)
	UNAPPROPRIATED RETAINED EARNINGS (Account 216)			
1	Balance-Beginning of Year		61,912,389	69,045,526
2	Changes (Identify by prescribed retained earnings accounts)			
3	Adjustments to Retained Earnings (Account 439)			
3.01	Credit: 1998 Income		38,872,045	23,159,333
3.02	Credit:			
3.03	Credit:			
3.04	Credit:			
3.05	Credit:			
4	TOTAL Credits to Retained Earnings (Account 439)(Enter Total of lines 3.01 thru 3.?)		38,872,045	23,159,333
4.01	Debit:			
4.02	Debit:			
4.03	Debit:			
4.04	Debit:			
4.05	Debit:			
5	TOTAL Credits to Retained Earnings (Account 439)(Enter Total of lines 4.01 thru 4.?)		0	0
6	Balance Transferred from Income (Account 433 less Account 418.1)			
7	Appropriations of Retained Earnings (Account 436)			
7.01				
7.02				
7.03				
7.04				
8	TOTAL Appropriations of Retained Earnings (436)(Enter Total of lines 7.01 thru 7.?)		0	0
9	Dividends Declared-Preferred Stock (Account 437)			
9.01				0
9.02				
9.03				
9.04				
9.05				
10	TOTAL Dividends Declared-Preferred Stock (437)(Enter Total of lines 9.01 thru 9.?)		0	0
11	Dividends Declared-Common Stock (Account 438)			
11.01			32,335,951	30,292,470
11.02				
11.03				
11.04				
12	TOTAL Dividends Declared-Common Stock (438)(Enter Total of lines 11.01 thru 11.?)		32,335,951	30,292,470
13	Transfers from Acct. 216.1, Unappropriated Undistributed Subsidiary Earnings			
14	Balance-End of Year (Total of lines 1, 4, 5, 6, 8, 10, 12, and 13)		68,448,483	61,912,389

Name of Respondent	This Report Is:	Date of Report	Year of Report
Atmos Energy Corporation	[X] An Original [ ] A Resubmission	(Mo, Da, Yr)	Dec. 31, 1998

STATEMENT OF RETAINED EARNINGS FOR THE YEAR

6. Show separately the State and Federal income tax effect of items shown in Account 439, Adjustments to Retained Earnings.

7. Explain in a footnote the basis for determining the amount resersed or appropriated. If such reservation or appropriation is to be recurrent; state the number and annual amounts to be reserved or appropriated as well as the totals eventually to be accumulated.

8. At lines 3, 4, 7, 9, 11, and 15, add rows as necessary to report all data. When rows are added, the additional row numbers should follow in sequence, e.g., 3.01, 3.02, etc.

Line No.	Item (a)	Current Year Amount (in dollars) (b)	Previous Year Amount (in dollars) (c)
	APPROPRIATED RETAINED EARNINGS (Account 215) State balance and purpose of each appropriated retained earnings amount at end of year and give accounting entries for any applications of appropriated retained earnings during the year.		
15.01	Not Applicable		
15.02			
15.03			
15.04			
15.05			
15.06			
15.07			
15.08			
16	TOTAL Appropriated Retained Earnings (Account 215)	0	0
	APPROPRIATED RETAINED EARNINGS-AMORTIZATION RESERVE, FEDERAL (Account 215.1) State below the total amount set aside through appropriations of retained earnings, as of the end of the year, in compliance with the provisions of Federally granted hydroelectric project licenses held by the respondent. If any reductions or charges other than the normal annual credits hereto have been made during the year, explain such items in a footnote.		
17	TOTAL Appropriated Retained Earnings-Amortization Reserve, Federal (Account 215.1)		
18	TOTAL Appropriated Retained Earnings (Accounts 215, 215.1)(Enter Total of lines 16 and 17)	0	0
19	TOTAL Retained Earnings (Account 215, 215.1, 216) (Enter Total of lines 14 and 18)	68,448,483	61,912,389
	UNAPPROPRIATED UNDISTRIBUTED SUBSIDIARY EARNINGS (Account 216.1)		
20	Balance-Beginning of Year (Debit or Credit)		
21	Equity in Earnings for Year (Credit)(Account 418.1)		
22	(Less) Dividends Received for Year (Debit)		
23	Other Changes (Explain)		
24	Balance-End of Year		0

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Atmos Energy Corporation	[X] An Original [ ] A Resubmission		Dec. 31, 1998

STATEMENT OF CASH FLOWS

1. Information about noncash investing and financing activities should be provided on page 122. Provide also on page 122 a reconciliation between "Cash and Cash Equivalents at End of Year: with related amounts on the balance sheet.
2. Under "Other" specify significant amounts and group others.
3. Operating Activities-Other: Include gains and losses pertaining to operating activities only. Gains and losses pertaining to investing and financing activities should be reported in those activities. Show on page 122 the amounts of interest paid (net of amounts capitalized) and income taxes paid.

Line No.	DESCRIPTION (See Instructions for Explanation of Codes) (a)	Current Year Amount (b)	Previous Year Amount (c)
1	Net Cash Flow from Operating Activities:		
2	Net Income (Line 72(c) on page 116)	38,872,045	23,158,733
3	Noncash Charges (Credits) to Income:		
4	Depreciation and Depletion	45,022,015	42,968,473
5	Amortization of (Specify)		
5.01	Franchises, Software and Acquisition Adjustments	5,495,073	1,680,643
5.02			
6	Deferred Income Taxes (Net)	(4,490,782)	12,306,379
7	Investment Tax Credit Adjustments (Net)		(362,000)
8	Net (Increase) Decrease in Receivables	23,660,215	(24,414,268)
9	Net (Increase) Decrease in Inventory	(3,202,398)	(3,208,006)
10	Net (Increase) Decrease in Allowances Inventory		
11	Net Increase (Decrease) in Payables and Accrued Expenses	(33,499,210)	93,508,617
12	Net (Increase) Decrease in Other Regulatory Assets		
13	Net Increase (Decrease) in Other Regulatory Liabilities		
14	(Less) Allowance for Other Funds Used During Construction		
15	(Less) Undistributed Earnings from Subsidiary Companies		
16	Other: Changes in other assets and liabilities	11,093,772	(103,871,109)
16.01			
16.02			
16.03			
17	Net Cash Provided by (Used in) Operating Activities		
18	(Total of lines 2 thru 16.?)	82,950,730	41,767,462
19			
20	Cash Flows from Investments Activities:		
21	Construction and Acquisition of Plant (including land):		
22	Gross Additions to Utility Plant (less nuclear fuel)	(121,490,848)	(127,046,317)
23	Gross Additions to Nuclear Fuel		
24	Gross Additions to Common Utility Plant		
25	Gross Additions to Nonutility Plant		
26	(Less) Allowance for Other Funds Used During Construction		
27	Other:		
27.01			
27.02			
28	Cash Outflows for Plant (Total of lines 22 thru 27.?)	(121,490,848)	(127,046,317)
29			
30	Acquisition of Other Noncurrent Assets (d)		
31	Proceeds from Disposal of Noncurrent Assets (d)		
32	Retirements of Property, Plant, and Equipment	1,480,459	(2,035,905)
33	Investments in and Advances to Assoc. and Subsidiary Companies		
34	Contributions and Advances from Assoc. and Subsidiary Companies		
35	Disposition of Investments in (and Advances to)		
36	Associated and Subsidiary Companies		
37			
38	Purchase of Investment Securities (a)		
39	Proceeds from Sales of Investment Securities (a)		

Name of Respondent	This Report Is:	Date of Report (Mo,Da,Yr)	Year of Report
Atmos Energy Corporation	(1) [X] An Original (2) [ ] A Resubmission		Dec. 31, 1998

STATEMENT OF CASH FLOWS

4. Investing Activities: Include at Other (Line 27) net cash outflow to acquire other companies. Provide a reconciliation of assets acquired with liabilities assumed on page 122. Do not include on this statement the dollar amount of leases capitalized per U. S. of A. General Instruction 20; instead provide a reconciliation of the dollar amount of leases capitalized with the plant cost on page 122.

5. Codes used:
   (a) Net proceeds or payments.
   (b) Bonds, debentures and other long-term debt.
   (c) Include commercial paper.
   (d) Identify separately such items as investments, fixed assets, intangibles, etc.
6. Enter on page 122 clarifications and explanations.
7. At lines 5, 16, 27, 47, 56, 58, and 65, add rows as necessary to report all data. Number the extra rows in sequence, 5.01, 5.02, etc.

Line No.	DESCRIPTION (See Instructions for Explanation of Codes) (a)	Current Year Amount (b)	Previous Year Amount (c)
40	Loans Made or Purchased		
41	Collections on Loans		
42			
43	Net (Increase) Decrease in Receivables		
44	Net (Increase) Decrease in Inventory		
45	Net (Increase) Decrease in Allowances Held for Speculation		
46	Net Increase (Decrease) in Payables and Accrued Expenses		
47	Other:		
47.01			
47.02			
48	Net Cash Provided by (Used in) Investing Activities		
49	(Total of lines 28 thru 47.?)	(120,010,389)	(129,082,222)
50			
51	Cash Flows from Financing Activities		
52	Proceeds from Issuance of:		
53	Long-Term Debt (b)	150,000,000	0
54	Preferred Stock		
55	Common Stock	21,614,426	11,480,320
56	Other:		
56.01			
57	Net Increase in Short-Term Debt (c)		111,903,000
58	Other:		
58.01			
58.02			
59	Cash Provided by Outside Sources (Total of lines 53 thru 58.?)	171,614,426	123,383,320
60			
61	Payments for Retirement of:		
62	Long-Term Debt (b)	(54,640,000)	(10,000,000)
63	Preferred Stock		
64	Common Stock		
65	Other:		
65.01			
66	Net Decrease in Short-Term Debt (c)	(45,606,413)	
67			
68	Dividends on Preferred Stock		
69	Dividends on Common Stock	(32,335,951)	(29,150,666)
70	Net Cash Provided by (Used in) Financing Activities		
71	(Total of lines 59 thru 69)	39,032,062	84,232,654
72			
73	Net Increase (Decrease) in Cash and Cash Equivalents		
74	(Total of lines 18, 49, and 71)	1,972,403	(3,082,106)
75			
76	Cash and Cash Equivalents at Beginning of Year	4,552,624	7,634,730
77			
78	Cash and Cash Equivalents at End of Year	6,525,027	4,552,624

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Atmos Energy Corporation	[X] An Original [ ] A Resubmission		Dec. 31, 1998

NOTES TO FINANCIAL STATEMENTS

1. Provide important disclosures regarding the Balance Sheet, Statement of Income for the Year, Statement of Retained Earnings for the Year, and Statement of Cash Flow, or any account thereof. Classify the disclosures according to each financial statement, providing a subheading for each statement except where a disclosure is applicable to more than one statement. The disclosures must be on the same subject matters and in the same level of detail that would be required if the respondent issued general purpose financial statements to the public or shareholders.

2. Furnish details as to any significant contingent assets or liabilities existing at year end, and briefly explain any action initiated by the Internal Revenue Service involving possible assessment of additional income taxes of material amount, or claim for refund of income taxes of a material amount initiated by the utility. Also, briefly explain any dividends in arrears on cumulative preferred stock.

3. Furnish details on the respondent's pension plans, post-retirement benefits other than pension (PBOP) plans, and post-employment benefit plans as required by instruction no. 1 and, in addition, disclose for each individual plan the current year's cash contributions. Furnish details on the accounting for the plans and any changes in the method of accounting for them. Include details on the accounting for transition obligations or assets, gains or losses, the amounts deferred and the expected recovery periods. Also, disclose any current year's plan or trust curtailments, terminations, transfers, or reversions of assets.

4. Where Account 189, Unamortized Loss on Reacquired Debt, and 257, Unamortized Gain on Reacquired Debt, are not used, give an explanation, providing the rate treatment given these items. See General Instruction 17 of the Uniform System of Accounts.

5. Explain concisely any retained earnings restrictions and state the amount of retained earnings affected by such restrictions.

6. Disclose details on any significant financial changes during the reporting year to the respondent or the respondent's consolidated group that directly affect the respondent's gas pipeline operations, including: sales, transfers or mergers of affiliates, investments in new partnerships, sales of gas pipeline facilities or the sale of ownership interests in the gas pipeline to limited partnerships, investments in related industries (i.e., production, gathering), major pipeline investments, acquisitions by the parent corporation(s), and distributions of capital.

7. Explain concisely unsettled rate proceedings where a contingency exists such that the company may need to refund a material amount to the utility's customers or that the utility may receive a material refund with respect to power or gas purchases. State for each year affected the gross revenues or costs to which the contingency relates and the tax effects and explain the major factors that affect the rights of the utility to retain such revenues or to recover amounts paid with respect to power and gas purchases.

8. Explain concisely significant amounts of any refunds made or received during the year resulting from settlement of any rate proceeding affecting revenues received or costs incurred for power or gas purchases, and summarize the adjustments made to balance sheet, income, and expense accounts.

9. Explain concisely only those significant changes in accounting methods made during the year which had an effect on net income, including the basis of allocations and apportionments from those used in the preceding year. Also give the approximate dollar effect of such changes.

NOTES:

1 Atmos Energy Corporation merged with United Cities Gas Company on July 31, 1997. Due to the recency of the merger, integration of detailed retroactive data was not available for the 1997 regulatory reports. However, the amounts reported herein for the year ended December 31, 1998 include the operations of the United Cities Division and the amounts for 1997 have been restated for the pooling of interests. This report includes operating results for Atmos Energy Corporation (separate company), which includes the Louisiana (Trans Louisiana Gas Company), Texas (Energas Company), Kentucky (Western Kentucky Gas Company); Colorado, Kansas, and Missouri (Greeley Gas Company); Georgia, Iowa, Illinois, Kansas, Missouri, South Carolina, Tennessee, and Virginia (United Cities Gas Company) divisions for the year ended December 31, 1998.

2 For additional disclosures regarding benefit plans, contingencies, dividend restrictions and other matters, see the Notes to Consolidated Financial Statements in the accompanying 1998 Annual Report to Shareholders of Atmos Energy Corporation.

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Name of Respondent	This Report Is:	Date of Report	Year of Report
Atmos Energy Corporation	[X] An Original [ ] A Resubmission	(Mo, Da, Yr)	Dec. 31, 1998

SUMMARY OF UTILITY PLANT AND ACCUMULATED PROVISIONS FOR DEPRECIATION, AMORTIZATION AND DEPLETION

Line No.	Item (a)	Total (b)
1	UTILITY PLANT	
2	In Service:	
3	Plant in Service (Classified)	1,269,295,435
4	Property Under Capital Leases	
5	Plant Purchased or Sold	
6	Completed Construction not Classified	
7	Experimental Plant Unclassified	
8	TOTAL (Enter Total of lines 3 thru 7)	1,269,295,435
9	Leased to Others	
10	Held for Future Use	
11	Construction Work in Progress	120,956,993
12	Acquisition Adjustments	14,115,365
13	TOTAL Utility Plant (Enter Total of lines 8 thru 12)	1,404,367,793
14	Accumulated Provision for Depreciation, Amortization and Depletion	535,972,723
15	Net Utility Plant (Enter Total of line 13 less 14)	868,395,070
16	DETAILS OF ACCUMULATED PROVISIONS FOR DEPRECIATION, AMORTIZATION AND DEPLETION	
17	In Service:	
18	Depreciation	515,402,420
19	Amort. and Depl. of Producing Natural Gas Land and Land Rights	
20	Amort. of Underground Storage Land and Land Rights	
21	Amort. of Other Utility Plant	11,411,147
22	TOTAL in Service (Enter Total of lines 18 thru 21)	526,813,568
23	Leased to Others:	
24	Depreciation	
25	Amortization and Depletion	
26	TOTAL Leased to Others (Enter Total of lines 24 and 25)	0
27	Held for Future Use	
28	Depreciation	
29	Amortization	
30	TOTAL Held for Future Use (Enter Total of lines 28 and 29)	0
31	Abandonment of Leases (Natural Gas)	
32	Amort. of Plant Acquisition Adj.	9,159,156
33	TOTAL Accumulated Provisions (Should agree with line 14 above) (Total of lines 22, 26, 30, 31, and 32)	535,972,723

Name of Respondent	This Report Is:	Date of Report	Year of Report
Atmos Energy Corporation	[X] An Original [ ] A Resubmission	(Mo, Da, Yr)	Dec. 31, 1998

SUMMARY OF UTILITY PLANT AND ACCUMULATED PROVISIONS
FOR DEPRECIATION, AMORTIZATION AND DEPLETION (Continued)

Electric (c)	Gas (d)	Other (Specify) (e)	Common (f)	Line No.
				1
				2
	All Gas			3
				4
				5
				6
				7
				8
				9
				10
				11
				12
				13
				14
				15
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				18
				19
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				29
				30
				31
				32
				33

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Atmos Energy Corporation	(1) [X] An Original (2) [ ] A Resubmission		Dec. 31, 1998

GAS PLANT IN SERVICE (Accounts 101, 102, 103, and 106)

1. Report below the original cost of gas plant in service according to the prescribed accounts.
2. In addition to Account 101, Gas Plant in Service (Classified) this page and the next include Account 102, Gas Plant Purchased or Sold; Account 103, Experimental Gas Plant Unclassified; and Account 106, Completed Construction not Classified-Gas.
3. Include in column (c) or (d), as appropriate, corrections of additions and retirements for the current or preceding year.
4. Enclose in parentheses credit adjustments of plant accounts to indicate the negative effect of such accounts.
5. Classify Account 106 according to prescribed accounts, on an estimated basis if necessary, and include the entries in column (c). Also to be included in column (c) are entries for reversals of tentative distributions of prior year reported in column (b). Likewise, if the respondent has a significant amount of plant retirements which have not been classified to primary accounts at the end of the year include in column (d) a tentative distribution of such retirements on an estimated basis, with appropriate contra entry to the account for accumulated depreciation provision. Include also in column (d) reversals of tentative distributions of prior year of unclassified retirements. Attach supplemental statement showing the account distributions of these tentative classifications in columns (c) and (d),

Line No.	Account (a)	Balance at Beginning of Year (b)	Additions (c)
1	1. INTANGIBLE PLANT		
2	301 Organization	260,495	
3	302 Franchises and Consents	618,981	
4	303 Miscellaneous Intangible Plant	7,030,660	182,776
5	TOTAL Intangible Plant (Enter Total of lines 2 thru 4)	7,910,136	182,776
6	2. PRODUCTION PLANT		
7	Natural Gas Production and Gathering Plant		
8	325.1 Producing Lands		
9	325.2 Producing Leaseholds	2,353	
10	325.3 Gas Rights		
11	325.4 Rights-of-Way	119,660	
12	325.5 Other Land and Land Rights		
13	326 Gas Well Structures		
14	327 Field Compressor Station Structures		
15	328 Field Meas. and Reg. Sta. Structures	29,138	
16	329 Other Structures	9,706	
17	330 Producing Gas Wells-Well Construction		
18	331 Producing Gas Wells-Well Equipment	3,492	
19	332 Field Lines	4,562,270	2,017
20	333 Field Compressor Station Equipment	190,897	
21	334 Field Meas. and Reg. Sta. Equipment	1,353,382	23,249
22	335 Drilling and Cleaning Equipment		
23	336 Purification Equipment	44,369	
24	337 Other Equipment		
25	338 Unsuccessful Exploration & Devel. Costs		
26	TOTAL Production and Gathering Plant (Enter Total of lines 8 thru 25)	6,315,267	25,267
27	PRODUCTS EXTRACTION PLANT		
28	304 Land and Land Rights	259,341	
29	305 Structures and Improvements	126,503	
30	342 Extraction and Refining Equipment	1,856,411	1,625
31	343 Pipe Lines	1,678,624	
32	344 Extracted Products Storage Equipment	9,000	
33	345 Compressor Equipment	8,385	

Name of Respondent	This Report Is:	Date of Report	Year of Report
Atmos Energy Corporation	X An Original A Resubmission	(Mo, Da, Yr)	Dec. 31, 1998

GAS PLANT IN SERVICE (Accounts 101, 102, 103, and 106)

including the reversals of the prior years tentative account distributions of these amounts. Careful observance of the above instructions and the texts of Accounts 101 and 106 will avoid serious omissions of respondent's reported amount for plant actually in service at end of year.

6. Show in column (f) reclassifications or transfers within utility plant accounts. Include also in column (f) the additions or reductions of primary account classifications arising from distribution of amounts initially recorded in Account 102. In showing the clearance of Account 102, include in column (e) the amounts with respect to accumulated provision for depreciation, acquisition adjustments, etc., and show in column (f) only the offset to the debits or credits distributed in column (f) to primary account classifications.

7. For Account 399, state the nature and use of plant included in this account and if substantial in amount submit a supplementary statement showing subaccount classification of such plant conforming to the requirement of these pages.

8. For each amount comprising the reported balance and changes in Account 102, state the property purchased or sold, name of vendor or purchaser, and date of transaction. If proposed journal entries have been filed with the Commission as required by the Uniform System of Accounts, give also date of such filing.

Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)		Line No.
[redacted]					1
			260,495	301	2
			618,981	302	3
			7,213,436	303	4
0	0	0	8,092,912		5
[redacted]					6
					7
			0	325.1	8
			2,353	325.2	9
			0	325.3	10
			119,660	325.4	11
			0	325.5	12
			0	326	13
			0	327	14
			29,138	328	15
			9,706	329	16
			0	330	17
			3,492	331	18
533			4,563,755	332	19
			190,897	333	20
			1,376,631	334	21
			0	335	22
			44,369	336	23
			0	337	24
			0	338	25
533	0	0	6,340,001		26
[redacted]					27
			259,341	304	28
			126,503	305	29
			1,858,036	311	30
			1,678,624	319	31
			9,000	344	32
			8,385	345	33

Name of Respondent	This Report Is:	Date of Report	Year of Report
Atmos Energy Corporation	[X] An Original [ ] A Resubmission	(Mo, Da, Yr)	Dec. 31, 1998

GAS PLANT IN SERVICE (Accounts 101, 102, 103, and 106)

Line No.	Account (a)	Balance at Beginning of Year (b)	Additions (c)
34	346 Gas Measuring and Regulating Equipment		
35	347 Other Equipment		
36	TOTAL Products Extraction Plant (Enter Total of lines 28 thru 35)	3,938,264	1,625
37	TOTAL Natural Gas Production Plant (Enter total of lines 26 and 36)	10,253,531	26,892
38	Manufactured Gas Prod. Plant (Submit Suppl. Statement)		
39	TOTAL Production Plant (Enter Total of lines 37 and 38)	10,253,531	26,892
40	3. NATURAL GAS STORAGE AND PROCESSING PLANT		
41	Underground Storage Plant		
42	350.1 Land	261,127	
43	350.2 Rights-of-Way	4,682	
44	351 Structures and Improvements	284,257	4,700
45	352 Wells	2,708,776	
46	352.1 Storage Leaseholds and Rights	233,144	
47	352.2 Reservoirs		
48	352.3 Non-recoverable Natural Gas		
49	353 Lines	387,959	
50	354 Compressor Station Equipment	470,685	
51	355 Measuring and Regulating Equipment	281,530	7,321
52	356 Purification Equipment	239,930	
53	357 Other Equipment		
54	TOTAL Underground Storage Plant (Enter Total of lines 42 thru 53)	4,872,090	12,021
55	Other Storage Plant		
56	360 Land and Land Rights	84,828	
57	361 Structures and Improvements	292,196	
58	362 Gas Holders	2,060,887	
59	363 Purification Equipment		
60	363.1 Liquefaction Equipment	2,028,879	
61	363.2 Vaporizing Equipment	1,409,785	
62	363.3 Compressor Equipment		
63	363.4 Measuring and Regulating Equipment		
64	363.5 Other Equipment	350,638	620
65	TOTAL Other Storage Plant (Enter Total of lines 56 thru 64)	6,227,213	620
66	Base Load Liquefied Natural Gas Terminaling and Processing Plant		
67	364.1 Land and Land Rights		
68	364.2 Structures and Improvements		
69	364.3 LNG Processing Terminal Equipment		
70	364.4 LNG Transportation Equipment		
71	364.5 Measuring and Regulating Equipment		
72	364.6 Compressor Station Equipment		
73	364.7 Communications Equipment		
74	364.8 Other Equipment		
75	TOTAL Base Load Liquefied Natural Gas, Terminaling and Processing Plant (Total of lines 67 thru 74)	0	0
76	TOTAL Nat. Gas Storage and Proc. Plant (Total of lines 54, 65 and 75)	11,099,303	12,642
77	TRANSMISSION PLANT		
78	365.1 Land and Land Rights	835,055	162,500
79	365.2 Rights-of-Way	796,113	
80	366 Structures and Improvements	392,296	(18,124)

Name of Respondent	This Report Is:	Date of Report	Year of Report
Atmos Energy Corporation	(X) An Original ( ) A Resubmission	(Mo, Da, Yr)	Dec. 31, 1998

GAS PLANT IN SERVICE (Accounts 101, 102, 103, and 106)

Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)		Line No.
				346	34
				347	35
0	0	0	3,939,889		36
533	0	0	10,279,890		37
			0		38
533	0	0	10,279,890		39
					40
					41
			261,127	350.1	42
			4,682	350.2	43
			288,957	351	44
			2,708,776	352	45
			233,144	352.1	46
			0	352.2	47
			0	353	48
			387,959	354	49
			470,685	355	50
			288,851	356	51
			239,930	357	52
			0		53
0	0	0	4,884,111		54
					55
			84,828	360	56
			292,196	361	57
			2,060,887	362	58
			0	363	59
			2,028,879	363.1	60
			1,409,785	363.2	61
			0	363.3	62
			0	363.4	63
			351,258	363.5	64
0	0	0	6,227,833		65
					66
			0	364.1	67
			0	364.2	68
			0	364.3	69
			0	364.4	70
			0	364.5	71
			0	364.6	72
			0	364.7	73
			0	364.8	74
					75
0	0	0	0		0
0	0	0	11,111,945		76
					77
			997,555	365.1	78
			796,113	365.2	79
			374,172	366	80

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Atmos Energy Corporation	X An Original A Resubmission		Dec. 31, 1998

GAS PLANT IN SERVICE (Accounts 101, 102, 103, and 106)

Line No.	Account (a)	Balance at Beginning of Year (b)	Additions (c)
81	367 Mains	50,402,015	365,081
82	368 Compressor Station Equipment	2,362,506	35,780
83	369 Measuring and Regulating Station Equipment	6,600,637	152,633
84	370 Communication Equipment	158,980	
85	371 Other Equipment	364,694	
86	TOTAL Transmission Plant (Enter Totals of lines 78 thru 85)	61,912,296	697,870
87	DISTRIBUTION PLANT		
88	374 Land and Land Rights	2,912,240	16,955
89	375 Structures and Improvements	1,367,559	1,046
90	376 Mains	538,767,483	18,884,478
91	377 Compressor Station Equipment		252,930
92	378 Meas. and Reg. Station Equipment-General	20,924,511	862,780
93	379 Meas. and Reg. Station Equipment-City Gate	8,803,600	41,811
94	380 Services	231,218,958	18,844,179
95	381 Meters	81,978,092	3,190,588
96	382 Meter Installations	47,490,817	4,949,434
97	383 House Regulators	23,227,295	623,047
98	384 House Regulator Installations	3,400,045	
99	385 Industrial Measuring and Regulating Station Equipment	11,254,827	658,814
100	386 Other Property on Customers' Premises	68,525	
101	387 Other Equipment	1,245,834	329,973
102	TOTAL Distribution Plant (Enter Total of lines 88 thru 101)	972,659,786	48,656,035
103	GENERAL PLANT		
104	389 Land and Land Rights	722,049	
105	390 Structures and Improvements	21,197,693	194,436
106	391 Office Furniture and Equipment	34,367,896	107,160
107	392 Transportation Equipment	37,746,589	270,766
108	393 Stores Equipment	576,369	2,985
109	394 Tools, Shop, and Garage Equipment	16,428,441	359,882
110	395 Laboratory Equipment	560,622	660
111	396 Power Operated Equipment	11,941,638	82,923
112	397 Communication Equipment	7,362,462	167,332
113	398 Miscellaneous Equipment	1,553,533	19,991
114	Subtotal (Enter Total on lines 104 thru 113)	132,457,292	1,206,135
115	399 Other Tangible Property	28,878,080	2,705,133
116	TOTAL General Plant (Enter Total of lines 114 and 115)	161,335,372	3,911,268
117	TOTAL (Accounts 101 and 106)	1,225,170,424	53,487,483
118	Gas Plant Purchased (See Instr. 8)		
119	(Less) Gas Plant Sold (See Instr. 8)		
120	Experimental Gas Plant Unclassified		
121	TOTAL Gas Plant in Service (Enter Total of lines 117 thru 120)	1,225,170,424	53,487,483

Name of Respondent Atmos Energy Corporation	This Report Is: [X] An Original [ ] A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 1998

GAS PLANT IN SERVICE (Accounts 101, 102, 103, and 106)

Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)		Line No.
3,873			50,763,223	367	81
			2,398,286	368	82
11,922		(27,864)	6,713,484	369	83
			158,980	370	84
			364,694	371	85
15,795	0	(27,864)	62,566,507		86
[redacted]					87
			2,929,195	374	88
1,744			1,366,860	375	89
1,048,469		(5,132)	556,598,360	376	90
			252,930	377	91
29,516		(806)	21,756,969	378	92
142			8,845,269	379	93
2,139,566		(6)	247,923,566	380	94
315,518			84,853,162	381	95
46,362			52,393,889	382	96
287,989		(64,689)	23,497,664	383	97
			3,400,045	384	98
36,112		806	11,878,335	385	99
		38	68,563	386	100
10,081			1,565,726	387	101
3,915,500	0	(69,789)	1,017,330,532		102
[redacted]					103
20,453			701,596	389	104
137,433			21,254,697	390	105
61,224		65,189	34,479,021	391	106
3,226,124		42,453	34,833,684	392	107
			579,354	393	108
174,768		1,868	16,615,423	394	109
405			560,878	395	110
211,471		488	11,813,579	396	111
179,477			7,350,318	397	112
3,885		20,080	1,589,719	398	113
4,015,239	0	130,079	129,778,267		114
1,426,907		(20,923)	30,135,383	399	115
5,442,147	0	109,156	159,913,650		116
9,373,974	0	11,503	1,269,295,435		117
			0		118
[redacted]			0		119
			0		120
9,373,974	0	11,503	1,269,295,435		121

Name of Respondent	This Report Is:	Date of Report (Mo,Da,Yr)	Year of Report
Atmos Energy Corporation	(1) [X] An Original (2) [ ] A Resubmission		December 31, 1998

GAS PROPERTY AND CAPACITY LEASED FROM OTHERS

1. Report below the information called for concerning gas property and capacity leased from others for gas operations.

2. For all leases in which the average annual lease payment over the initial term of the lease exceeds $500,000, describe in column (c), if applicable; the property or capacity leased. Designate associated companies with an asterick in column (b).

Line No.	Name of Lessor (a)	* (b)	Description of Lease (c)	Lease Payments For Current Year (d)
1				
2	None			
3				
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44				
45	TOTAL			

Name of Respondent Atmos Energy Corporation	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo,Da,Yr)	Year of Report December 31, 1998

GAS PLANT LEASED TO OTHERS (Account 104)

1. Report below the information called for concerning gas plant leased to others.

2. In column (c) give the date of Commission authorization of the lease of gas plant to others.

Line No.	Name of Lessee (Designate associated companies with an asterisk) (a)	Description of Property Leased (b)	Commission Authorization (c)	Expiration Date of Lease (d)	Balance at End of Year
1					
2	Not Applicable				
3					
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46					
47	TOTAL				

Name of Respondent	This Report Is:	Date of Report	Year of Report
Atmos Energy Corporation	(1) [X] An Original (2) [ ] A Resubmission	(Mo, Da, Yr)	Dce. 31, 1998

GAS PLANT HELD FOR FUTURE USE (Account 105)

1. Report separately each property held for future use at end of the year having an original cost of $250,000 or more. Group other items of property held for future use.

2. For property having an original cost of $250,000 or more previously used in utility operations, now held for future use, give in column (a), in addition to other required information, the date that utility use of such property was discontinued, and the date the original cost was transferred to Account 105.

Line No.	Description and Location of Property *(a)*	Date Originally Included in This Account *(b)*	Date Expected to be Used in Utility Service *(c)*	Balance at End of Year *(d)*
1	Natural Gas Lands, Leaseholds, and Gas Rights Held for Future Utility Use (Per Page 500-501)			
2				
3	NONE			
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46	TOTAL			0

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Name of Respondent	This Report Is:	Date of Report	Year of Report
Atmos Energy Corporation	(1) [X] An Original (2) [ ] A Resubmission	(Mo, Da, Yr)	Dec. 31, 1998

CONSTRUCTION WORK IN PROGRESS-GAS (ACCOUNT 107)

1. Report below descriptions and balances at end of year of projects in process of construction (107).
2. Show items relating to "research, development and demonstration" projects last, under a caption Research Development, and Demonstration (see Account 107 of the Uniform System of Accounts).
3. Minor projects (less than $1,000,000) may be grouped.

Line No.	Description of Project (a)	Construction Work in Progress-Gas (Account 107) (b)	Estimated Additional Cost of Project (c)
1	Customer Service Initiative Project	89,757,477	7,900,000
2			
3	General Office - Other	6,228,537	600,000
4			
5	Energas -Service lines, meters, main extensions	5,124,491	500,000
6			
7	Greeley -Service lines, meters, main extensions	3,685,251	400,000
8			
9	Trans La -Service lines, meters, main extensions	2,166,938	200,000
10			
11	UCGC-Service lines, meters, main extensions	11,443,248	1,000,000
12			
13	Western Kentucky Gas-Service lines, meters, main extensions	2,558,050	300,000
14			
15			
16			
17			
18			
19			
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45	TOTAL	120,963,992	10,900,000

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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Atmos Energy Corporation	[X] An Original [ ] A Resubmission		Dec. 31, 1998

GENERAL DESCRIPTION OF CONSTRUCTION OVERHEAD PROCEDURE

1. For each construction overhead explain: (a) the nature and extent of work, etc., the overhead charges are intended to cover, (b) the general procedure for determining the amount capitalized, (c) the method of distribution to construction jobs, (d) whether different rates are applied to different types of construction, (e) basis of differentiation in rates for different types of construction, and (f) whether the overhead is directly or indirectly assigned.

2. Show below the computation of allowance for funds used during construction rates, in accordance with the provisions of Gas Plant Instructions 3 (17) of the U.S. of A.

3. Where a net-of-tax rate for borrowed funds is used, show the appropriate tax effect adjustment to the computations below in a manner that clearly indicates the amount of reduction in the gross rate for tax effects.

1. (a) 1. Portion of Administrative and General Expenses.
   2. Portion of Engineering Department Supervision attributed to construction.
   3. Portion of Field Supervision charged to construction.

   (b) Annual review of time spent on construction projects.

   (c) Proration of construction overheads to actual direct expenditures to construction orders.

   (d) The same rate for all construction items.

   (e) N/A

   (f) Indirectly assigned

2. Capitalized interest based on the weighted average cost of total debt plus the weighted average cost of capital.

3. N/A

COMPUTATION OF ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION RATES

For line (5), column (d) below, enter the rate granted in the last rate preceding. If such is not available, use the average rate earned during the preceding three years.

1. Components of Formula (Derived from actual book balances and actual cost rates):

Line No.	Title *(a)*	Amount *(b)*	Capitalization Ratio (Percent) *(c)*	Cost Rate Percentage *(d)*
(1)	Average Short-Term Debt	S 139,046,654		
(2)	Short-Term Interest			s 6.03%
(3)	Long-Term Interest	D 356,337,569	49.5%	d 8.17%
(4)	Preferred Stock	P		p
(5)	Common Equity	C 363,315,402	50.5%	c 12.00%
(6)	Total Capitalization	719,652,971	100%	
(7)	Average Construction Work in Progress Balance	W 76,000,169		

2. Gross Rate for Borrowed Funds — s(S/W) + d(D/D+P+C) (1-S/W) — 7.68%

3. Rate for Other Funds — [1-S/W] [P(P/D+P+C) + c(C/D+P+C)] — -5.03%

4. Weighted Average Rate Actually Used for the Year:

a. *Rate for Borrowed Funds -* 4.33%

b. Rate for Other Funds - 5.11%

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year of Report
Atmos Energy Corporation	(1) [X] An Original (2) [ ] A Resubmission		December 31, 1998

ACCUMULATED PROVISION FOR DEPRECIATION OF GAS UTILITY PLANT (ACCOUNT 108)

1. Explain in a footnote any important adjustments during year.
2. Explain in a footnote any differences between the amount for book cost retired, line 10, column (c) and that reported for gas plant in service, page 204-209, column (d),excluding retirements of non-depreciable property.
3. The provisions of Account 108 in the Uniform System of Accounts require that retirements of depreciable plant be recorded when such plant is removed from service. If the respondent has a significant amount of plant retired at year end which has not beed recorded and/or classified to the various reserve functional classifications, make preliminary closing entries to tentatively functionalize the book cost of the plant retired. In In addition, include all costs includedin retirement work in progress at at year end in the appropriate functional classifications.
4. Show separately interest credits under a sinking fund or similar method of depreciation accounting.
5. At lines 7 and 14, add rows as necessary to report all data. Additional rows should be numbered in sequence, e.g., 7.01, 7.02, etc.

Section A. Balances and Changes During Year

Line No.	Item (a)	Total (c+d+e) (b)	Gas Plant in Service (c)	Gas Plant Held for Future Use (d)	Gas Plant Leased to Others (e)
1	Balance Beginning of Year	481,402,766	All Gas		
2	Depreciation Provisions for Year, Charged to				
3	(403) Depreciation Expense	43,377,694			
4	(413) Exp. of Gas Plt. Leas. to Others				
5	Transportation Expenses- Clearing				
6	Other Clearing Accounts				
7	Other Accounts (Specify):				
7.01	Transfers and Adjustments	(253,002)			
8	TOTAL Deprec. Prov. for Year (Total of lines 3 thru 7.?)	43,124,692			
9	Net Charges for Plant Retired:				
10	Book Cost of Plant Retired	9,373,974			
11	Cost of Removal				
12	Salvage	603,452			
13	TOTAL Net Chrgs. for Plant Ret. (Total of lines 10 thru 12)	9,977,426			
14	Other Debit or Credit Items (Describe):				
14.01	R.W.I.P.	852,387			
15	Balance End of Year (Total of lines 1, 8, 13, 14 to 14.?)	515,402,420			
	Section B. BALANCES AT YEAR END ACCORDING TO FUNCTIONAL CLASSIFICATIONS				
16	Production-Manufactured Gas				
17	Production and Gathering-Natural Gas				
18	Products Extraction-Natural Gas				
19	Underground Gas Storage				
20	Other Storage Plant				
21	Base Load LNG Terminaling and Processing Plant				
22	Transmission				
23	Distribution				
24	General				
25	TOTAL (Enter Total of lines 18				

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year Ending
Atmos Energy Corporation	[X] An Original [ ] A Resubmission		Dec. 31, 1998

GAS STORED (ACCOUNTS 117.1, 117.2, 117.3, 117.4, 164.1, 164.2, AND 164.3)

1. If during the year adjustments were made to the stored gas inventory reported in columns (d), (f), (g), and (h) (such as to correct cumulative inaccuracies of gas measurements), explain in a footnote the reason for the adjustments, the Dth and dollar amount of adjustment, and account charged or credited.

2. Report in column (e) all encroachments during the year upon the volumes designated as base gas, column (b), and system balancing gas, column (c), and gas prperty recordable in the plant accounts.

3. State in a footnote the basis of segregation of inventory between current and noncurrent portions. Also, state in a footnote the method used to report storage (i.e., fixed asset method or inventory method).

Line No.	Description (a)	(Account 117.1) (b)	(Account 117.2) (c)	Noncurrent (Account 117.3) (d)	(Account 117.4) (e)	Current (Account 164.1) (f)	LNG (Account 164.2) (g)	LNG (Account 164.3) (h)	Total (i)
1	Balance at Beginning of Year	2,282,149				36,986,860	1,749,390		41,018,399
2	Gas Delivered to Storage					41,377,186	544,578		41,921,764
3	Gas Withdrawn from Storage					38,079,775	653,290		38,733,065
4	Other Debits and Credits								
5	Balance at End of Year	2,282,149				40,284,271	1,640,678		44,207,098
6	Dth	6,696,857				11,907,394	656,938		19,261,189
7	Amount per Dth	0.34				3.38	2.50		2.30

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Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year of Report
Atmos Energy Corporation	(1) [X] An Original (2) [ ] A Resubmission		December 31, 1998

INVESTMENTS (Accounts 123, 124, 136)

1. Report below investments in Accounts 123, Investments in Associated Companies, 124, Other Investments, and 136, Temporary Cash Investments.

2. Provide a subheading for each account and list thereunder the information called for:

(a) Investment in Securities-List and describe each security owned, giving name of issuer, date acquired and date of maturity. For bonds, also give principal amount, date of issue, maturity, and interest rate. For capital stock (including capital stock of respondent reacquired under a definite plan for resale pursuant to authorization by the Board of Directors, and included in Account 124, Other Investments, state number of shares, class, and series of stock. Minor investments may be grouped by classes. Investments included in Account 136, Temporary Cash Investments, also may be grouped by classes.

(b) Investment Advances-Report separately for each person or company the amounts of loans or investment advances which are properly includable in Account 123. Include advances subject to current repayment in Accounts 145 and 146. With respect to each advance, show whether the advance is a note or open account.

Line No.	Description of Investment (a)	* (b)	Book Cost at Beginning of Year (If book cost is different from cost to respondent, give cost to respondent in a footnote and explain difference. (c)	Purchases or Additions During Year (d)
1	Other Investments A/C 124			
2	Miscellaneous		9,400	0
3				
4				
5	Temporary Cash Investments A/C 136			
6	Principal		2,000,000	1,000,000
7				
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Name of Respondent	This Report is:		Date of Report	Year of Report
Atmos Energy Corporation	(1)	X An Original	(Mo, Da, Yr)	December 31, 1998
	(2)	A Resubmission		

INVESTMENTS (Accounts 123, 124, 136) (Continued)

List each note giving date of issuance, maturity date, and specifying whether note is a renewal. Designate any advances due from officers, directors, stockholders, or employees. Exclude amounts reported on page 229.

3. Designate with an asterisk in column (b) any securities, notes or accounts that were pledged and in a footnote state the name of pledges and purpose of the pledge.

4. If Commission approval was required for any advance made or security acquired, designate such fact in a footnote and give name of Commission, date of authorization, and case or docket number.

5. Report in column (h) interest and dividend revenues from investments including such revenues from securities disposed of during the year.

6. In column (i) report for each investment disposed of during the year the gain or loss represented by the difference between cost of the investment (or the other amount at which carried in the books of account if different from cost) and the selling price thereof, not including any dividend or interest adjustment includable in column (h).

Sales or Other Dispositions During Year (e)	Principal Amount or No. of Shares at End of Year (f)	Book Cost at End of Year (If book cost is different from cost to respondent, give cost to respondent in a footnote and explain difference.) (g)	Revenue for Year (h)	Gain or Loss from Investment Disposed of (i)	Line No.
					1
0	0	9,400	0	0	2
					3
					4
					5
0	0	3,000,000	0	0	6
					7
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Atmos Energy Corporation	X An Original A Resubmission		Dec. 31, 1998

INVESTMENTS IN SUBSIDIARY COMPANIES (Account 123 & 123.1)

1. Report below investments in Accounts 123.1, Investments in Subsidiary Companies.

2. Provide a subheading for each company and list thereunder the information called for below. Sub-total by company and give a total in columns (e), (f), (g) and (h).

(a) Investment in Securities-List and describe each security owned. For bonds give also principal amount, date of issue maturity, and interest rate.

(b) Investment Advances-Report separately the amounts of loans or investment advances which are subject to repayment, but which are not subject to current settlement. With respect to each advance show whether the advance is a note or open account. List each note giving date of issuance, maturity date, and specifying whether note is a renewal.

3. Report separately the equity in undistributed subsidiary earnings since acquisition. The total in column (e) should equal the amount entered for Account 418.1.

Line No.	Description of Investment (a)	Date Acquired (b)	Date of Maturity (c)	Amount of Investment at Beginning of Year (d)
1	Atmos Energy Services, Inc.			1,000
2	EGASCO, Inc.			1,000
3	Enermart, Inc.			1,000
4	TransLa Industrial Gas Company, Inc.	1/86		2,293,048
5	Western Kentucky Gas Resources	12/87		1,604,833
6	UCG Energy Corporation, Inc.	9/97		1,000,000
7	UCG Storage Company, Inc.	9/97		3,452,327
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39				
40			TOTAL	8,353,208

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
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INVESTMENTS IN SUBSIDIARY COMPANIES (Account 123 & 123.1) (Continued)

4. Designate in a footnote, any securities, notes, or accounts that were pledged, and state the name of pledgee and purpose of the pledge.
5. If Commission approval was required for any advance made or security acquired, designate such fact in a footnote and give name of Commission, date of authorization, and case or docket number.
6. Report in column (f) interest and dividend revenues from investments, including such revenues from securities disposed of during the year.
7. In column (h) report for each investment disposed of during the year, the gain or loss represented by the difference between cost of the investment (or the other amount at which carried in the books of account if different from cost) and the selling price thereof, not including interest adjustment includable in column (f).
8. Report on Line 40, column (a) the total cost of Account 123.1.

Equity in Subsidiary Earnings for Year (e)	Revenues for Year (f)	Amount of Investment at End of Year (g)	Gain or Loss from Investment Disposed of (h)	Line No.
0	0	1,000	0	1
0	0	1,000	0	2
0	0	1,000	0	3
0	0	2,293,048	0	4
0	0	1,604,833	0	5
0	0	1,000,000	0	6
0	0	3,452,327	0	7
				8
				9
				10
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0	0	8,353,208	0	36

Name of Respondent	This Report is:	Date of Report	Year of Report
Atmos Energy Corporation	(1) [X] An Original (2) [ ] A Resubmission	(Mo, Da, Yr)	Dec. 31, 1998

PREPAYMENTS (Account 165)

1. Report below the particulars (details) on each prepayment.

Line No.	Nature of Prepayment (a)	Balance at End of Year (In Dollars) (b)
1.	Prepaid Insurance	1,359,585
2.	Prepaid Rents	284,592
3.	Prepaid Taxes	491,324
4.	Prepaid Interest	40,833
5.	Miscellaneous Prepayments	1,150,859
6.	TOTAL	3,327,193

EXTRAORDINARY PROPERTY LOSSES (Account 182.1)

Line No.	Description of Extraordinary Loss [Include the date of loss, the date of Commission authorization to use Account 182.1 and period of amortization (mo, yr, to my, yr)] Add rows as necessary to report all data. (a)	Balance at Beginning of Year (b)	Total Amount of Loss (c)	Losses Recognized During Year (d)	Written off During Year: Account Charged (e)	Written off During Year: Amount (f)	Balance at End of Year (g)
7	None						
8							
9							
10							
11							
12							
13							
14							
15	TOTAL						

UNRECOVERED PLANT AND REGULATORY STUDY COSTS (182.2)

Line No.	Description of Unrecovered Plant and Regulatory Study Costs [Include in the description of costs, the date of Commission authorization to use Account 182.2 and period of amortization (mo, yr, to mo, yr)] Add rows as necessary to report all data. Number rows in sequence beginning with the next row number after the last row number used for extraordinary property losses. (a)	Balance at Beginning of Year (b)	Total Amount of Charges (c)	Costs Recognized During Year (d)	Written off During Year: Account Charged (e)	Written off During Year: Amount (f)	Balance at End of Year (g)
16	None						
17							
18							
19							
20							
21							
22							
23							
24							
25							
26	TOTAL						

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Name of Respondent	This Report is:	Date of Report	Year of Report
Atmos Energy Corporation	(1) [X] An Original (2) [ ] A Resubmission	(Mo, Da, Yr)	Dec. 31, 1998

OTHER REGULATORY ASSETS (Account 182.3)

1. Report below particulars (details) called for concerning other regulatory assets which are created through the rate making actions of regulatory agencies (and not includable in other amounts).
2. For regulatory assets being amortized, show period of amortization in column (a).
3. Minor items (5% of the Balance at End of year for Account 182.3 or amounts less than $50,000, whichever is less) may be grouped by classes.

Line No.	Description and Purpose of Other Regulatory Assets (a)	Debits (b)	Credits Account Charged (c)	Credits Amount (d)	Balance at End Of Year (e)
1					
2	NONE				
3					
4					
5					
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43					
44	TOTAL				

Name Of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Atmos Energy Corporation	(1) [X] An Original (2) [ ] A Resubmission		Dec. 31, 1998

MISCELLANEOUS DEFERRED DEBITS (Account 186)

[illegible]eport below the details called for concerning miscellaneous [illegible]d debits.

2. For any deferred debit being amortized, show period of amortization in column (a).

3. Minor items (less than $250,000) may be grouped by classes.

Line No.	Description of Miscellaneous Deferred Debits (a)	Balance at Beginning of Year (b)	Debits (c)	CREDITS Account Charged (d)	CREDITS Amount (e)	Balance at End Of Year (f)
1	Advanced Payments to Employees	384,136	289,364		0	673,500
2	Car Allowances (amort on calendar year)	330,615	7,435	921	229,736	108,314
3	Deferred take or pay - GGC	329,243	165,090	803 / 804	28,296	466,037
4	Quality Review - CIS Project	389,294	0	921	388,969	325
5	Lincoln Center Rent	208,199	132,418		0	340,617
6	Misc. Charges to be Cleared Currently	173,256	131,913	various	2,126,263	(1,821,094)
7	Other Work in Progress	94,793	327,568		0	422,361
8	Pension Assets	10,680,349	4,282,409	926	668,794	14,293,964
9	Over/Under-Collected Gas Purchases	4,049,137	0	803 / 804	5,365,917	(1,316,780)
10	Restricted Stock Grant Plan	5,686,224	1,809,077	921	1,335,874	6,159,427
11	Retirement Costs	21,603,186	1,994,581		0	23,597,767
12	TransLa Lawsuit & Post-Settlement	1,337,835	0	923	571,712	766,123
13	UCGC Merger and Acquisition Costs	42,819,807	18,976,401		0	61,796,208
14	Accum Amort for UCGC Acquisition	(20,334,000)	0	921	1,410,000	(21,744,000)
15	HR Total Rewards Study	0	989,834			989,834
16	Shared Services Best Practices Initiative	0	610,080			610,080
17	Marketing Initiative	0	1,764,080			1,764,080
18	Oracle Financial Project	0	2,479,643		0	2,479,643
19	Income Tax Recoverable in Future Years	3,422,157	0	409	3,422,157	0
20	UCGC Environmental and Other	7,934,795	121,935	923	2,392,192	5,664,538
21	Minor Items Less Than $250,000	59,624	119,949	various	55,340	124,233
22						
23						
24						
25						
26						
27						
28						
29						
30						
31						
32						
33						
34						
35						
36	Subtotal		34,201,777		17,995,250	
37						
38						
39						
40	TOTAL	79,168,650				95,375,177

Name of Respondent	This Report Is:	Date of Report	Year of Report
Atmos Energy Corporation	(1) [X] An Original (2) [ ] A Resubmission	(Mo, Da, Yr)	Dec. 31, 1998

ACCUMULATED DEFERRED INCOME TAXES (Account 190)

1. Report the information called for below concerning the respondent's accounting for deferred income taxes.

2. At Other (Specify), include deferrals relating to other income and deductions.

3. At lines 4 and 6, add rows as necessary to report all data. Number the additional rows in sequence 4.01, 4.02, etc., and 6.01 6.02, etc.

Line No.	Account Subdivisions (a)	Balance at Beginning of Year (b)	CHANGES DURING YEAR Amounts Debited to Account 410.1 (c)	CHANGES DURING YEAR Amounts Credited to Account 411.1 (d)
1	Account 190			
2	Electric			
3	Gas	NOT APPLICABLE		
4	Other (Define)			
5	Total (Total of lines 2 thru 4)			
6	Other (Specify)			
6.01				
6.02				
7	TOTAL Account 190 (Total of lines 5 thru 6.?)			
8	Classification of TOTAL			
9	Federal Income Tax			
10	State Income Tax			
11	Local Income Tax			

Name of Respondent	This Report is:	Date of Report	Year of Report
Atmos Energy Corporation	(1) [X] An Original (2) [ ] A Resubmission	(Mo, Da, Yr)	Dec. 31, 1998

ACCUMULATED DEFERRED INCOME TAXES (Account 190) (Continued)

4. If more space is needed, use separate pages as required.

5. In the space provided below, identify by amount and classification, significant items for which deferred taxes are being provided. Indicate insignificant amounts listed under "Other."

CHANGES DURING YEAR		ADJUSTMENTS					
		DEBITS		CREDITS			
Amounts Debited to Account 410.2 (e)	Amounts Credited to Account 411.2 (f)	Acct No (g)	Amount (h)	Acct No (i)	Amount (j)	Balance at End of Year (k)	Line No
							1
							2
							3
							4
							5
							6
							6.01
							6.02
							7
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							10
							11

Name of Respondent	This Report Is	Date of Report (Mo, Da, Yr)	Year of Report
Atmos Energy Corporation	(1) [X] An Original (2) [ ] A Resubmission		Dec. 31, 1998

CAPITAL STOCK (Accounts 201 and 204)

1. Report below the details called for concerning common and preferred stock at end of year, distinguishing separate series of any general class. Show separate totals for common and preferred stock.

2. Entries in column (b) should represent the number of shares authorized by the articles of incorporation as amended to end of year.

3. Give details concerning shares of any class and series of stock authorized to be issued by a regulatory commission which have not yet been issued.

Line No.	Class and Series of Stock and Name of Stock Exchange (a)	Number of Share Authorized by Charter (b)	Par or Stated Value Per Share (c)	Call Price at End of Year (d)
1				
2	Common stock - NYSE - ATO	75,000,000	0.005	
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Name of Respondent	This Report Is:	Date of Report	Year of Report
Atmos Energy Corporation	(1) [X] An Original (2) [ ] A Resubmission	(Mo,Da,Yr)	Dec. 31, 1998

CAPITAL STOCK (Accounts 201 and 204) (Continued)

4. The identification of each class of preferred stock should show the dividend rate and whether the dividends are cumulative or noncumulative.
5. State in a footnote if any capital stock that has been nominally issued is nominally outstanding at end of year.
6. Give particulars (details) in column (a) of any nominally issued capital stock, reacquired stock, or stock in sinking and other funds which is pledged, stating name of pledgee and purpose of pledge.

OUTSTANDING PER BALANCE SHEET (Total amount outstanding without reduction for amounts held by respondent)		HELD BY RESPONDENT				
		AS REACQUIRED STOCK (Account 217)		IN SINKING AND OTHER FUNDS		Line No.
Shares (e)	Amount (f)	Shares (g)	Cost (h)	Shares (i)	Amount (j)	
						1
30,624,356	153,122					2
						3
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Name of Respondent	This Report Is:	Date of Report	Year of Report
Atmos Energy Corporation	(1) [X] An Original (2) [ ] A Resubmission	(Mo, Da, Yr)	Dec. 31, 1998

CAPITAL STOCK SUBSCRIBED, CAPITAL STOCK LIABILITY FOR CONVERSION, PREMIUM ON CAPITAL STOCK, AND INSTALLMENTS RECEIVED ON CAPITAL STOCK
(Accounts 202, 203, 205, 206, 207, and 212)

1. Show for each of the above accounts the amounts applying to each class and series of capital stock.
2. For Account 202, Common Stock Subscribed, and Account 205, Preferred Stock Subscribed, show the subscription pice and the balance due on each class at the end of year.
3. Describe in a footnote the agreement and transactions under which a conversion liability existed under Account 203, Common Stock Liability for Conversion, or Account 206, Preferred Stock Liability for Conversion, at the end of year.
4. For Premium on Account 207, Capital Stock, designate with an asterisk in column (b), any amounts representing the excess of consideration received over stated values of stocks without par value.

Line No.	Name of Account and Description of Item (a)	* (b)	Number of Shares (c)	Amount (d)
1				
2	NONE			
3				
4				
5				
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40	TOTAL		0	0

Name of Respondent	This Report Is:	Date of Report	Year of Report
Atmos Energy Corporation	[X] An original [ ] A Resubmission	(Mo, Da, Yr)	Dec. 31, 1998

OTHER PAID-IN CAPITAL (Accounts 208-211)

Report below the balance at the end of the year and the information specified below for the respective other paid-in capital accounts. Provide a subheading for each account and show a total for the account, as well as a total of all accounts for reconciliation with the balance sheet, page 112. Explain changes made in any account during the year and give the accounting entries effecting such change.

(a) Donations Received from Stockholders (Account 208) - State amount and briefly explain the origin and purpose of each donation.

(b) Reduction in Par or Stated Value of Capital Stock (Account 209) State amount and briefly explain the capital changes that gave rise to amounts reported under this caption including identification with the class and series of stock to which related.

(c) Gain on Resale or Cancellation of Reacquired Capital Stock (Account 210)-Report balance at beginning of year, credits, debits, and balance at end of year with a designation of the nature of each credit and debit identified by the class and series of stock to which related.

(d) Miscellaneous Paid-In Capital (Account 211) - Classify amounts included in this account according to captions that, together with brief explanations, disclose the general nature of the transactions that gave rise to the reported amounts.

Line No.	Item (a)	Amount (b)
1	Miscellaneous Paid-In Capital A/C 211	
2	Amounts paid for common stock in excess of the $0.005 stated value.	278,173,251
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40	TOTAL	278,173,251

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Atmos Energy Corporation	[X] An original [ ] A Resubmission		Dec. 31, 1998

DISCOUNT ON CAPITAL STOCK (Account 213)

1. Report the balance at end of year of discount on capital stock for each class and series of capital stock. Use as many rows as necessary to report all data.

2. If any change occurred during the year in the balance with respect to any class or series of stock, attach a statement giving details of the change. State the reason for any charge-off during the year and specify the amount charged.

Line No.	Class and Series of Stock (a)	Balance at End of Year (b)
1	Not applicable	
2		
3		
4		
5		
6		
7		
8		
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10		
11		
12		
13		
14		
15	TOTAL	0

CAPITAL STOCK EXPENSE (Account 214)

1. Report the balance at end of year of capital stock expenses for each class and series of capital stock. Use as many rows as necessary to report all data. Number the rows in sequence starting from the last row number used for Discount on Capital Stock above.

2. If any change occurred during the year in the balance with respect to any class or series of stock, attach a statement giving details of the change. State the reason for any charge-off of capital stock expense and specify the account charged.

Line No.	Class and Series of Stock (a)	Balance at End of Year (b)
16	Not applicable	
17		
18		
19		
20		
21		
22		
23		
24		
25		
26		
27		
28		
29	TOTAL	0

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Atmos Energy Corporation	[X] An original [ ] A Resubmission		Dec. 31, 1998

SECURITIES ISSUED OR ASSUMED AND SECURITIES REFUNDED OR RETIRED DURING THE YEAR

1. Furnish a supplemental statement briefly describing security financing and refinancing transactions during the year and the accounting for the securities, discounts, premiums, expenses, and related gains or losses. Identify as to Commission authorization numbers and dates.

2. Provide details showing the full accounting for the total principal amount, par value, or stated value of each class and series of security issued, assumed retired, or refunded and the accounting for premiums, discounts , expenses, and gains or losses relating to the securities. Set forth the facts of the accounting clearly with regard to redemption premiums, unamortized discounts, expenses, and gains or losses relating to securities retired or refunded, including the accounting for such amounts carried in the respondent's accounts at the date of the refunding or refinancing transactions with respect to securities previously refunded or retired.

3. Include in the identification of each class and series of security, as appropriate, the interest or dividend rate, nominal date of issuance, maturity date, aggregate principal amount, par value or stated value, and number of shares. Give also the issuance of redemption price and name of the principal underwriting firm through which the security transactions were consummated.

4. Where the accounting for amounts relating to securities refunded or retired is other than that specified in General Instruction 17 of the Uniform System of Accounts, give references to the Commission authorization for the different accounting and state the accounting method.

5. For securities assumed, give the name of the company for which the liability on the securities was assumed as well as details of the transactions whereby the respondent undertook to pay obligations of another company. If any unamortized discount, premiums, expenses, and gains or losses were taken over onto the respondent's books, furnish details of these amounts with amounts relating to refunded securities clearly earmarked.

Securities Issued in 1998:	Number of Shares	Stated Value
Common Stock with stated value $0.005:		
Employee Stock Option Plan (ESOP)	56,716	272
Director's Fees	2,113	11
Direct Stock Purchase Plan (DSPP)	606,642	3,045
Restricted Stock Grant Plan	60,000	300
Stock Options	47,950	240
Total	773,421	3,867

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Atmos Energy Corporation	X An Original A Resubmission		Dec. 31, 1998

LONG-TERM DEBT (Accounts 221, 222, 223, and 224)

1. Report by balance sheet Account the details concerning long-term debt included in Accounts 221, Bonds, 222, Reacquired Bonds, 223, Advances from Associated Companies, and 224, Other Long-Term Debt.

2. For bonds assumed by the respondent, include in column (a) the name of the issuing company as well as a description of the bonds.

3. For advances from Associated Companies, report separately advances on notes and advances on open accounts. Designate demand notes as such. Include in column (a) names of associated companies from which advances were received.

4. For receivers' certificates, show in column (a) the name of the court and date of court order under which such certificates were issued.

Line No.	Class and Series of Obligation and Name of Stock Exchange (a)	Nominal Date of Issue (b)	Date of Maturity (c)	Outstanding (Total amount outstanding without reduction for amounts held by respondent) (Acct. 221) (d)
1	Long-Term Senior Notes:			
2	Unsecured 11.20% notes	12/87	12/02	8,000,000
3	Unsecured 9.76% notes	10/89	12/04	18,000,000
4	Unsecured 9.57% notes	9/91	9/06	16,000,000
5	Unsecured 7.95% notes	8/92	8/06	8,000,000
6	Unsecured 10.00% notes	12/91	12/11	1,151,654
7	Unsecured 10.00% notes	12/91	12/11	1,151,654
8	Unsecured 8.07% notes	11/94	10/06	20,000,000
9	Unsecured 8.26% notes	11/94	10/14	20,000,000
10	Unsecured 6.09% notes	11/96	11/98	0
11	Unsecured 6.75% debentures	7/98	7/28	150,000,000
12				
13	Long-Term Debt A/C 221:			
14	FMB Series J, 9.40%	4/91	5/21	17,000,000
15	FMB Series N, 8.69%	3/87	3/00	3,000,000
16	FMB Series P, 10.43%	10/87	11/17	22,500,000
17	FMB Series Q, 9.75%	4/90	4/20	20,000,000
18	FMB Series R, 11.32%	12/89	5/04	12,860,000
19	FMB Series T, 9.32%	6/91	6/21	18,000,000
20	FMB Series U, 8.77%	5/92	5/22	20,000,000
21	FMB Series V, 7.50%	9/92	12/07	10,000,000
22				
23	Medium-Term Notes:			
24	MTN, Series A, 1995-1, 6.67%	12/95	12/05	10,000,000
25	MTN, Series A, 1995-2, 6.27%	12/95	12/10	10,000,000
26	MTN, Series A, 1995-3, 6.20%	12/95	12/00	2,000,000
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39				
40	TOTAL			387,663,308

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Atmos Energy Corporation	X An Original A Resubmission	March 31,1999	Dec. 31, 1998

LONG-TERM DEBT (Accounts 221, 222, 223, and 224) (Continued)

5. In a supplemental statement, give explanatory details for Accounts 223 and 224 of net changes during the year. With respect to long-term advances, show for each company: (a) principal advanced during year, (b) interest added to principal amount, and (c) principal repaid during year. Give Commission authorization numbers and dates.
6. If the respondent has pledged any of its long-term debt securities, give particulars (details) in a footnote, including name of the pledgee and purpose of the pledge.
7. If the respondent has any long-term securities which have been nominally issued and are nominally outstanding at end of year, describe such securities in a footnote.
8. If interest expense was incurred during the year on any obligations retired or reacquired before end of year, include such interest expense in column (f). Explain in a footnote any difference between the total of column (f) and the total of Account 427, Interest on Long-Term Debt and Account 430, Interest on Debt to Associated Companies.
9. Give details concerning any long-term debt authorized by a regulatory commission but not yet issued.

INTEREST FOR YEAR		HELD BY RESPONDENT			
Rate (in %) (e)	Amount (Acct. 427) (f)	Reacquired Bonds (Acct. 222) (g)	Sinking and Other Funds (Acct. 242) (h)	Redemption Price Per $100 at End of Year (i)	Line No.
					1
11.20%	1,120,000.00			100% + 0 bps	2
9.76%	2,050,001.10			100% + 50 bps	3
9.57%	1,626,900.00			100% + 50 bps	4
7.95%	662,499.00			N/A	5
10.00%	115,165.41			N/A	6
10.00%	115,165.41			N/A	7
8.07%	1,607,367.12			N/A	8
8.26%	1,645,211.00			N/A	9
6.09%	2,456,300.01			N/A	10
6.75%	4,359,375.00			make whole + 25 bps	11
					12
					13
9.40%	1,597,999.98			make whole + 50 bps	14
8.69%	271,697.05			101.862%	15
10.43%	2,717,491.69			N/A	16
9.75%	2,032,256.43			100% + make whole	17
11.32%	1,553,627.12			100% + make whole	18
9.32%	1,748,365.84			100% + make whole	19
8.77%	1,827,988.83			100% + make whole	20
7.50%	781,637.09			100% + make whole	21
					22
					23
6.67%	500,249.97			N/A	24
6.27%	470,250.00			N/A	25
6.20%	92,999.97			N/A	26
					27
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	29,352,548.02				40

Name of Respondent	This Report Is:	Date of Report	Year of Report
Atmos Energy Corporation	[X] An Original [ ] A Resubmission	(Mo, Da, Yr)	Dec. 31, 1998

UNAMORTIZED DEBT EXPENSE, PREMIUM AND DISCOUNT ON LONG-TERM DEBT (Accounts 181, 225, 226)

1. Report under separate subheadings for Unamortized Debt Expense, Unamortized Premium on Long-Term Debt and Unamortized Discount on Long-Term Debt, details of expense, premium or discount applicable to each class and series of long-term debt.
2. Show premium amounts by enclosing the figures in parenthesis.
3. In column (b) show the principal amount of bonds or other long-term debt originally issued.
4. In column (c) show the expense, premium or discount with respect to the amount of bonds or other long-term debt originally issued.

Line No.	Designation Long-Term Debt (a)	Principal Amount of Debt Issued (b)	Total Expense, Premium or Discount (c)	AMORTIZATION PERIOD Date From (d)	Date To (e)
1	Unamortized Debt Discount:				
2	Unsecured 11.20% notes	20,000,000	121,305	12/87	12/02
3	Unsecured 9.76% notes	30,000,000	201,875	10/89	12/04
4	Unsecured 9.57% notes	20,000,000	119,021	9/91	9/06
5	Unsecured 7.95% notes	10,000,000	55,081	8/92	8/06
6	Unsecured 10.00% notes	1,151,654	0	12/91	12/11
7	Unsecured 10.00% notes	1,151,654	0	12/91	12/11
8	Unsecured 8.07% notes	20,000,000	118,992	11/94	10/06
9	Unsecured 8.26% notes	20,000,000	118,992	11/94	10/14
10	Unsecured 6.75% debentures	150,000,000	2,998,146	7/98	7/28
11	FMB Series J, 9.40%	17,000,000	690,969	4/91	5/21
12	FMB Series N, 8.69%	20,000,000	236,460	3/87	3/00
13	FMB Series P, 10.43%	25,000,000	422,000	10/87	11/17
14	FMB Series Q, 9.75%	20,000,000	357,579	4/90	4/20
15	FMB Series R, 11.32%	15,000,000	881,377	12/89	5/04
16	FMB Series T, 9.32%	18,000,000	154,687	6/91	6/21
17	FMB Series U, 8.77%	20,000,000	436,886	10/92	5/22
18	FMB Series V, 7.50%	10,000,000	215,732	5/92	12/07
19	MTN, Series A, 1995-1 , 6.67%	10,000,000	233,308	12/95	12/05
20	MTN, Series A, 1995-2, 6.27%	10,000,000	230,807	12/95	12/10
21	MTN, Series A, 1995-3 , 6.20%	2,000,000	44,671	12/95	12/00
22	TN/VA Acquisition		370,869		
23	Shelf registration		122,057		
24					
25					
26					
27					
28					
29					
30					
31					
32					
33					
34					
35					
36					
37					
38					
39					
40	TOTAL	439,303,308	8,130,814		

Name of Respondent	This Report Is:	Date of Report (Mo,Da,Yr)	Year of Report
Atmos Energy Corporation	(1) [X] An Original (2) [ ] A Resubmission		Dec. 31, 1998

UNAMORTIZED DEBT EXPENSE, PREMIUM AND DISCOUNT ON LONG-TERM DEBT
(Accounts 181, 225, 226)

5. Furnish in a *footnote* details regarding the treatment of unamortized debt expense, premium or discount associated with issues redeemed during the year. Also, give in a footnote the date of the Commission's authorization of treatment other than as specified by the Uniform System of Accounts.

6. Identify separately undisposed amounts applicable to issues which were redeemed in prior years.

7. Explain any debits and credits other than amortization debited to Account 428, Amortization of Debt Discount and Expense, or credited to Account 429, Amortization of Premium on Debt-Credit.

Balance at Beginning of Year (f)	Debits During Year (Acct. 181) (g)	Credits During Year (Acct. 181) (h)	Balance at End of Year (i)	Line No.
				1
41,121	0	8,224	32,897	2
89,172	0	14,862	74,310	3
70,331	0	8,115	62,216	4
34,718	0	4,006	30,712	5
0	0	0	0	6
0	0	0	0	7
88,825	0	10,056	78,769	8
100,993	0	6,000	94,993	9
0	2,998,146	39,207	2,958,940	10
530,478	0	22,574	507,904	11
65,686	0	15,765	49,921	12
243,464	0	12,224	231,240	13
267,809	0	11,837	255,972	14
389,081	0	62,254	326,827	15
120,428	0	5,143	115,285	16
359,668	0	14,780	344,888	17
146,947	0	14,780	132,167	18
218,674	0	7,790	210,884	19
201,823	0	15,441	186,382	20
27,774	0	9,046	18,728	21
136,883	0	28,167	108,716	22
0	0	0	0	23
				24
				25
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3,133,875	2,998,146	310,270	5,821,751	40

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Atmos Energy Corporation	(1) [X] An Original (2) [ ] A Resubmission		Dec. 31, 1998

UNAMORTIZED LOSS AND GAIN ON REACQUIRED DEBT (Accounts 189, 257)

1. Report under separate subheadings for Unamortized Loss and Unamortized Gain on Reacquired Debt, details of gain and loss, including maturity date, on reacquisition applicable to each class and series of long-term debt. If gain or loss resulted from a refunding transaction, include also the maturity date of the new issue.
2. In column (c) show the principal amount of bonds or other long-term debt reacquired.
3. In column (d) show the net gain and net loss realized on each debt reacquisition as computed in accordance with General Instruction 17 of the Uniform Systems of Accounts.
4. Show loss amounts by enclosing the figures in parentheses.
5. Explain in a footnote any debits and credits other than amortization debited to Account 428.1, Amortization of Loss on Reacquired Debt, or credited to Account 429.1, Amortization of Gain on Reacquired Debt-Credit.

Line No.	Designation of Long-Term Debt (a)	Date Reacquired (b)	Principal of Debt Reacquired (c)	Net Gain or Net Loss (d)	Balance at Beginning of Year (e)	Balance at End of Year (f)
1	NONE					
2						
3						
4						
5						
6						
7						
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Name of Respondent	This Report Is:	Date of Report	Year of Report
Atmos Energy Corporation	(1) [X] An Original (2) [ ] A Resubmission	(Mo, Da, Yr)	Dec. 31, 1998

RECONCILIATION OF REPORTED NET INCOME WITH TAXABLE INCOME FOR FEDERAL INCOME TAXES

1. Report the reconciliation of reported net income for the year with taxable income used in computing Federal income tax accruals and show computation of such tax accruals. Include in the reconciliation, as far as practicable, the same detail as furnished on Schedule M-1 of the tax return for the year. Submit a reconciliation even though there is no taxable income for the year. Indicate clearly the nature of each reconciling amount.

2. If the utility is a member of a group which files consolidated Federal tax return, reconcile reported net income with taxable net income as if a separate return were to be filed, indicating, however, intercompany amounts to be eliminated in such a consolidated return. State names of group members, tax assigned to each group member, and basis of allocation, assignment, or sharing of the consolidated tax among the group members.

Line No.	Particulars (Details) (a)	Amount (b)
1	**Net Income for the Year as of 9/30/98**	38,320,930
2	**Reconciling Items for the Year**	
3	**Taxable Income Not Reported on Books**	
4	Contributions in Aid of Construction	698,846
5	Deferred Gain	250,000
6	Take or Pay	(92,463)
7	Deferred Rate Case Expenses	464,966
8	UNICAP	(40,177)
9	Deferred Gas Cost	45,348,480
10	Other, Net	818,863
11	**Deductions Recorded on Books Not Deducted for Return**	
12	FIT Expense	27,906,000
13	Bad Debt Reserve Adjustments	(1,083,906)
14	Nondeductible SFAS 106 Expense	11,732,463
15	Accrued Pension	3,695,274
16	Accrued Performance Plans	700,000
17	Restricted Stock Grant Plan	1,013,672
18	Accrued SERP Plan	3,371,509
19	Meals and Entertainment	248,759
20	Club Dues	14,213
21	Other, Net	969,320
22	**Income Recorded on Books Not Included in Return**	
23	Increase in CSV of Life Insurance Policies	(1,315,016)
24	Allowance for funds Used During Construction	(4,114,246)
25	Dividends	(475,000)
26	**Deductions on Return Not Charged Against Book Income**	
27	Dividends Paid to ESOP	(1,986,061)
28	Tax Depreciation in Excess of Book Depreciation	(33,678,309)
29	Amortization of Builder Program Payments	(392,862)
30	Accrued Self-Insurance	(1,733,038)
31	**Federal Tax Net Income**	90,642,217
32	**Show Computation of Tax:**	
33	Federal Tax Net Income	90,642,217
34	Federal Income Tax Rate	35%
35	Federal Income Tax Liablility as of 9/30/98	31,724,776
36		

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Atmos Energy Corporation	X An Original A Resubmission		Dec. 31, 1998

TAXES ACCRUED, PREPAID AND CHARGED DURING THE YEAR

1. Give details of the combined prepaid and accrued tax accounts and show the total taxes charged to operations and other accounts during the year. Do not include gasoline and other sales taxes which have been charged to the accounts to which the taxed material was charged. If the actual or estimated amounts of such taxes are known, show the amounts in a footnote and designate whether estimated or actual amounts.

2. Include on this page, taxes paid during the year and charged direct to final accounts, (not charged to prepaid or accrued taxes). Enter the amounts in both columns (d) and (e). The balancing of this page is not affected by the inclusion of these taxes.

3. Include in column (d) taxes charged during the year, taxes charged to operations and other accounts through (a) accruals credited to taxes accrued, (b) amounts credited to the portion of prepaid taxes chargeable to current year, and (c) taxes paid and charged direct to operations or accounts other than accrued and prepaid tax accounts.

4. List the aggregate of each kind of tax in such manner

Line No.	Kind of Tax (See Instruction 5) (a)	BALANCE AT BEGINNING OF YEAR. Taxes Accrued (Account 236) (b)	Prepaid Taxes (Incl. in Account 165) (c)
1	FICA	267,582	
2	FUTA	30,257	
3	SUTA	74,000	
4	Property and Other	7,597,827	
5	Franchise	2,043,442	
6	Gross Receipts	137,181	
7	Use Tax	89,161	
8	Federal Income	(4,150,488)	
9	State Income	(2,458,304)	
10			
11			
12			
13			
14			
15			
16			
17			
18	TOTAL	3,630,658	0

DISTRIBUTION OF TAXES CHARGED (Show utility department where applicable and account charged.)

Line No.	Electric Account 408.1, 409.1) (i)	Gas (Account 408.1 409.1) (j)	Other Utility Departments (Account 408.1, 409.1) (k)	Other Income and Deductions (Account 408.2, 409.2) (l)
1				
2		15,472,690		
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14	TOTAL	15,472,690		0

Name of Respondent	This Report Is:	Date of Report	Year of Report
Atmos Energy Corporation	X An Original A Resubmission	(Mo, Da, Yr)	Dec. 31, 1998

TAXES ACCRUED, PREPAID AND CHARGED DURING THE YEAR

that the total tax for each State and subdivision can readily be ascertained.

5. If any tax (exclude Federal and state income taxes) covers more than one year, show the required information separately for each tax year, identifying the year in column (a).

6. Enter all adjustments of the accrued and prepaid tax accounts in column (f) and explain each adjustment in a footnote. Designate debit adjustments by parentheses.

7. Do not include on this page entries with respect to deferred income taxes or taxes collected through payroll deductions or otherwise pending transmittal of such taxes to the taxing authority.

8. Show in column (i) thru (p) how the taxed accounts were distributed. Show both the utility department and number of account charged. For taxes charged to utility plant, show the number of the appropriate balance sheet plant account or subaccount.

9. For any tax apportioned to more than one utility department or account, state in a footnote the basis (necessity) of apportioning such tax.

10. Items under $250,000 may be grouped.

Taxes Charged During Year (d)	Taxes Paid During Year (e)	Adjustments (f)	BALANCE AT END OF YEAR: Taxes Accrued (Account 236) (g)	BALANCE AT END OF YEAR: Prepaid Taxes (Incl. in Account 165) (h)	Line No.
6,012,265	6,138,308		141,539		1
124,714	144,314		10,657		2
159,131	107,865		125,266		3
1,662,798	4,190,340		5,070,285		4
389,276	809,201		1,623,517		5
143,407	155,333		125,255		6
137,588	29,506		197,243		7
3,345,652	1,558,041		(2,362,877)		8
3,497,859	636,704		402,851		9
					10
					11
					12
					13
					14
					15
					16
					17
15,472,690	13,769,612	0	5,333,736	0	18

DISTRIBUTION OF TAXES CHARGED (Show utility department where applicable and account charged.)

Extraordinary Items (Account 409.3) (m)	Other Utility Opn. Income (Account 408.1, 409.1) (n)	Adjustment to Ret. Earnings (Account 439) (o)	Other (p)	Line No.
				1
				2
				3
				4
				5
				6
				7
				8
				9
				10
				11
				12
				13
			0	14

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Atmos Energy Corporation	X An Original A Resubmission		Dec. 31, 1998

MISCELLANEOUS CURRENT AND ACCRUED LIABILITIES (Account 242)

1. Describe and report the amount of other current and accrued liabilities at the end of year.

2. Minor items (less than $250,000) may be grouped under appropriate title.

Line No.	Item (a)	Balance at End of Year (b)
1	UCG P/L Refunds	1,243,357
2	SFAS 106 - OPEB	5,428,449
3	Management Incentive/Variable Pay	801,751
4	Texas Gas Storage	1,512,308
5	Customer Relations	301,876
6	UCG Environmental	1,457,400
7	Income Tax Payable at Future Rates	427,904
8	Minor Items Less Than $250,000	489,995
9		
10		
11		
12		
13		
14		
15		
16		
17		
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44		
45	**TOTAL**	11,663,040

Name of Respondent	This Report Is:	Date of Report	Year of Report
Atmos Energy Corporation	X An Original A Resubmission	(Mo, Da, Yr)	Dec. 31, 1998

OTHER DEFERRED CREDITS (Accounts 253)

1. Report below the details called for concerning other deferred credits.

2. For any deferred credit being amortized, show the period of amotrization.

3. Minor items (less than $250,000) may be grouped by classes.

Line No.	Description of Other Deferred Credits (a)	Balance at Beginning of Year (b)	DEBITS Contra Acct (c)	DEBITS Amount (d)	Credits (e)	Balance at End of Year (f)
1	Outside Directors' Retirement Plan	594,460			846,885	1,441,345
2	SFAS 106 - OPEB	6,376,441		15,499,582	28,014,491	18,891,350
3	SFAS 109 - Regulatory liability	2,291,235	409	71,670	23,954	2,243,518
4	Regulatory Liability - ITC - GGC	5,087,957	409	4,785,692	30,063	332,328
5	Retirement Cost	21,339,269			3,510,358	24,849,627
6	Balance Sheet Reserve	0			560,000	560,000
7	UCG Deferred Tax Recovery	6,000	409	3,319,299	5,741,084	2,427,785
8	Minor Items Less Than $250,000	487,728	various	81,110	96,419	503,037
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36	TOTAL	36,183,090		23,757,354	38,823,254	51,248,990

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Atmos Energy Corporation	[X] An Original [ ] A Resubmission		Dec. 31, 1998

ACCUMULATED DEFERRED INCOME TAXES - OTHER PROPERTY (Account 282)

1. Report the information called for below concerning the respondent's accounting for deferred income taxes relating to property not subject to accelerated amortization.

2. For Other, include deferrals relating to other income and deductions.

Line No.	Account Subdivisions (a)	Balance at Beginning of Year (b)	Amounts Debited to Account 410.1 (c)	Amounts Credited to Account 411.1 (d)
1	Account 282			
2	Electric			
3	Gas	70,363,985	0	0
4	Other (Define)			
5	TOTAL (Enter Total of lines 2 thru 4)	70,363,985	0	0
6	Other (Specify)			
6.01				
6.02				
7.02	TOTAL Account 282 (Enter of lines 5 thru 6.?)	70,363,985	0	0
8.02	Classification of TOTAL			
9.02	Federal Income Tax	70,363,985	0	0
10.02	State Income Tax			
11.02	Local Income Tax			

Name of Respondent Atmos Energy Corporation	This Report Is: X An Original A Resubmission	Date of Report (Mo,Da,Yr)	Year of Report Dec. 31, 1998

ACCUMULATED DEFERRED INCOME TAXES - OTHER PROPERTY (Account 282) (continued)

3. Add rows as necessary to report all data. When rows are added, the additional row numbers should follow in sequence, 4.01, 4.02 and 6.01, 6.01, etc. Use separate pages as required.

CHANGES DURING YEAR		ADJUSTMENTS					
		Debits		Credits		Balance at End of Year	Line No.
Amounts Debited to Account 410.2 (e)	Amounts Credited to Account 411.2 (f)	Account No. (g)	Amount (h)	Account No. (i)	Amount (j)	(k)	
							1
							2
0	0	409	3,805,584		0	66,558,401	3
							4
0	0		3,805,584		0	66,558,401	5
							6
							6.01
							6.02
0	0		3,805,584		0	66,558,401	7
							8
0	0		3,805,584		0	66,558,401	9
							10
							11

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Atmos Energy Corporation	(1) [X] An Original (2) [ ] A Resubmission		Dec. 31, 1998

ACCUMULATED DEFERRED INCOME TAXES - OTHER (Account 283)

1. Report the information called for below concerning the respondent's accounting for deferred income taxes relating to amounts recorded in Account 283.

2. For Other (Specify), include deferrals relating to other

Line No.	Account Subdivisions (a)	Balance at Beginning of Year (b)	CHANGES DURING YEAR: Amounts Debited to Account 410.1 (c)	CHANGES DURING YEAR: Amounts Credited to Account 411.1 (d)
1	Account 283			
2	Electric			
3				
4				
5				
6				
7				
8	Other			
9	TOTAL Electric (Enter Total of lines 3 thru 8)			
10	Gas			
11	Accumulated Deferred State Income Tax	10,796,565	0	0
12				
13				
14				
15				
16	Other			
17	TOTAL Gas (Total of 11 thru 16)	10,796,565	0	0
18	Other (Specify)			
19	TOTAL (Acct 283) (Total of lines 9, 17, and 18)	10,796,565	0	0
20	Classification of TOTAL			
21	Federal Income Tax			
22	State Income Tax	10,796,565	0	0
23	Local Income Tax			

NOTES

Name of Respondent	This Report Is:	Date of Report	Year of Report
Atmos Energy Corporation	(1) [X] An Original (2) [ ] A Resubmission	(Mo,Da,Yr)	Dec. 31, 1998

ACCUMULATED DEFERRED INCOME TAXES - OTHER (Account 283) (Continued)

income and deductions.

3. Provide in the space below explanations for pages 276 and 277. Include amounts relating to insignificant items listed under Other.

4. Use separate pages as required.

CHANGES DURING YEAR		ADJUSTMENTS					
		Debits		Credits			
Amounts Debited to Account 410.2 (e)	Amounts Credited to Account 411.2 (f)	Account Credited (g)	Amount (h)	Account Debited (i)	Amount (j)	Balance at End of Year (k)	Line No.
[redacted]							1
							2
							3
							4
							5
							6
							7
							8
							9
[redacted]							10
0	0	409	685,190		0	10,111,375	11
							12
							13
							14
							15
							16
0	0		685,190		0	10,111,375	17
							18
0	0		685,190		0	10,111,375	19
[redacted]							20
							21
0	0		685,190		0	10,111,375	22
							23

NOTES (Continued)

Name of Respondent	This Report is:	Date of Report (Mo, Da, Yr)	Year of Report
Atmos Energy Corporation	[X] An Original [ ] A Resubmission		Dec. 31, 1998

OTHER REGULATORY LIABILITIES (Account 254)

1. Reporting below the details called for concerning other regulatory liabilities which are created through the rate making actions of regulatory agencies (and not includable in other amounts).
2. For regulatory liabilities being amortized, show period of amortization in column (a).
3. Minor items (5% of the Balance at End of Year for Account 254 or amounts less than $250,000, whichever is less) may be grouped by classes.

Line No.	Description and Purpose of Other Regulatory Assets (a)	Balance at Beginning of Yea (b)	DEBITS Account Credited (c)	DEBITS Amount (d)	Credits (e)	Balance at End Of Year (f)
1	None					
2						
3						
4						
5						
6						
7						
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43						
44						
45	TOTAL					

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Name of Respondent	This Report Is	Date of Report (Mo, Da, Yr)	Year of Report
Atmos Energy Corporation	[X] An Original [ ] A Resubmission		Dec. 31, 1998

GAS OPERATING REVENUES

1. Report below natural gas operating revenues for each prescribed account total. The amounts must be consistent with the detailed data on succeeding pages.
2. Revenues in columns (b) and (c) include transition costs from upstream pipelines.
3. Other Revenues in columns (f) and (g) include reservation charges received by the pipeline plus usage charges, less revenues reflected in columns (b) through (e). Include in columns (f) and (g) revenues for Accounts 480-495.

Line No.	Title of Account	REVENUES for Transition Costs and Take-or-Pay		REVENUES for GRI and ACA	
		Amount for Current Year	Amount for Previous Year	Amount for Current Year	Amount for Previous Year
	(a)	(b)	(c)	(d)	(e)
1	480 - 484 Sales			630,205,394	793,134,655
2	485 Intracompany Transfers				
3	487 Forfeited Discounts				
4	488 Miscellaneous Service Revenues				
5	489.1 Revenues from Transportation of Gas of Others Through Gathering Facilities				
6	489.2 Revenues from Transportation of Gas of Others Through Transmission Facilities				
7	489.3 Revenues from Transportation of Gas of Others Through Distribution Facilities		114,007	25,709,775	23,568,184
8	489.4 Revenues from Storing Gas of Others				
9	490 Sales of Prod. Ext. from Natural Gas				
10	491 Revenues from Natural Gas Proc. by Others				
11	492 Incidental Gasoline and Oil Sales				
12	493 Rent from Gas Property				
13	494 Interdepartmental Rents				
14	495 Other Gas Revenues				
15	Subtotal:	0	114,007	655,915,169	816,702,839
16	496 (Less) Provision for Rate Refunds				
17	TOTAL:	0	114,007	655,915,169	816,702,839

Name of Respondent	This Report Is:	Date of Report (Mo,Da,Yr)	Year of Report
Atmos Energy Corporation	[X] An Original [ ] A Resubmission		Dec. 31, 1998

GAS OPERATING REVENUES (Continued)

4. If increases or decreases from previous year are not derived from previously reported figures, explain any inconsistencies in a footnote.

5. On page 108, include information on major changes during the year, new service, and important rate increases or decreases.

6. Report the revenue from transportation services that are bundled with storage services as transportation service revenue.

OTHER REVENUES		TOTAL OPERATING REVENUES		DEKATHERM OF NATURAL GAS	
Amount for Current Year (e)	Amount for Previous Year (f)	Amount for Current Year (g)	Amount for Previous Year (h)	Amount for Current Year (i)	Amount for Previous Year (j)
		630,205,394	793,134,655	123,449,667	139,514,700
		0	0		
1,420,555	1,775,758	1,420,555	1,775,758		
4,684,112	4,145,283	4,684,112	4,145,283		
		25,709,775	23,682,191	69,141,876	51,280,438
116,920	114,698	116,920	114,698		
45,339	33,385	45,339	33,385		
521,693	511,784	521,693	511,784		
6,788,619	6,580,908	662,703,788	823,397,754		
		0	0		
6,788,619	6,580,908	662,703,788	823,397,754		

Name of Respondent	This Report Is:	Date of Report	Year of Report
Atmos Energy Corporation	X An Original A Resubmission	(Mo, Da, Yr)	Dec. 31, 1998

REVENUES FROM TRANSPORTATION OF GAS OF OTHERS THROUGH GATHERING FACILITIES (ACCOUNT 489.1)

1. Report reveues and the Dth of gas delivered through gathering facilities by zone of receipt (I.e. state in which gas enters respondent's system)

2. Revenues for penalties including penalties for unauthorized overruns must be reported on page 308

Line No.	Rate Schedule and Zone of Receipt	REVENUES for Transition Costs and Take-or-Pay		REVENUES for GRI and ACA	
		Amount for Current Year	Amount for Previous Year	Amount for Current Year	Amount for Previous Year
	(a)	(b)	(c)	(d)	(e)
1	Illinois			540,977	263,039
2	Tennessee			2,709,868	2,440,868
3	South Carolina			315,803	236,447
4	Georgia			2,698,721	2,636,567
5	Virginia			116,784	39,381
6	Missouri			129,447	390,488
7	Iowa			1,321,648	1,569,424
8	Kansas		114,007	4,050,261	3,543,314
9	Texas			2,656,326	2,672,356
10	Louisiana			505,933	409,998
11	Kentucky			8,814,425	7,770,044
12	Colorado			1,849,582	1,596,258
13					
14					
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21					
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23					
24					
25					

Name of Respondent Atmos Energy Corporation	This Report Is: [X] An Original [ ] A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 1998

REVENUES FROM TRANSPORTATION OF GAS OF OTHERS THROUGH GATHERING FACILITIES (Continued)

Other Revenues in columns (f) and (g) include reservation charges received by the pipeline plus usage charges, less revenues reflected in columns (b) through (e)

4. Delivered Dth of gas must not be adjusted for discounting

OTHER REVENUES		TOTAL OPERATING REVENUES		MCF DEKATHERM OF NATURAL GAS		
Amount for Current Year (f)	Amount for Previous Year (g)	Amount for Current Year (h)	Amount for Previous Year (i)	Amount for Current Year (j)	Amount for Previous Year (k)	Line No.
				1,072,217	642,660	1
				4,728,973	3,951,872	2
				605,092	353,485	3
				3,174,508	2,772,632	4
				242,339	87,267	5
				222,405	1,171,775	6
				3,167,899	3,317,414	7
				7,889,066	6,398,948	8
				17,149,081	17,017,950	9
				2,481,710	2,091,692	10
				25,940,938	23,812,321	11
				2,467,648	3,590,376	12
						13
						14
						15
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						25

Name of Respondent	This Report Is:	Date of Report	Year of Report
Atmos Energy Corporation	(X) An Original ( ) A Resubmission	(Mo, Da, Yr)	Dec. 31, 1998

REVENUES FROM TRANSPORTATION OF GAS OF OTHERS THROUGH TRANSMISSION FACILITIES (ACCOUNT 489.2)

1. Report revenues and Dth of gas delivered by Zone of Delivery by Rate Schedule. Total by Zone of Delivery and for all zones. If respondant does not have separate zones, provide totals by rate schedule.
2. Revenues for penalities including penalties for unauthorized overruns must be reported on page 308.
3. Other Revenues in columns (f) and (g) include reservation charges received by the pipeline plus usage charges for transportation and hub services, less revenues reflected in columns (b) and (e).

Line No.	Zone of Delivery, Rate Schedule	REVENUES for Transition Costs and Take-or-Pay		REVENUES for GRI and ACA	
		Amount for Current Year	Amount for Previous Year	Amount for Current Year	Amount for Previous Year
	(a)	(b)	(c)	(d)	(e)
1					
2	N/A				
3					
4					
5					
6					
7					
8					
9					
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11					
12					
13					
14					
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16					
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24					
25					

Name of Respondent	This Report Is:	Date of Report	Year of Report
Atmos Energy Corporation	(1) [X] An Original (2) [ ] A Resubmission	(Mo, Da, Yr)	Dec. 31, 1998

REVENUES FROM TRANSPORTATION OF GAS OF OTHERS THROUGH GATHERING FACILITIES (Continued)

4. Delivered Dth of gas must not be adjusted by discounting.
5. Each incremental rate schedule and each individually certificated rate schedule must be separately reported.
6. Where transportation services are bundled with storage services, report total revenues by only transportation Dth.

OTHER REVENUES		TOTAL OPERATING REVENUES		DEKATHERM OF NATURAL GAS		
Amount for Current Year (f)	Amount for Previous Year (g)	Amount for Current Year (h)	Amount for Previous Year (i)	Amount for Current Year (j)	Amount for Previous Year (k)	Line No.
						1
						2
						3
						4
						5
						6
						7
						8
						9
						10
						11
						12
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						14
						15
						16
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						21
						22
						23
						24
						25

Name of Respondent	This Report Is:	Date of Report	Year of Report
Atmos Energy Corporation	(1) [X] An Original (2) [ ] A Resubmission	(Mo, Da, Yr)	Dec. 31, 1998

REVENUES FROM STORING GAS OF OTHERS (ACCOUNT 489.4)

1. Report revenues and Dth of gas withdrawn from storage by Rate Schedule and in total.
2. Revenues for penalties including penalties for unauthorized overruns must be reported on page 308.
3. Other revenues in columns (f) and (g) include reservations charges, deliverability charges, injection and withdrawn charges, less revenues reflected in columns (b) through (e).

Line No.	Rate Schedule	REVENUES for Transition Costs and Take-or-Pay		REVENUES for GRI and ACA	
		Amount for Current Year	Amount for Previous Year	Amount for Current Year	Amount for Previous Year
	(a)	(b)	(c)	(d)	(e)
1					
2	N/A				
3					
4					
5					
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Atmos Energy Corporation	X An Original A Resubmission		Dec. 31, 1998

REVENUES FROM STORING GAS OF OTHERS (ACCOUNT 489.4) (Continued)

4. Dth of gas withdrawn from storage must not be adjusted for discounting.

5. Where transportation services are bundled with storage services, report only Dth withdrawn from storage.

OTHER REVENUES		TOTAL OPERATING REVENUES		DEKATHERM OF NATURAL GAS		
Amount for Current Year (f)	Amount for Previous Year (g)	Amount for Current Year (h)	Amount for Previous Year (i)	Amount for Current Year (j)	Amount for Previous Year (k)	Line No.
						1
						2
						3
						4
						5
						6
						7
						8
						9
						10
						11
						12
						13
						14
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						22
						23
						24
						25

Name of Respondent	This Report Is:	Date of Report	Year of Report
Atmos Energy Corporation	(1) [X] An Original (2) [ ] A Resubmission	(Mo, Da, Yr)	Dec. 31, 1998

OTHER GAS REVENUES (ACCOUNT 495)

1. For transactions with annual revenue of $250,ooo or more, describe, for each transaction, commissions on sales of distributions of gas of others, compensation for minor or incidental services provided for others, peanlities, profit or loss on sales of material and supplies, sales of steam, water, or electricity, miscellaneous royalties, revenues from dehydration, other processing of gas of others, and gains on settlements of imbalance receivables. Separately report revenues from cash-out penalties.

Line No.	Description of Transaction (a)	Revenues (in dollars) (b)
1	Natural Gas Asset Enhancement Revenue 1/98 - Kentucky	225,000
2	Natural Gas Asset Enhancement Revenue 9/98 - Kentucky	225,000
3	Miscellaneous	71,693
4		
5		
6		
7		
8		
9		
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11		
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24		
25	TOTAL	521,693

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Atmos Energy Corporation	(1) [X] An Original (2) [ ] A Resubmission		Dec. 31, 1998

GAS OPERATION AND MAINTENANCE EXPENSES

1. Report operation and maintenance expenses. If the amount for previous year is not derived from previously reported figures, explain in footnotes.

2. Provide in footnotes the source of the index used to determine the price for gas supplied byshippers as reflected on line 74.

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
1	1. PRODUCTION EXPENSES		
2	A. Manufactured Gas Production		
3	Manufactured Gas Production (Submit Supplement Statement)	23,314	157,235
4	B. Natural Gas Production		
5	B1. Natural Gas Production and Gathering		
6	Operation		
7	750 Operation Supervision and Engineering	590	2,635
8	751 Production Maps and Records		
9	752 Gas Wells Expenses		
10	753 Field Lines Expenses	8,625	9,162
11	754 Field Compressor Station Expenses	45,311	60,882
12	755 Field Compressor Station Fuel and Power	67,036	123,078
13	756 Field Measuring and Regulating Station Expenses	91,048	73,374
14	757 Purification Expenses	12,465	22,317
15	758 Gas Well Royalties	100	100
16	759 Other Expenses		
17	760 Rents		
18	TOTAL Operation (Enter Total of lines 7 thru 17)	225,175	291,548
19	Maintenance		
20	761 Maintenance Supervision and Engineering	76	
21	762 Maintenance of Structures and Improvements		
22	763 Maintenance of Producing Gas Wells		
23	764 Maintenance of Field Lines	7,832	4,847
24	765 Maintenance of Field Compressor Station Equipment	6,837	10,618
25	766 Maintenance of Field Meas. and Reg. Sta. Equipment	1,714	3,099
26	767 Maintenance of Purification Equipment	3,957	15,501
27	768 Maintenance of Drilling and Cleaning Equipment		
28	769 Maintenance of Other Equipment		
29	TOTAL Maintenance (Enter Total of lines 20 thru 28)	20,416	34,065
30	TOTAL Natural Gas Production and Gathering (Total of lines 18 and 29)	245,591	325,613

Name of Respondent	This Report Is:	Date of Report	Year of Report
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GAS OPERATION AND MAINTENANCE EXPENSES

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
31	B2. Products Extraction		
32	Operation		
33	770 Operation Supervision and Engineering	57	783
34	771 Operation Labor	10,981	16,151
35	772 Gas Shrinkage	123,809	74,795
36	773 Fuel	9,910	9,532
37	774 Power	16,214	17,617
38	775 Materials		
39	776 Operation Supplies and Expenses		
40	777 Gas Processed by Others		663
41	778 Royalties on Products Extracted		
42	779 Marketing Expenses		
43	780 Products Purchased for Resale		
44	781 Variation in Products Inventory		
45	(Less) 782 Extracted Products Used by the Utility-Credit		
46	783 Rents		
47	TOTAL Operation (Enter Total of lines 33 thru 46)	160,971	119,541
48	Maintenance		
49	784 Maintenance Supervision and Engineering	47	1,244
50	785 Maintenance of Structures and Improvements		
51	786 Maintenance of Extraction and Refining Equipment	6,176	8,685
52	787 Maintenance of Pipe Lines		
53	788 Maintenance of Extracted Products Storage Equipment		
54	789 Maintenance of Compressor Equipment		
55	790 Maintenance of Gas Measuring and Reg. Equipment		
56	791 Maintenance of Other Equipment		
57	TOTAL Maintenance (Enter Total of lines 49 thru 56)	6,223	9,929
58	TOTAL Products Extraction (Enter Total of lines 47 and 57)	167,194	129,470

Name of Respondent Atmos Energy Corporation	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 1998

GAS OPERATION AND MAINTENANCE EXPENSES (Continued)

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
59	C. Exploration and Development		
60	Operation		
61	795 Delay Rentals		
62	796 Nonproductive Well Drilling		
63	797 Abandoned Leases		
64	798 Other Exploration	859	1,132
65	TOTAL Exploration and Development (Enter Total of lines 61 thru 64)	859	1,132
66	D. Other Gas Supply Expenses		
67	Operation		
68	800 Natural Gas Well Head Purchases	3,993,509	3,996,476
69	800.1 Natural Gas Well Head Purchases, Intracompany Transfers		
70	801 Natural Gas Field Line Purchases		
71	802 Natural Gas Gasoline Plant Outlet Purchases		
72	803 Natural Gas Transmission Line Purchases	69,518,157	105,942,334
73	804 Natural Gas City Gate Purchases	289,643,480	405,084,095
74	804.1 Liquefied Natural Gas Purchases		
75	805 Other Gas Purchases		3,080,980
76	(Less) 805.1 Purchased Gas Cost Adjustments		
77	TOTAL Purchased Gas (Enter Total of line 68 thru 76)	363,155,146	518,103,885
78	806 Exchange Gas		
79	Purchased Gas Expenses		
80	807.1 Well Expenses		
81	807.2 Operation of Purchased Gas Measuring Stations		
82	807.3 Maintenance of Purchased Gas Measuring Stations		
83	807.4 Purchased Gas Calculations Expenses		
84	807.5 Other Purchased Gas Expenses	41,908	47,430
85	TOTAL Purchased Gas Expenses (Enter Total of lines 80 thru 84)	41,908	47,430

Name of Respondent	This Report Is:	Date of Report	Year of Report
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GAS OPERATION AND MAINTENANCE EXPENSES

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
86	808.1 Gas Withdrawn from Storage - Debit	13,186,060	9,904,133
87	(Less) 808.2 Gas Delivered to Storage - Credit		
88	809.1 Withdrawals of Liquefied Natural Gas for Processing - Debit		
89	(Less) 809.2 Deliveries of Natural Gas for Processing - Credit	(8,326,608)	(13,722,196)
90	Gas Used in Utility Operations - Credit		
91	810 Gas Used for Compressor Station Fuel - Credit		
92	811 Gas Used for Products Extraction - Credit	(92,337)	(55,269)
93	812 Gas Used for Other Utility Operations - Credit	(264,829)	(707,501)
94	TOTAL Gas Used In Utility Operations - Credit (Total of lines 91 thru 93)	(357,166)	(762,770)
95	813 Other Gas Supply Expenses	762,924	(114,343)
96	TOTAL Other Gas Supply Exp (Total of lines 77, 78, 85, 86 thru 89, 94, 95)	368,462,264	513,456,139
97	TOTAL Production Expenses (Enter Total of lines 3, 30, 58, 65, and 96)	368,899,222	514,069,589
98	2. NATURAL GAS STORAGE, TERMINALING AND PROCESSING EXPENSES		
99	A. Underground Storage Expenses		
100	Operation		
101	814 Operation Supervision and Engineering	212	1,639,036
102	815 Maps and Records		
103	816 Wells Expenses	63,783	73,344
104	817 Lines Expenses	55,381	38,479
105	818 Compressor Station Expenses	63,631	81,300
106	819 Compressor Station Fuel and Power	21,520	16,763
107	820 Measuring and Regulating Station Expenses	42,904	19,404
108	821 Purification Expenses	30,044	24,779
109	822 Exploration and Development		
110	823 Gas Losses	(123,735)	60,000
111	824 Other Expenses	4,942	5,851
112	825 Storage Well Royalties	39,621	35,601
113	826 Rents		3,194,568
114	TOTAL Operation (Enter Total of lines 101 thru 113)	198,303	5,189,125

Name of Respondent	This Report Is:		Date of Report	Year of Report
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GAS OPERATION AND MAINTENANCE EXPENSES

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
115	Maintenance		
116	830 Maintenance Supervision and Engineering		
117	831 Maintenance of Structures and Improvements	949	6,884
118	832 Maintenance of Reservoirs and Wells	891	1,127
119	833 Maintenance of Lines	51	
120	834 Maintenance of Compressor Station Equipment	6,252	3.824
121	835 Maintenance of Measuring and Regulating Station Equipment	3,000	3,774
122	836 Maintenance of Purification Equipment	3,630	4.872
123	837 Maintenance of Other Equipment		
124	TOTAL Maintenance (Enter Total of lines 116 thru 123)	14,773	20.481
125	TOTAL Underground Storage Expenses (Total of lines 114 and 124)	213,076	5,209,606
126	B. Storage Expenses		
127	Operation		
128	840 Operation Supervision and Engineering		112,859
129	841 Operation Labor and Expenses	70,543	268
130	842 Rents	21,018	105.471
131	842.1 Fuel		
132	842.2 Power		
133	842.3 Gas Losses		
134	TOTAL Operation (Enter Total of lines 128 thru 133)	91,561	218,598
135	Maintenance		
136	843.1 Maintenance Supervision and Engineering		
137	843.2 Maintenance of Structures and Improvements	148	14,616
138	843.3 Maintenance of Gas Holders	81	22.665
139	843.4 Maintenance of Purification Equipment		
140	843.5 Maintenance of Liquefaction Equipment	33,485	30,538
141	843.6 Maintenance of Vaporizing Equipment	3,164	8,778
142	843.7 Maintenance of Compressor Equipment		
143	843.8 Maintenance of Measuring and Regulating Equipment		
144	843.9 Maintenance of Other Equipment		
145	TOTAL Maintenance (Enter Total of lines 136 thru 144)	36,878	76.597
146	TOTAL Other Storage Expenses (Enter Total of lines 134 and 145)	128,439	295,195

Name of Respondent	This Report Is:	Date of Report	Year of Report
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GAS OPERATION AND MAINTENANCE EXPENSES

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
147	C. Liquefied Natural Gas Terminaling and Processing Expenses		
148	Operation		
149	844.1 Operation Supervision and Engineering		
150	844.2 LNG Processing Terminal Labor and Expenses		
151	844.3 Liquefaction Processing Labor and Expenses		
152	844.4 Liquefaction Transportation Labor and Expenses		
153	844.5 Measuring and Regulating Labor and Expenses		
154	844.6 Compressor Station Labor and Expenses		
155	844.7 Communication System Expenses		
156	844.8 System Control and Load Dispatching		
157	845.1 Fuel		
158	845.2 Power		
159	845.3 Rents		
160	845.4 Demurrage Charges		
161	(Less) 845.5 Wharfage Receipts - Credits		
162	845.6 Processing Liquefied or Vaporized Gas by Others		
163	846.1 Gas Losses		
164	846.2 Other Expenses		
165	TOTAL Operation (Enter Total of lines 149 thru 164)	0	0
166	Maintenance		
167	847.1 Maintenance Supervision and Engineering		
168	847.2 Maintenance of Structures and Improvements		
169	847.3 Maintenance of LNG Processing Terminal Equipment		
170	847.4 Maintenance of LNG Transportation Equipment		
171	847.5 Maintenance of Measuring and Regulating Equipment		
172	847.6 Maintenance of Compressor Station Equipment		
173	847.7 Maintenance of Communication Equipment		
174	847.8 Maintenance of Other Equipment		
175	TOTAL Maintenance (Enter Total of lines 167 thru 174)	0	0
176	TOTAL Liquefied Nat. Gas Terminaling and Processing Exp (Lines 165 & 175)	0	0
177	TOTAL Natural Gas Storage (Enter Total of lines 125, 146, and 176)	341,515	5,504,801

Name of Respondent	This Report Is:	Date of Report	Year of Report
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GAS OPERATION AND MAINTENANCE EXPENSES

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
178	3. TRANSMISSION EXPENSES		
179	Operation		
180	850 Operation Supervision and Engineering	25,754	16,189
181	851 System Control and Load Dispatching		12,309
182	852 Communication System Expenses		
183	853 Compressor Station Labor and Expenses	56,970	61,490
184	854 Gas for Compressor Station Fuel	174,098	183,818
185	855 Other Fuel and Power for Compressor Stations		
186	856 Mains Expenses	322,313	252,933
187	857 Measuring and Regulating Station Expenses	166,756	186,791
188	858 Transmission and Compression of Gas by Others	0	
189	859 Other Expenses	188	3,318
190	860 Rents	730	
191	TOTAL Operation (Enter Total of lines 180 thru 190)	746,809	716,848
192	Maintenance		
193	861 Maintenance Supervision and Engineering	474	3,170
194	862 Maintenance of Structures and Improvements	4,014	4,217
195	863 Maintenance of Mains	53,656	53,025
196	864 Maintenance of Compressor Station Equipment	4,628	2,425
197	865 Maintenance of Measuring and Reg. Station Equipment	42,292	49,627
198	866 Maintenance of Communication Equipment	788	6,465
199	867 Maintenance of Other Equipment	2,362	3,620
200	TOTAL Maintenance (Enter Total of lines 193 thru 199)	108,214	122,549
201	TOTAL Transmission Expenses (Enter Total of lines 191 and 200)	855,023	839,397
202	4. DISTRIBUTION EXPENSES		
203	Operation		
204	870 Operation Supervision and Engineering	15,822,119	8,372,675
205	871 Distribution Load Dispatching	748,961	1,477,167
206	872 Compressor Station Labor and Expenses	451	
207	873 Compressor Station Fuel and Power		

Atmos Energy Corporation
Manufactured Gas Production
Supplement to Page 317, Line 3
1998

	Current Year	Previous Year
L/P Gas Expense	0	96,711
Gas Mixing Expense	1,682	14,267
Misc. Production Expense	3,815	15,137
Total Operations	5,497	126,115
Structure & Improvements	2,640	224
Production Equipment	15,177	30,896
Total Maintenance	17,817	31,120
Total Mfg. Gas Production	23,314	157,235

Name of Respondent Atmos Energy Corporation	This Report Is: [X] An Original [ ] A Resubmission	Date of Report (Mo, Da, Yr)	Year of Report Dec. 31, 1998

EXCHANGE AND IMBALANCE TRANSACTIONS

1. Report below details by zone and rate schedule concerning the gas quantities and related dollar amount of imbalances associated with system balanceing and no-notice service. Also, report certificated natural gas exchange transactions during the year. Provide subtotals for imbalance and no-notice quantities for exchanges. If respondent does not have separate zones, provide totals by rate schedule. Minor exchange transactions (less than (100,000 Dth) may be grouped.

Line No.	Zone/Rate Schedule (a)	Gas Received from Others Amount (b)	Gas Received from Others Dth (c)	Gas Delivered to Others Amount (d)	Gas Delivered to Others Dth (e)
1					
2	None				
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					
21					
22					
23					
24					
25	TOTAL	0	0	0	0

Name of Respondent	This Report Is:	Date of Report	Year of Report
Atmos Energy Corporation	[X] An Original [ ] A Resubmission	(Mo, Da, Yr)	Dec. 31, 1998

GAS USED IN UTILITY OPERATIONS

1. Report below details of credits during the year to Accounts 810, 811 and 812.
2. If any natural gas was used by the respondent for which a charge was not made to the appropriate operating expense or other account list separately in column (c) the Dth of gas used, omitting entries in column (d).

Line No.	Purpose for Which Gas Was Used (a)	Account Charged (b)	Natural Gas: Gas Used (DTH) (c)	Natural Gas: Amount of Credit (in dollars) (d)	Manufactured Gas: Gas Used (DTH) (e)	Manufactured Gas: Amount of Credit (f)
1	810 Gas used for Compressor Station Fuel-Cr					
2	811 Gas used for Products Extraction-Cr		30,108	92,337		
3	Gas Shrinkage and Other Usage in Respdn'ts Own Proc.					
4	Gas Shrinkage, Etc. for Respondent's Gas Processed by Others					
5	812 Gas used for Other Util. Oprs-Cr (Rpt sep. for each prin. use. Group minor uses)		170,429	264,829		
6	Company Used Gas					
7						
8						
9						
10						
11						
12						
13						
14						
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21						
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23						
24						
25	TOTAL		200,537	357,166		

Name of Respondent Atmos Energy Corporation	This Report Is: (1) [X] An Original (2) [ ] A Resubmission	Date of Report (Mo,Da,Yr)	Year of Report December 31, 1998

TRANSMISSION AND COMPRESSION OF GAS BY OTHERS (ACCOUNT 858)

1. Report below details concerning gas transported or compressed for respondent by others equalling more than 1,000,000 Dth and amounts of payments for such services during the year. Minor items (less than 1,000,000) Dth may be grouped. Also include in column (c) amounts paid as transition costs to an upstream pipeline.

2. In column (a) give name of companies, points of delivery and receipt of gas. Designate points of delivery and receipt so that they can be identified readily on a map of respondent's pipeline system.

3. Designate associated companies with an asterisk in column (b).

Line No.	Name of Company and Description of Service Performed (a)	* (b)	Amount of Payment (in dollars) (c)	Dth of Gas Delivered (d)
1				
2	N/A			
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
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16				
17				
18				
19				
20				
21				
22				
23				
24				
25		TOTAL		

Name of Respondent	This Report Is:	Date of Report	Year of Report
Atmos Energy Corporation	[X] An Original [ ] A Resubmission	(Mo, Da, Yr)	Dec. 31, 1998

OTHER GAS SUPPLY EXPENSES (Account 813)

1. Report other gas supply expenses by descriptive titles that clearly indicate the nature of such expenses. Show maintenance expenses, revaluation of monthly encroachments recorded in Account 117.4, and losses on settlements of imbalances and gas losses not associated with storage separately. Indicate the functional classification and purpose of property to which any expenses relate. List separately items of $250,000 or more.

Line No.	Description (a)	Amount (in dollars) (b)
1	Production Take or Pay Recovered Gas Cost	15,281
2	Capacity Release Recovery	(43,791)
3	636 Transition Cost	791,434
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		
16		
17		
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19		
20		
21		
22		
23		
24		
25	TOTAL	762,924

Name of Respondent	This Report Is:	Date of Report	Year of Report
Atmos Energy Corporation	X An Original A Resubmission	(Mo, Da, Yr)	Dec. 31, 1998

MISCELLANEOUS GENERAL EXPENSES (Account 930.2)

1. Provide the information requested below on miscellaneious general expenses.
2. For Other Expenses, show the (a) purpose (b) recipient and (c) amount of such items. List separately amounts of $250,000 or more however, amounts less than $250,000 may be grouped if the number of items so grouped is shown.

Line No.	Description (a)	Amount (in dollars) (b)
1	Industry association dues	378,558
2	Experimental and general research expenses	
	a. Gas Research Institute (GRI)	2,800
	b. Other	-
3	Publishing and distribution information and reports to stockholders; trustee; registrar; and transfer agent fees and expenses, and other expenses of servicing outstanding securities of the respondent	855,522
4	Directors Fees	375,415
5	Board Management & Directors Expense	311,632
6	Directors Retirement Expense	276,000
7	Other Miscellaneous General Expenses	592,514
8	Grouped Amounts Below $250,000 (14)	
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		
21		
22	TOTAL	2,792,441

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Atmos Energy Corporation	(1) [X] An Original (2) [ ] A Resubmission		Dec. 31, 1998

DEPRECIATION, DEPLETION, AND AMORTIZATION OF GAS PLANT (ACCOUNTS 403, 404.1, 404.2, 404.3, 405)
(Except Amortization of Acquisition Adjustments)

1. Report in Section A the amounts of depreciation expense, depletion and amortization for the accounts indicated and classified according to the plant functional groups shows below.
2. Report in Section B, column (b) all depreciable or amortizable plant balances to which rates are applied and show a composite total. (If more desirable, report by plant account, subaccount or functional classifications other than those pre-printed in column (a). Indicate in a footnote the manner in which column (b) balances are obtained. If average balances are used, state the method of averaging used. For column (c) report available information for each

Section A. Summary of Depreciation, Depletion, and Amortization Charges

Line No.	Functional Classification (a)	Depreciation Expense (Account 403) (b)	Amortization and Depletion of Producing Natural Gas Land and Land Rights (Account 404.1) (c)	Amortization of Underground Storage Land and Land Rights (Account 404.2) (d)
1	Intangible plant			
2	Production plant, manufactured gas			
3	Production and gathering plant,			
	natural gas			
4	Products extraction plant			
5	Underground gas storage plant			
6	Other storage plant			
7	Base load LNG terminating and			
	processing plant			
8	Transmission plant			
9	Distribution plant			
10	General plant			
11	Common plant-gas			
12				
13	Not Classified as to Functional	43,377,694		44
14	Accounts			
15				
16				
17				
18				
19				
20				
21				
22				
23				
24				
25	TOTAL	43,377,694	0	44

Name of Respondent	This Report Is:	Date of Report (Mo,Da,Yr)	Year of Report
Atmos Energy Corporation	[X] An Original [ ] A Resubmission		Dec. 31, 1998

DEPRECIATION, DEPLETION, AND AMORTIZATION OF GAS PLANT (ACCOUNTS 403, 404.1, 404.2, 404.3, 405) (Except Amortization of Acquisition Adjustments) (Continued)

plant functional classification listed in column (a). If composite depreciation accounting is used, report available information called for in columns (b) and (c) on this basis. Where the unit-of-production method is used to determine depreciation charges, show in a footnote any revisions made to estimated gas reserves.

3. If provisions for depreciation were made during the year in addition to depreciation provided by application of reported rates, state in a footnote the amounts and nature of the provisions and the plant items to which related.

Section A. Summary of Depreciation, Depletion, and Amortization Charges

Amortization of Other Limited-term Gas Plant (Account 404.3) (e)	Amortization of Other Gas Plant (Account 405) (f)	Total (b to f) (g)	Functional Classification (a)	Line No.
			Intangible plant	1
			Production plant, manufactured gas	2
			Production and gathering plant,	3
			natural gas	
			Products extraction plant	4
			Underground gas storage plant	5
			Other storage plant	6
			Base load LNG terminating and	7
			processing plant	
			Transmission plant	8
			Distribution plant	9
			General plant	10
			Common plant-gas	11
				12
1,444,274		44,822,012	Not Classified as to Functional	13
			Accounts	14
				15
				16
				17
				18
				19
				20
				21
				22
				23
				24
1,444,274	0	44,822,012	TOTAL	25

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Atmos Energy Corporation	[X] An Original [ ] A Resubmission		Dec. 31, 1998

DEPRECIATION, DEPLETION, AND AMORTIZATION OF GAS PLANT (Continued)

4. Add rows as necessary to completely report all data. Number the additional rows in sequence as 2.01, 2.01, 3.01, 3.02, etc.

Section B. Factors Used in Estimating Depreciation Charges

Line No.	Functional Classification (a)	Plant Bases (Thousands) (b)	Applied Depreciation or Amortization Rates (Percent) (c)
1	Production and Gathering Plant		
2	Offshore		
3	Onshore	6,340,001	0.89
4	Underground Gas Storage Plant	11,111,945	3.54
5	Transmission Plant		
6	Offshore		
7	Onshore	1,079,897,039	2.93
8	General Plant	159,913,650	10.14

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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Atmos Energy Corporation	X An Original A Resubmission		Dec. 31, 1998

PARTICULARS CONCERNING CERTAIN INCOME DEDUCTIONS AND INTEREST CHARGES ACCOUNTS

Report the information specified below, in the order given, for the respective income deduction and interest charges accounts.

(a) Miscellaneous Amortization (Account 425) - Describe the nature of items included in this account, the contra account charged, the total amortization charges for the year, and the period of amortization.

(b) Miscellaneous Income Deductions - Report the nature, payee, and amount of other income deductions for the year as required by Accounts 426.1, Donations; 426.2, Life Insurance; 426.3, Penalties; 426.4, Expenditures for Certain Civic, Political and Related Activities; 426.5, Other Deductions, of the Uniform System of Accounts. Amounts of less than $250,000 may be grouped by classes within the above accounts.

(c) Interest on Debt to Associated Companies (Account 430) - For each associated company that incurred interest on debt during the year, indicate the amount and interest rate respectively for (a) advances on notes, (b) advances on open account, (c) notes payable, (d) accounts payable, and (e) other debt, and total interest. Explain the nature of other debt on which interest was incurred during the year.

(d) Other Interest Expense (Account 431) - Report details including the amount and interest rate for other interest charges incurred during the year.

Line No.	Item (a)	Amount (b)
1	Amortization Acquisition Adjustment A/C 425	
2	Miscellaneous	3,071
3		3,071
4	Other income deductions - acct. 426	
5	Donations	479,370
6	Sports Events	292,848
7	Community Improvement	70,439
8	Political activities	161,668
9	Misc. Empl./Gen. Expense	92,711
10		1,097,036
11		
12	Other interest expense - acct. 431	
13	Interest on short-term debt	6,052,848
14	Interest on customer deposits - Varies according to state from 5.2% to 8.0%	687,372
15	Interest on supplier refunds	610,924
16	Commitment Fees	164,285
17	Penalty - Interest	49,020
18	Other	938,437
19		8,502,886
20		
21		
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31		

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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Atmos Energy Corporation	[X] An Original [ ] A Resubmission		Dec. 31, 1998

REGULATORY COMMISSION EXPENSES

1. Report below details of regulatory commission expenses incurred during the current year (or in previous years, if being amortized) relating to formal cases before a regulatory body, or cases in which such a body was a party.

2. In columns (b) and (c), indicate whether the expenses were assessed by a regulatory body or were otherwise incurred by the utility.

Line No.	Description (Furnish name of regulatory commission or body, the docket or case number, and a description of the case.) (a)	Assessed by Regulatory Commission (b)	Expenses of Utility (c)	Total Expenses to Date (d)	Deferred in Account 182.3 at Beginning of Year (e)
1	State of Tennessee				
2	Docket #95-02258				57,607
3					
4	State of Virginia				
5	Docket #PUE95008				34,918
6					
7	State of Missouri				
8	Docket #GR-95-160				28,770
9					
10	State of Kansas				
11	Docket #181,940-U				44,650
12	Docket #191,990-U				73,978
13					
14	State of South Carolina				
15	Docket #94-396-G				3,303
16					
17	State of Iowa				
18	Docket #RPU-95-14				41,776
19					
20	Rate Case Exp. - CO -Phase II				14,699
21					
22	Rate Case 95-010 - WKG				68,285
24					
25	Rate Case - West Texas				
26	Docket # 8666-8735				33,761
27					
28	Texas Gas Rate Case				
29	Docket #				4,667
30					
31	State of Illinois				
32	Docket #96-0618				46,408
33					
34	State of Georgia				
35	Docket #6691-U				51,048
36			0	0	503,870

Name of Respondent Atmos Energy Corporation	This Report Is: [X] An Original [ ] A Resubmission	Date of Report (Mo,Da,Yr)	Year of Report Dec. 31, 1998

REGULATORY COMMISSION EXPENSES (Continued)

3. Show in column (k) any expenses incurred in prior years that are being amortized. List in column (a) the period of amortization.
4. Identify separately all annual charge adjustments (ACA).
5. List in column (f), (g), and (h) expenses incurred during year which were charges currently to income, plant or other accounts.
6. Minor items (less than $250,000) may be grouped.

EXPENSES INCURRED DURING YEAR				AMORTIZED DURING YEAR			
CHARGED CURRENTLY TO							
Department (f)	Account No. (g)	Amount (h)	Deferred to Account 182.3 (i)	Contra Account (j)	Amount (k)	Deferred in Account 182.3 End of Year (l)	Line No.
							1
Tenn.	928	93,897		928	57,607	0	2
							3
							4
Virg.	928	328		928	34,918	0	5
							6
							7
Missouri	928	58,766		928	28,770	0	8
							9
							10
Kansas	928	76,193		928	44,650	0	11
				928	73,978	0	12
							13
							14
S. Car.	928	4,865		928	3,303	0	15
							16
							17
Iowa	928	21,719		928	12,226	29,550	18
							19
Colo.	928	20		928	14,699	0	20
							21
Kent.	928	0		928	68,285	0	22
							23
							24
Texas	928	738		928	18,415	15,346	25
							26
							27
				928	(600)	5,267	28
							29
							30
Illinois	928	2,901		928	9,519	36,889	31
							32
							33
Georgia	928	1,175		928	17,016	34,032	34
		260,602	0		382,786	121,084	35

Name of Respondent	This Report Is:	Date of Report	Year of Report
Atmos Energy Corporation	X An Original A Resubmission	(Mo, Da, Yr)	Dec. 31, 1998

DISTRIBUTION OF SALARIES AND WAGES

Report below the distribution of total salaries and wages for the year. Segregate amounts originally charged to clearing accounts to Utility Departments, Construction, Plant Removals, and Other Accounts, and enter such amounts in the appropriate lines and columns provided. In determining this segregation of salaries and wages originally charged to clearing accounts, a method of approximation giving substantially correct results may be used. When reporting detail of other accounts, enter as many rows as necessary numbered sequentially starting with 74.01,74.02, etc.

Line No.	Classification (a)	Direct Payroll Distribution (b)	Allocation of Payroll Charged for Clearing Accounts (c)	Total (d)
1	Electric			
2	Operation			
3	Production			
4	Transmission			
5	Distribution			
6	Customer Accounts			
7	Customer Service and Informational			
8	Sales			
9	Administrative and General			
10	TOTAL Operation (Total of lines 3 thru 9)	-		
11	Maintenance			
12	Production			
13	Transmission			
14	Distribution			
15	Administrative and General			
16	TOTAL Maint. (Total of lines 12 thru 15)			
17	Total Operation and Maintenance			
18	Production (Total of lines 3 thru 12)			
19	Transmission (Total of lines 4 thru 13)			
20	Distribution (Total of lines 5 thru 14)			
21	Customer Accounts (Line 6)			
22	Customer Service and Informational (Line 7)			
23	Sales (Line 8)			
24	Administrative and General (Total of lines 9 thru 15)	-		
25	TOTAL Oper. and Maint. (Total lines 18 thru 24)	-	-	-
26	Gas			
27	Operation			
28	Production - Manufactured Gas	1,786		1,786
29	Production - Nat. Gas (Including Expl. and Dev.)	126,665		126,665
30	Other Gas Supply	20,331		20,331
31	Storage, LNG Terminating and Processing	210,280		210,280
32	Transmission	348,327		348,327
33	Distribution	28,829,879		28,829,879
34	Customer Accounts	8,895,731		8,895,731
35	Customer Service and Informational	2,268,607		2,268,607
36	Sales	1,135,618		1,135,618
37	Administrative and General	11,049,552		11,049,552
38	TOTAL Operation (Total of lines 28 thru 37)	52,886,776		52,886,776
39	Maintenance			
40	Production - Manufactured Gas	0		0
41	Production - Natural Gas	15,226		15,226
42	Other Gas Supply	0		0
43	Storage, LNG Terminating and Processing	9,939		9,939
44	Transmission	40,005		40,005
45	Distribution	5,809,400		5,809,400
46	Administrative and General	23,147		23,147
47	TOTAL Maint. (Total of lines 40 thru 46)	5,897,717		5,897,717

Name of Respondent	This Report Is:	Date of Report	Year of Report
UNITED CITIES GAS COMPANY	[X] An Original [ ] A Resubmission	(Mo, Da, Yr)	Dec. 31, 1998

DISTRIBUTION OF SALARIES AND WAGES (Continued)

Line No.	Classification (a)	Direct Payroll Distribution (b)	Allocation of Payroll Charged for Clearing Accounts (c)	Total (d)
	Gas (Continued)			
48	Total Operation and Maintenance			
49	Production - Manufactured Gas (Lines 28 and 40)	1,786		1,786
50	Production - Natural Gas (Including Expl. and Dev.)			0
	(Lines 29 and 41)	141,891		141,891
51	Other Gas Supply (Lines 30 and 42)	20,331		20,331
52	Storage, LNG Terminaling and Processing			0
	(Lines 31 and 43)	220,219		220,219
53	Transmission (Lines 32 and 44)	388,332		388,332
54	Distribution (Lines 33 and 45)	34,639,279		34,639,279
55	Customer Accounts (Line 34)	8,895,731		8,895,731
56	Customer Service and Informational (Line 35)	2,268,607		2,268,607
57	Sales (Line 36)	1,135,618		1,135,618
58	Administrative and General (Lines 37 and 46)	11,072,699		11,072,699
59	TOTAL Operation and Maint. (Total of lines 49 thru 58)	58,784,493		58,784,493
60	Other Utility Departments			
61	Operation and Maintenance			
62	TOTAL All Utility Dept. (Total of lines 25, 59, and 61)	58,784,493		58,784,493
63	Utility Plant			
64	Construction (By Utility Departments)			
65	Electric Plant			
66	Gas Plant	21,664,768		21,664,768
67	Other			
68	TOTAL Construction (Total lines 65 thru 67)	21,664,768		21,664,768
69	Plant Removal (By Utility Departments)			
70	Electric Plant			
71	Gas Plant	657,868		657,868
72	Other			
73	TOTAL Plant Removal (Total of lines 70 thru 72)	657,868		657,868
74	Other Accounts (Specify):			
74.01	Miscellaneous Deferred Debits (186)	409,832		409,832
74.02	Clearing Accounts		(76,460)	(76,460)
74.03	Merchandising, Jobbing, and Contract Work (416)	224,758		224,758
74.04	Warehouse	1,097,332		1,097,332
74.05	Miscellaneous Balance Sheet Accounts	2,285,321		2,285,321
74.06				
74.07				
74.08				
74.09				
74.10				
74.11				
74.12				
74.13				
74.14				
74.15				
74.16				
74.17				
74.18				
74.19				
74.20				
74.21				
75	TOTAL Other Accounts	4,017,243	(76,460)	3,940,783
76	TOTAL SALARIES AND WAGES	85,124,372	(76,460)	85,047,912

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Name of Respondent	This Report Is:		Date of Report (Mo, Da, Yr)	Year of Report
Atmos Energy Corporation	X	An Original		Dec. 31, 1998
		A Resubmission		

CHARGES FOR OUTSIDE PROFESSIONAL AND OTHER CONSULTATIVE SERVICES

1. Report the information specified below for all charges made during the year included in any account (including plant accounts) for outside consultative and other professional services. (These services include rate, management, construction, engineering, research, financial, valuation, legal, accounting purchasing, advertising, labor relations, and public relations, rendered the respondent under written or oral arrangement, for which aggregate payments were made during the year to any corporation, partnership, organization of any kind, or individual [other than for services as an employee or for payments made for medical and related services) amounting to more than $250,000, including payments for legislative services, except those which should be reported in Account 426.4 Expenditures for Certain Civic, Political and Related Activities.
   (a) Name of person or organization rendering services.
   (b) Total charges for the year.
2. Designate associated companies with an asterisk in column (b).

Line No.	Description (a)	* (b)	Amount (in dollars) (c)
1	Systems & Computer Technologies Corp.		9,176,423
2	The Boston Consulting Group		1,794,000
3	Ernst & Young		1,202,667
4	Pro Staff Personnel Services		881,796
5	Economic Resources Group		480,500
6	Lavinski, Allan & Associates		397,265
7	Delta Dallas Protech, LLC		387,963
8			
9			
10			
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Atmos Energy Corporation	(1) [X] An Original (2) [ ] A Resubmission		Dec. 31, 1998

COMPRESSOR STATIONS

1. Report below particulars (details) concerning compressor stations. Use the following subheadings: field compressor stations, products extraction compressor stations, underground storage compressor stations, transmission compressor stations, distribution compressor stations, and other compressor stations.

2. For column (a), indicate the production areas where such stations are used. Relatively small field compressor stations may be grouped by production areas. Show the number of stations grouped. Designate any station under a title other than full ownership. State in a footnote the name of owner or co-owner, the nature or respondent's title, and percent of ownership,

Line No.	Name of Station and Location (a)	Number of Units at Station (b)	Certificated Horsepower for Each Station (c)	Plant Cost (d)
1	Underground Storage & Compressor Stations:			
2				
3	Bon Harbor, KY			97,336
4	Grandview, KY			67,058
5	Kirkwood Springs, KY			66,194
6	St. Charles, KY			240,097
7	West Owensboro, KY			0
8				
9				
10				
11				
12				
13				
14				
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16				
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32				
33				
34				470,685

Name of Respondent	This Report Is:	Date of Report (Mo,Da,Yr)	Year of Report
Atmos Energy Corporation	(1) [X] An Original (2) [ ] A Resubmission		Dec. 31, 1998

COMPRESSOR STATIONS (Continued)

if jointly owned. Designate any station that was not operated during the past year. State in a footnote whether the book cost of such station has been retired in the books of account, or what disposition of the station and its book cost are contemplated. Designate any compressor units in transmission compressor installed and put into operation during the year and show in a footnote the size of each such unit, and the date each such unit was placed in operation.

3. For column (d), include the type of fuel or power, if other than natural gas. If two types of fuel or power are used, show separate entries for natural gas and the other fuel or power.

Expenses (Except depreciation and taxes)		Gas for Compressor Fuel Mcf (14.73 psia at 60F)	Operation Data			Line No.
Fuel or Power	Other		Total Compressor Hours of Operation During Year	No. of Comprs. Operated at Time of Station Peak	Date of Station Peak	
(e)	(f)	(g)	(h)	(i)	(j)	
						1
					--	2
3,091	995	732	24			3
2,349	811	976	634			4
57	0	24	6			5
16,022	1,221	6,786	1,519			6
0	0	0	0			7
						8
						9
						10
						11
						12
						13
						14
						15
						16
						17
						18
						19
						20
						21
						22
						23
						24
						25
						26
						27
						28
						29
						30
						31
						32
						33
21,519	3,027	8,518	2,183			34

Name of Respondent	This Report Is:	Date of Report	Year of Report
Atmos Energy Corporation	[X] An Original [ ] A Resubmission	(Mo, Da, Yr)	Dec. 31, 1998

GAS STORAGE PROJECTS

1. Report injections and withdrawals of gas for all storage projects used by respondent.

Line No.	Item (a)	Gas belonging to Respondent (Dth) (b)	Gas belonging to Others (Dth) (c)	Total Amount (Dth) (d)
	Storage Operations (In Dth)			
1	Gas Delivered to Storage - WKG			
2	January	84,541		84,541
3	February	0		0
4	March	80,347		80,347
5	April	191,692		191,692
6	May	553,729		553,729
7	June	488,726		488,726
8	July	687,805		687,805
9	August	616,585		616,585
10	September	439,024		439,024
11	October	147,707		147,707
12	November	0		0
13	December	0		0
14	TOTAL (Enter Total of Lines 2 thru 13)	3,290,156	0	3,290,156
15	Gas withdrawn from Storage - WKG			
16	January	787,045		787,045
17	February	725,935		725,935
18	March	696,622		696,622
19	April	89,631		89,631
20	May	0		0
21	June	0		0
22	July	0		0
23	August	0		0
24	September	0		0
25	October	0		0
26	November	404,098		404,098
27	December	989,854		989,854
28	TOTAL (Enter Total of Lines 16 thru 27)	3,693,185	0	3,693,185

Note: Volumes reported on this page reflect only gas storage activity in company owned underground storage facilities (listed on page 508). It does not include volumes stored in third party facilities, such as pipelines or non-utility affiliates. It does not include any LNG gas produced for peaking purposes.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Atmos Energy Corporation	X An Original A Resubmission		Dec. 31, 1998

GAS STORAGE PROJECTS (Continued)

Line No.	Item (a)	Total Amount (b)
	Storage Operations	
1	Top or Working Gas End of Year	2,925,525
2	Cushion Gas (Including Native Gas)	6,444,483
3	Total Gas in Reservoir (Enter Total of Line 1 and 2)	9,370,008
4	Certificated Storage Capacity	
5	Number of Injection - Withdrawal Wells	60
6	Number of Observation Wells	7
7	Maximum Day's Withdrawal from Storage	69,476
8	Date of Maximum Days' Withdrawal	22-Dec-98
9	LNG Terminal Companies (In Dth)	
10	Number of Tanks	1
11	Capacity of Tanks	500,000
12	LNG Volume	
13	Received at "Ship Rail"	
14	Transferred to Tanks	241,188
15	Withdrawn from Tanks	300,985
16	"Boil Off" Vaporization Loss	

This page includes only underground storage facilities owned directly by Atmos Energy Corporation's regulated operations. See page 508.

It does not include underground storage owned by non-utility affiliates or third parties that also provide storage services to Atmos.

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Atmos Energy Corporation	X An Original A Resubmission		Dec. 31, 1998

TRANSMISSION LINES

1. Report below by States the total miles of transmission lines of each transmission system operated by respondent at end of year.
2. Report separately any lines held under a title other than full ownership. Designate such lines with an asterisk, in column (b) and a footnote state the name of owner, or co-owner, nature of respondent's title, and percent ownership if jointly owned.
3. Report separately any line that was not operated during the past year. Enter in a footnote the details and state whether the book cost of such a line, or any portion thereof, has been retired in the books of account, or what disposition of the line and its book costs are contemplated.
4. Report the number of miles of pipe to one decimal point.

Line No.	Designation (Identification) of Line or Group of Lines (a)	* (b)	Total Miles of Pipe (c)
1	Colorado		81.0
2	Georgia		88.0
3	Illinois		8.0
4	Iowa		24.0
5	Kansas (GGC only)		143.0
6	Kentucky		378.0
7	Tennessee		74.0
8	Texas		121.0
9			
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42	TOTAL		917.0

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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Atmos Energy Corporation	X An Original A Resubmission		Dec. 31, 1998

TRANSMISSION SYSTEM PEAK DELIVERIES

1. Report below the total transmission system deliveries of gas, excluding deliveries to storage, for the periods of system peak deliveries indicated below, during the twelve months embracing the heating season overlapping the year's end for which this report is submitted, classified as to sales subject to FERC rate schedules and other sales. The season's peak normally will be reached before the due date of this report, April 30, which permits inclusion of the peak information required on this page.

2. Report Mcf on a pressure bas of 14.73 psia at 60F.

Line No.	Item (a)	Month/Day/Year (b)	Amount of Mcf (c)	Curtailments on Month/Day Indicated (d)
	Section A. Three Highest Days of System Peak Deliveries			
1	Date of Highest Day's Deliveries	Not Applicable		
2	Deliveries to Customers Subject to FERC Rate Schedules			
3	Deliveries to Others			
4	TOTAL			
5	Date of Second Highest Day's Deliveries			
6	Deliveries to Customers Subject to FERC Rate Schedules			
7	Deliveries to Others			
8	TOTAL			
9	Date of Third Highest Day's Deliveries			
10	Deliveries to Customers Subject to FERC Rate Schedules			
11	Deliveries to Others			
12	TOTAL			
	Section B. Highest Consecutive 3-Day System Peak Deliveries (and Supplies)			
13	Date of Three Consecutive Days' Highest System Peak Deliveries			
14	Deliveries to Customers Subject to FERC Rate Schedules			
15	Deliveries to Others			
16	TOTAL			
17	Supplies from Line Pack			
18	Supplies from Underground Storage			
19	Supplies from Other Peaking Facilities			
	Section C. Highest Month's System Deliveries			
20	Month of Highest Month's System Deliveries			
21	Deliveries to Customers Subject to FERC Rate Schedules			
22	Deliveries to Others			
23	TOTAL			

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Atmos Energy Corporation	(1) [X] An Original (2) [ ] A Resubmission		Dec. 31, 1998

AUXILIARY PEAKING FACILITIES

1. Report below auxiliary facilities of the respondent for meeting seasonal peak demands on the respondent's system, such as underground storage projects, liquefied petroleum gas installations, gas liquefaction plant, oil gas sets, etc.
2. For column (c), for underground storage projects, report the delivery capacity on February 1 of the heating season overlapping the year-end for which this report is submitted. For other facilities, report the rated maximum daily delivery capacities.
3. For column (d), indicate or exclude (as appropriate) the cost of any plant used jointly with another facility on the basis of predominant use, unless the auxiliary peaking facility is a separate plant as contemplated by general instruction 12 of the Uniform System of Accounts.

Line No.	Location of Facility (a)	Type of Facility (b)		Maximum Daily Delivery Capacity of Facility Dth (c)	Cost of Facility (In dollars) (d)	Was Facility Operated on Day of Highest Transmission Peak Delivery	
						Yes (e)	No (f)
1	Harrisburg, IL	LPG	90,000	2,299	241,840		X
2	Maryville, TN	LPG	60,000	1,800	179,620		X
3	Kingsport, TN	LPG	90,000	1,800	137,475		X
4	Bristol, TN	LPG	60,000	1,800	213,479		X
5	Columbus, GA	LNG	500,000	30,000	4,844,578	X	
6	Johnson City, TN	LPG	150,000	1,920	507,327		X
7	Pulaski, VA	LPG	120,000	1,200	39,443		X
8	Radford, VA	LPG	150,000	1,920	60,135		X
9	Blacksburg, VA	LPG	150,000	1,920	108,253		X
10	Hannibal, MO	LPG	180,000	2,880	821,380	X	
11	West Owensboro, KY	Underground storage		300	172,943		X
12	Hickory - Grandview, KY	Underground storage		28,500	1,287,385	X	
13	Bon Harbor, KY	Underground storage		2,400	681,838	X	
14	Kirkwood Springs, KY	Underground storage		12,000	370,369	X	
15	St. Charles. KY	Underground storage		44,600	1,837,957	X	
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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Atmos Energy Corporation	X An Original A Resubmission		Dec. 31, 1998

GAS ACCOUNT - NATURAL GAS

1. The purpose of this page is to account for the quantity of natural gas received and delivered by the respondent.
2. Natural gas means either natural gas unmixed or any mixture of natural and manufactured gas.
3. Enter in column (c) the Dth as reported in the schedules indicated for the items of receipts and deliveries.
4. Indicate in a footnote the quantities of bundled sales and transportation gas and specify the line on which such quantities are listed.
5. If the respondent operates two or more systems which are not interconnected, submit separate pages for this purpose. Use copies of pages 520.
6. Also indicate by footnote the volumes of gas not subject to Commission regulation which did not incur FERC regulatory costs by showing (1) the local distribution volumes another jurisdictional pipeline delivered to the local distribution company portion of the reporting pipeline (2) the quantities that the reporting pipeline transported or sold through its local distribution facilities or intrastate facilities, and which the reporting pipeline received through gathering facilities or intrastate facilities, but not through any of the interstate portion of the reporting pipeline, and (3) the gathering line quantities that were not destined for interstate market or that were not transported through any interstate portion of the reporting pipeline.
7. Also indicate in a footnote (1) the system supply quantities of gas that are stored by the reporting pipeline, during the reporting year and also reported as sales, transportation and compression volumes by the reporting pipeline during the same reporting year, (2) the system supply quantities of gas that are stored by the reporting pipeline during the reporting year and which the reporting pipeline intends to sell or transport in a future reporting year, and (3) contract storage volumes.
8. Also indicate the volumes of pipeline production field sales which are included in both the company's total sales figure and the company's total transportation figure. Add any additional rows as necessary to report all data, numbered 14.01, 14.02, etc.

01 NAME OF SYSTEM

Line No.	Item (a)	Ref. Page No. (b)	Amount of Dth (c)
2	GAS RECEIVED		
3	Gas Purchases (Accounts 800-805)		127,745,513
4	Gas of Others Received for Gathering (Account 489.1)	303	
5	Gas of Others Received for Transmission (Account 489.2)	305	
6	Gas of Others Received for Distribution (Account 489.3)	301	69,141,876
7	Gas of Others Received for Contract Storage (Account 489.4)	307	
8	Exchanged Gas Received from Others (Account 806)	328	
9	Gas Received as Imbalances (Account 806)	328	
10	Receipts of Respondent's Gas Transported by Others (Account 858)	332	
11	Other Gas Withdrawn from Starage (Explain)	512	3,693,185
12	Gas Received from Shippers as Compressor Station Fuel		
13	Gas Received from Shippers as Lost and Unaccounted for		
14	Other Receipts (Specify)		
15	Total Receipts (Total of lines 3 thru 14.?)		200,580,574
16	GAS DELIVERED		
17	Gas Sales (Accounts 480-484)		123,449,668
18	Deliveries of Gas Gathered for Others (Account 489.1)	303	
19	Deliveries of Gas Transported for Others (Account 489.2)	305	
20	Deliveries of Gas Distributed for Others (Account 489.3)	301	69,141,876
21	Deliveries of Contract Storage Gas (Account 489.4)	307	
22	Exchange Gas Delivered to Others (Account 806)	328	
23	Gas Delivered as Imbalances (Account 806)	328	
24	Deliveries of Gas to Others for Transportation (Account 858)	332	
25	Other Gas Delivered to Storage (Explain)	512	3,290,156
26	Gas Used for Compressor Station Fuel	509	
27	Other Deliveries (Specify)		
28	Total Deliveries (Total of lines 17 thru 27.?)		195,881,700
29	GAS UNACCOUNTED FOR		
30	Production System Losses		
31	Gathering System Losses		
32	Transmission System Losses		
33	Distribution System Losses		4,698,874
34	Storage System Losses		
35	Other Losses (Specify)		
36	Total Unaccounted For (Total of lines 30 thru 35)		4,698,874
37	Total Deliveries & Unaccounted For (Total of lines 28 and 36)		200,580,574

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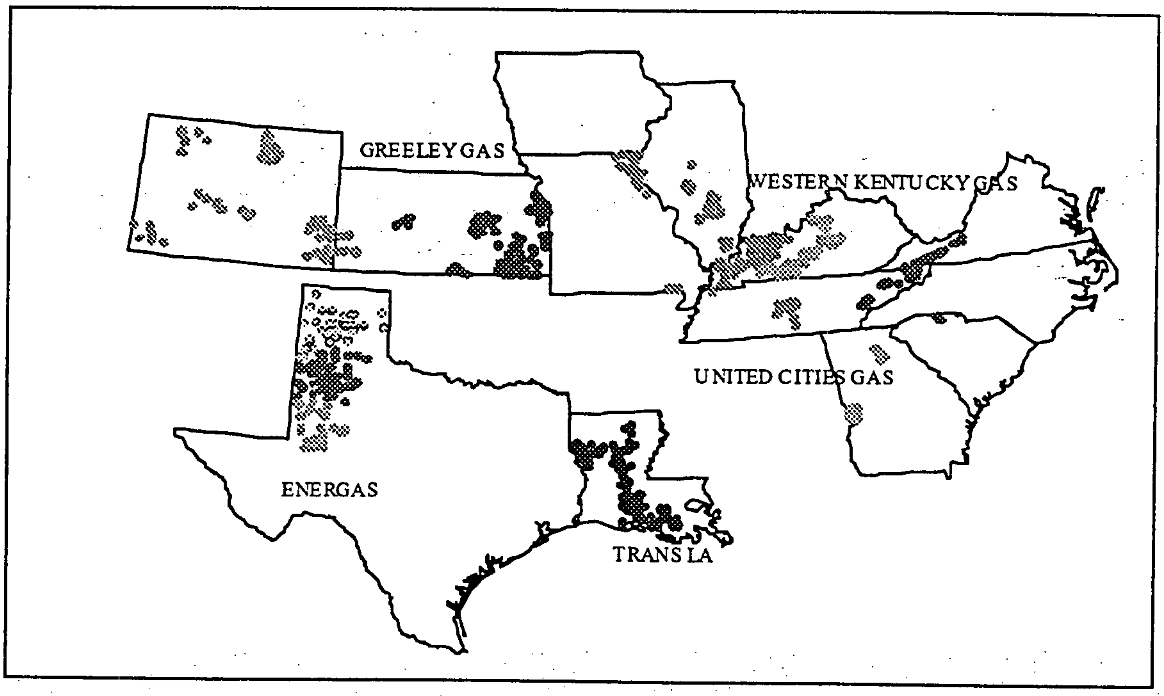
[Next page is 522]

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Atmos Energy Corporation	X An Original A Resubmission		Dec. 31, 1998

SYSTEM MAPS

1. Furnish 5 copies of a system map (one with each filed copy of this report) of the facilities operated by the respondent for the production, gathering, transportation, and sale of natural gas. New maps need not be furnished if no important change has occurred in the facilities operated by the respondent since the date of the maps furnished with a previous year's annual report. If however, maps are not furnished for this reason, reference should be made in the space below to the year's annual report with which the maps were furnished.
2. Indicate the following information on the maps:
   - (a) Transmission lines.
   - (b) Incremental facilities.
   - (c) Location of gathering areas.
   - (d) Location of zones and rate areas.
   - (e) Location of storage fields.
   - (f) Location of natural gas fields.
   - (g) Locations of compressor stations.
   - (h) Normal direction of gas flow (indicated by arrows).
   - (i) Size of pipe.
   - (j) Location of products extraction plants, stabilization plants, purification plants, recycling areas, etc.
   - (k) Principal communities receiving service through the respondent's pipeline.
3. In addition, show on each map: graphic scale of the map; date of the facts the map purports to show; a legend giving all symbols and abbreviations used; designations of facilities leased to or from another company, giving name of such other company.
4. Maps not larger than 24 inches square are desired. If necessary, however, submit larger maps to show essential information. Fold the maps to a size not larger than this report. Bind the maps to the report.



Name of Respondent	This Report Is:	Date of Report	Year of Report
Atmos Energy Corporation	(1) [X] An Original (2) [ ] A Resubmission	(Mo,Da,Yr)	December 31, 1998

FOOTNOTE REFERENCE

Page No. (a)	Line or Item No. (b)	Column No. (c)	Footnote No. (d)

Name of Respondent	This Report Is:	Date of Report	Year of Report
Atmos Energy Corporation	(1) [X] An Original (2) [ ] A Resubmission	(Mo,Da,Yr)	December 31, 1998

FOOTNOTE TEXT

Footnote No. (a)	Footnote Text (b)

INDEX

INDEX (Continued)

INDEX (Continued)

PUBLIC SERVICE COMMISSION OF KENTUCKY
REPORT OF GROSS OPERATING REVENUES DERIVED FROM INTRA-KENTUCKY
BUSINESS FOR THE YEAR ENDING DECEMBER 31, 1998

Western Kentucky Gas Company, a division of Atmos Energy Corporation — **2401 New Hartford Rd. Owensboro, KY 42303**

(Utility Reporting) (Address)

(DO NOT INCLUDE TAXES COLLECTED)

(1) Gross Revenue of Electric Utility........................ $ ____________

(2) Gross Revenue of Gas Utility............................ $ 100,625,291

(3) Gross Revenue of Radio-Telephone Utility.............. $ ____________

(4) Gross Revenue of Cellular Telephone Utility............ $ ____________

(5) Gross Revenue of Telephone Utility........................ $ ____________

(6) Gross Revenue of Water Utility............................ $ ____________

(7) Gross Revenue of Sewer Utility............................ $ ____________

(8) Other Operating Revenues.................................. $ ____________

***TOTAL GROSS REVENUES....... $ 100,625,291

OATH

State of Texas)
) ss.
County of Dallas)

Donald P. Burman being duly sworn, states that he/she is
(Officer)

Assistant Controller of the Atmos Energy Corporation
(Official Title) (Utility Reporting)

that the above report of gross revenues is in exact accordance with the books of accounts of

Atmos Energy Corporation, and that such books accurately show the gross revenues
(Utility Reporting)

of: Western Kentucky Gas Company, a division of Atmos Energy Corporation, derived from
(Utility Reporting)

Intra-Kentucky business for the year ending December 31, 1998

/S/ Donald P. Burman — Assistant Controller
(Officer) (Title)

This 19 day of March, 1999

/S/ Judy Amos — Dallas
(Notary Public) (County)

My Commission Expires 10 - 21 - 99.

NOTE: ANY DIFFERENCE BETWEEN THE AMOUNT OF THE GROSS REVENUE SHOWN IN THE ANNUAL REPORT AND THE AMOUNT APPEARING ON THIS STATEMENT MUST BE RECONCILED ON THE REVERSE SIDE OF THIS REPORT.

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ADDITIONAL INFORMATION TO BE FURNISHED WITH

ANNUAL REPORT

GAS PURCHASES

(Accounts 800, 801, 802, 803, 804, 804.1, 805, 805.1 805.2)

Name of Seller and Account Number	Gas Purchased - Mcf	Cost of Gas
800 Natural Gas Well Head Purchases	2,539,346	$3,993,509
803 Natural Gas Transmission Line Purchases		69,518,157
804 Natural Gas City Gate Purchases	125,903,753	289,643,480
Total	128,443,099	$363,155,146

PUBLIC SERVICE COMMISSION OF KENTUCKY

PRINCIPAL PAYMENT AND INTEREST INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 1998

1. Amount of Principal Payment during the calendar year $54,640,000.

2. Is Principal current? (Yes) X. (No) ____.

3. Is Interest current? (Yes) X. (No) ____.

SERVICES PERFORMED BY

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

Are your financial statements examined by a Certified Public Accountant?

YES X. NO ____.

If yes, which service is performed?

Audit X.

Compilation ____.

Review ____.

Please enclose a copy of the accountant's report with annual report.

Note: The information on this page applies to Atmos Energy Corporation. Western Kentucky Gas Company is operated as a division of Atmos Energy Corporation.

ADDITIONAL INFORMATION TO BE FURNISHED WITH

ANNUAL REPORT

GAS UTILITIES - CLASS A & B

Please furnish the following information, for Kentucky Operations only, and attach to your annual report.

Name of Counties in which you furnish Gas Service:

Anderson	Lincoln
Barren	Livingston
Boyle	Logan
Breckenridge	Lyon
Caldwell	Marion
Christian	Marshall
Crittenden	McCracken
Daviess	McLean
Edmonson	Mercer
Franklin	Muhlenburg
Garrard	Ohio
Graves	Shelby
Grayson	Simpson
Green	Taylor
Hancock	Todd
Hart	Trigg
Henderson	Warren
Hopkins	Washington
Jefferson	Webster

CHECKLIST FOR THE ANNUAL REPORT
OF A AND B GAS COMPANIES
To Be Completed and Returned With The Annual Report

BALANCE SHEET

Page No.	Line #		Page No.	Line No.	Yes	No	If No, Explain Why
110	2	agrees with	200	13 less 11	X		
110	3	agrees with	200	11	X		
110	5	agrees with	200	14 & 33	X		
110	6	agrees with	200	15	X		
110	11	agrees with	122-123	-	N/A		
110	12	agrees with	220	5b	X		
110	14	agrees with	220	5d	N/A		
110	15	agrees with	220	5e	N/A		
110	19	agrees with	222-223	-	N/A		
110	20	agrees with	224-225	-	X		
110	46	agrees with	227	-	N/A		
110	47	agrees with	220	-	X		
110	48	agrees with	220	-	X		
110	49	agrees with	230	Acct 165	X		
111	58	agrees with	230	Acct 181.2	N/A		
111	59	agrees with	230	Acct 182.2	N/A		
111	60	agrees with	232	Acct 182.3	N/A		
111	65	agrees with	233	Acct 186	X		
111	69	agrees with	234-235	Acct 190	N/A		
112	2	agrees with	251	(f)	X		
112	3	agrees with	251	(f)	N/A		
112	4	agrees with	252	-	N/A		
112	5	agrees with	252	-	N/A		
112	6	agrees with	252	-	N/A		
112	7	agrees with	253	40 (b)	X		

CHECKLIST FOR THE ANNUAL REPORT
OF A AND B GAS COMPANIES
To Be Completed and Returned With The Annual Report

Page No.	Line #		Page No.	Line No.	Yes	No	If No, Explain Why
112	8	agrees with	252	(d)	N/A		
112	9	agrees with	254	Acct 213	N/A		
112	10	agrees with	254	Acct 214	N/A		
112	11	agrees with	119	19	X		
112	12	agrees with	119	24	N/A		
112	13	agrees with	251	Acct 217	N/A		
112	16	agrees with	256	(d)		X	FMB Series Debt = $123,360,000
112	17	agrees with	257	Acct 222	N/A		
112	18	agrees with	256	Acct 223	N/A		
112	19	agrees with	256	Acct 224		X	Excludes Current Portion of Long-term Debt
113	39	agrees with	263	Acct 236	X		
113	45	agrees with	268	45(b)	X		
113	52	agrees with	269	47(f)	X		
113	53	agrees with	278	(f)	N/A		
113	54	agrees with	260	Acct 257	N/A		

INCOME STATEMENT

114	2	agrees with	300	17 (g)	X		
114	4+5	agrees with	317-325	-	X		
114	6	agrees with	336-338	-	X		
114	7	agrees with	336-338	-	X		
114	13+14+15	agrees with	262-263	-		X	Not all taxes included
114	16	agrees with	234	(C)		X	Not all taxes included
114	17	agrees with	234	(d)	N/A		
116	43	agrees with	340	-	X		
116	46	agrees with	262-263	Acct 408.2	N/A		

CHECKLIST FOR THE ANNUAL REPORT
OF A AND B GAS COMPANIES
To Be Completed and Returned With The Annual Report

Page No.	Line #		Page No.	Line No.	Yes	No	If No, Explain Why
116	47	agrees with	262	Acct 409.2		X	Not all taxes included
116	48	agrees with	262	Acct 409.2		X	Not all taxes included
116	49	agrees with	234-235	Acct 410.2	N/A		
116	50	agrees with	234-235	Acct 411.2	N/A		
116	57	agrees with	258-259	Acct 428	X		
116	59	agrees with	258-259	Acct 429	N/A		
116	61	agrees with	340	Acct 430	N/A		
116	62	agrees with	340	Acct 431	X		
116	70	agrees with	262-263	-	N/A		

OTHER

200	8	agrees with	208	121(g)	X		
200	10	agrees with	214		N/A		
200	11	agrees with	216		X		
200	18	agrees with	219		X		
118	28	agrees with	121	68	N/A		
118	12	agrees with	121	69	X		
325	262	agrees with	350-351		X		
335	25	agrees with	325	265	X		

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
Atmos Energy Corporation	(1) [X] An Original (2) [ ] A Resubmission		Dec. 31, 1998

OFFICERS

1. Report below the name, title and salary for each executive officer whose salary is $50,000 or more. An "executive officer" of a respondent includes its president, secretary, treasurer, and vice president in charge of a principal business unit, division or function (such as sales, administration or finance), and any other person who performs similar policy-making functions.

2. If a change was made during the year in the incumbent of any position, show name and total remuneration of the previous incumbent, and date the change in incumbency was made.

3. Utilities which are required to file the same data with the Securities and Exchange Commission, may substitute a copy of item 4 of Regulation S-K (identified as this page). The substituted page(s) should be the same size as this page.

Line No.	Title (a)	Date of Change	Name of Officer (b)	Salary for Year (c)
1	President		Robert W. Best	909,135
2				
3	Executive Vice President & Chief Financial Officer		Larry J. Dagley	573,781
4				
5	Executive Vice President - Utility Operations		J. Charles Goodman	282,813
6				
7	Vice Presdient - General Counsel & Corporate Secretary		Glen A. Blanscet	193,316
8				
9	Vice Presdient - Human Resources		Wynn D. McGregor	155,355
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KENTUCKY ONLY

Name of Respondent	This Report Is:	Date of Report	Year of Report
ATMOS ENERGY CORPORATION	[X] An Original [ ] A Resubmission	(Mo, Da, Yr)	Dec. 31, 1998

STATEMENT OF INCOME FOR THE YEAR

1. Report amounts for accounts 412 and 413, Revenue and Expenses from Utility Plant Leased to Others, in another utility column (i,j) in a similar manner to a utility department. Spread the amounts(s) over lines 2 thru 24 as appropriate. Include these amounts in columns (c) and (d) totals.

2. Report amounts in discount 414, Other Utility Operating Income, in the same manner as accounts 412 and 413 above.

3. Report data for ines 7, 9, and 10 for Natural Gas companies using accounts 404.1, 404.2, 404.3, 407.1, and 407.2.

Line No.	Account (a)	Reference Page Number (b)	Total Current Year (in dollars) (c)	Total Previous Year (in dollars) (d)
1	UTILITY OPERATING INCOME			
2	Operating Revenues (400)	300-301	100,625,291	151,176,695
3	Operating Expenses			
4	Operation Expenses (401)	317-325	81,440,084	126,674,770
5	Maintenance Expenses (402)	317-325	923,089	1,016,256
6	Depreciation Expenses (403)	336-338	6,353,975	5,933,973
7	Amort. & Depl. of Utility Plant (404-405)	336-338	44	51,192
8	Amort. of Utility Plant Acq. Adj. (406)		204,982	204,981
9	Amort. of Property Losses, Unrecovered Plant and Regulatory Study Costs (407.1)			
10	Amort. of Conversion Expenses (407.2)			
11	Regulatory Debits (407.3)			
12	(Less) Regulatory Credits (407.4)			
13	Taxes Other Than Income Taxes (408.1)	262-263	1,926,546	1,971,549
14	Income Taxes - Federal (409.1)	262-263	1,545,504	
15	Income Taxes - Other (409.1)	262-263	366,597	279,046
16	Provision for Deferred Inc. Taxes (410.1)	234-235	(141,967)	
17	(Less) Provision for Deferred Income Taxes-Cr. (411.1)	234-235		
18	Investment Tax Credit Adj. - Net (411.4)		0	
19	(Less) Gains from Disp. of Utility Plant (411.6)			
20	Losses from Disp. of Utility Plant (411.7)			
21	(Less) Gains from Disposition of Allowances (411.8)			
22	Losses from Disposition of Allowances (411.9)			
23	TOTAL Utility Operating Expenses (Enter Total of lines 4 thru 22)		92,618,854	136,131,767
24	Net Utility Operating Income (Enter Total of line 2 less 23) (Carry forward to page 116, line 25)		8,006,437	15,044,928

NOTE:

This report reflects the operations of Western Kentucky Gas Company, a division of Atmos Energy Corporation, in the state of Kentucky.

General office overhead expenses, division headquarters operating expenses, interest, and income taxes have been allocated in this report for financial reporting purposes only and such allocations may not be applicable for ratemaking purposes.

Significant differences in current year and prior year specific account balances may occur in this year's report because Atmos and United Cities operated separately prior to 1998. Different organizations, accounting practices and allocations for financial reporting purposes are reflected in the separate prior year reports. The prior year amounts presented herein were determined by combining amounts from the separate prior year reports and thus are not completely comparable to the 1998 amounts.

KENTUCKY ONLY

Name of Respondent	This Report Is:	Date of Report	Year of Report
ATMOS ENERGY CORPORATION	(1) [X] An Original (2) [ ] A Resubmission	(Mo, Da, Yr)	Dec. 31, 1998

STATEMENT OF INCOME FOR THE YEAR (Continued)

Line No.	Title of Account (a)	Reference Page Number (b)	Total Current Year (in dollars) (c)	Total Previous Year (in dollars) (d)
25	Net Utility Operating Income (Carried forward from page 114)	--	8,006,437	15,044,928
26	Other Income and Deductions			
27	Other Income			
28	Nonutility Operating Income			
29	Revenues From Merchandising, Jobbing and Contract Work (415)		724,074	875,536
30	(Less) Costs and Exp. of Merchandising, Jobbing & Contract Work (416)		(519,055)	[illegible]
31	Revenues From Nonutility Operations (417)			
32	(Less) Expenses of Nonutility Operations (417.1)			
33	Nonoperating Rental Income (418)			
34	Equity in Earnings of Subsidiary Companies (418.1)	119		
35	Interest and Dividend Income (419)		63,096	26,973
36	Allowance for Other Funds Used in Construction (419.1)			
37	Miscellaneous Nonoperating Income (421)		803,586	120
38	Gain on Disposition of Property (421.1)			
39	TOTAL Other Income (Enter Total of lines 29 thru 38)		1,071,701	303,560
40	Other Income Deductions			
41	Loss on Disposition of Property (421.2)			
42	Miscellaneous Amortization (425)	340		
43	Miscellaneous Income Deductions (426.1-426.5)	340	187,366	87,703
44	TOTAL Other Income Deductions (Enter Total of lines 41 thru 43)		187,366	87,703
45	Taxes Applic. to Other Income and Deductions			
46	Taxes Other Than Income Taxes (406.2)	262-263		
47	Income Taxes-Federal (409.2)	262-263	272,899	
48	Income Taxes-Other (409.2)	262-263	72,957	
49	Provision for Deferred Inc. Taxes (410.2)	234-235		
50	(Less) Provision for Deferred Income Taxes-Cr. (411.2)	234-235		
51	Investment Tax Credit Adj.-Net (411.5)			
52	(Less) Investment Tax Credits (420)			
53	TOTAL Taxes On Other Inc. and Ded. (Total of 46 thru 52)		345,856	0
54	Net Other Income and Deductions (Enter Total of lines 39, 44, 53)		538,479	215,857
55	Interest Charges			
56	Interest of Long-Term Debt (427)		3,659,115	
57	Amort. of Debt Disc. and Expense (428)	258-259	1,571,530	
58	Amortization of Loss on Reacquired Debt (428.1)			
59	(Less) Amort. of Premium on Debt-Credit (429)	258-259		
60	(Less) Amortization of Gain on Reacquired Debt-Credit (429.1)			
61	Interest on Debt to Assoc. Companies (430)	340		
62	Other Interest Expense (431)	340	102,321	134,034
63	(Less) Allowance for Borrowed Funds Used During Construction-Cr. (432)			(153,298)
64	Net Interest Charges (Enter Total of lines 56 thru 63)		5,332,966	(19,264)
65	Income Before Extraordinary Items (Enter Total of lines 25, 54 and 64)		3,211,950	15,280,049
66	Extraordinary Items			
67	Extraordinary Income (434)			
68	(Less) Extraordinary Deductions (435)			
69	Net Extraordinary Items (Enter Total of line 67 less line 68)		0	0
70	Income Taxes-Federal and Other (409.3)	262-263		
71	Extraordinary Items After Taxes (Enter Total of line 69 less line 70)		0	0
72	Net Income (Enter Total of lines 65 and 71)		3,211,950	15,280,049

KENTUCKY ONLY

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
ATMOS ENERGY CORPORATION	[X] An Original [ ] A Resubmission		Dec. 31, 1998

GAS PLANT IN SERVICE (Accounts 101, 102, 103, and 106)

1. Report below the original cost of gas plant in service according to the prescribed accounts.

2. In addition to Account 101, Gas Plant in Service (Classified) this page and the next include Account 102, Gas Plant Purchased or Sold; Account 103, Experimental Gas Plant Unclassified; and Account 106, Completed Construction not Classified-Gas.

3. Include in column (c) or (d), as appropriate, corrections of additions and retirements for the current or preceding year.

4. Enclose in parentheses credit adjustments of plant accounts to indicate the negative effect of such accounts.

5. Classify Account 106 according to prescribed accounts, on an estimated basis if necessary, and include the entries in column (c). Also to be included in column (c) are entries for reversals of tentative distributions of prior year reported in column (b). Likewise, if the respondent has a significant amount of plant retirements which have not been classified to primary accounts at the end of the year include in column (d) a tentative distribution of such retirements on an estimated basis, with appropriate contra entry to the account for accumulated depreciation provision. Include also in column (d) reversals of tentative distributions of prior year of unclassified retirements. Attach supplemental statement showing the account distributions of these tentative classifications in columns (c) and (d).

Line No.	Account (a)	Balance at Beginning of Year (b)	Additions (c)
1	1. INTANGIBLE PLANT		
2	301 Organization	8,330	
3	302 Franchises and Consents	119,853	
4	303 Miscellaneous Intangible Plant		
5	TOTAL Intangible Plant (Enter Total of lines 2 thru 4)	128,183	0
6	2. PRODUCTION PLANT		
7	Natural Gas Production and Gathering Plant		
8	325.1 Producing Lands		
9	325.2 Producing Leaseholds	2,353	
10	325.3 Gas Rights		
11	325.4 Rights-of-Way	6,069	
12	325.5 Other Land and Land Rights		
13	326 Gas Well Structures		
14	327 Field Compressor Station Structures		
15	328 Field Meas. and Reg. Sta. Structures		
16	329 Other Structures		
17	330 Producing Gas Wells-Well Construction		
18	331 Producing Gas Wells-Well Equipment	3,492	
19	332 Field Lines	575,381	
20	333 Field Compressor Station Equipment		
21	334 Field Meas. and Reg. Sta. Equipment	198,469	
22	335 Drilling and Cleaning Equipment		
23	336 Purification Equipment	44,369	
24	337 Other Equipment		
25	338 Unsuccessful Exploration & Devel. Costs		
26	TOTAL Production and Gathering Plant (Enter Total of lines 8 thru 25)	830,133	0
27	PRODUCTS EXTRACTION PLANT		
28	304 Land and Land Rights		
29	305 Structures and Improvements		
30	342 Extraction and Refining Equipment		
31	343 Pipe Lines		
32	344 Extracted Products Storage Equipment		
33	345 Compressor Equipment		

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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
ATMOS ENERGY CORPORATION	[X] An Original [ ] A Resubmission		Dec. 31, 1998

GAS PLANT IN SERVICE (Accounts 101, 102, 103, and 106)

including the reversals of the prior years tentative account distributions of these amounts. Careful observance of the above instructions and the texts of Accounts 101 and 106 will avoid serious omissions of respondent's reported amount for plant actually in service at end of year.

6. Show in column (f) reclassifications or transfers within utility plant accounts. Include also in column (f) the additions or reductions of primary account classifications arising from distribution of amounts initially recorded in Account 102. In showing the clearance of Account 102, include in column (e) the amounts with respect to accumulated provision for depreciation, acquisition adjustments, etc., and show in column (f) only the offset to the debits or credits distributed in column (f) to primary account classifications.

7. For Account 399, state the nature and use of plant included in this account and if substantial in amount submit a supplementary statement showing subaccount classification of such plant conforming to the requirement of these pages.

8. For each amount comprising the reported balance and changes in Account 102, state the property purchased or sold, name of vendor or purchaser, and date of transaction. If proposed journal entries have been filed with the Commission as required by the Uniform System of Accounts, give also date of such filing.

Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)		Line No.
[redacted]					1
			8,330	301	2
			119,853	302	3
			0	303	4
0	0	0	128,183		5
[redacted]					6
					7
			0	325.1	8
			2,353	325.2	9
			0	325.3	10
			6,069	325.4	11
			0	325.5	12
			0	326	13
			0	327	14
			0	328	15
			0	329	16
			0	330	17
			3,492	331	18
			575,381	332	19
			0	333	20
			198,469	334	21
			0	335	22
			44,369	336	23
			0	337	24
			0	338	25
0	0	0	830,133		26
[redacted]					27
			0	304	28
			0	305	29
			0	311	30
			0	319	31
			0	344	32
			0	345	33

KENTUCKY ONLY

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
ATMOS ENERGY CORPORATION	X An Original A Resubmission		Dec. 31, 1998

GAS PLANT IN SERVICE (Accounts 101, 102, 103, and 106)

Line No.	Account (a)	Balance at Beginning of Year (b)	Additions (c)
34	346 Gas Measuring and Regulating Equipment		
35	347 Other Equipment		
36	TOTAL Products Extraction Plant (Enter Total of lines 28 thru 35)	0	0
37	TOTAL Natural Gas Production Plant (Enter total of lines 26 and 36)	830,133	0
38	Manufactured Gas Prod. Plant (Submit Suppl. Statement)		
39	TOTAL Production Plant (Enter Total of lines 37 and 38)	830,133	0
40	3. NATURAL GAS STORAGE AND PROCESSING PLANT		
41	Underground Storage Plant		
42	350.1 Land	261,127	
43	350.2 Rights-of-Way	4,682	
44	351 Structures and Improvements	284,257	4,700
45	352 Wells	2,708,776	
46	352.1 Storage Leaseholds and Rights	233,144	
47	352.2 Reservoirs		
48	352.3 Non-recoverable Natural Gas		
49	353 Lines	387,959	
50	354 Compressor Station Equipment	470,685	
51	355 Measuring and Regulating Equipment	281,530	7,321
52	356 Purification Equipment	239,930	
53	357 Other Equipment		
54	TOTAL Underground Storage Plant (Enter Total of lines 42 thru 53)	4,872,090	12,021
55	Other Storage Plant		
56	360 Land and Land Rights		
57	361 Structures and Improvements		
58	362 Gas Holders		
59	363 Purification Equipment		
60	363.1 Liquefaction Equipment		
61	363.2 Vaporizing Equipment		
62	363.3 Compressor Equipment		
63	363.4 Measuring and Regulating Equipment		
64	363.5 Other Equipment		
65	TOTAL Other Storage Plant (Enter Total of lines 56 thru 64)	0	0
66	Base Load Liquefied Natural Gas Terminaling and Processing Plant		
67	364.1 Land and Land Rights		
68	364.2 Structures and Improvements		
69	364.3 LNG Processing Terminal Equipment		
70	364.4 LNG Transportation Equipment		
71	364.5 Measuring and Regulating Equipment		
72	364.6 Compressor Station Equipment		
73	364.7 Communications Equipment		
74	364.8 Other Equipment		
75	TOTAL Base Load Liquefied Natural Gas, Terminaling and Processing Plant (Total of lines 67 thru 74)	0	0
76	TOTAL Nat. Gas Storage and Proc. Plant (Total of lines 54, 65 and 75)	4,872,090	12,021
77	TRANSMISSION PLANT		
78	365.1 Land and Land Rights	26,951	
79	365.2 Rights-of-Way	403,419	
80	366 Structures and Improvements	102,094	(18,124)

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Name of Respondent	This Report Is:	Date of Report	Year of Report
ATMOS ENERGY CORPORATION	[X] An Original [ ] A Resubmission	(Mo, Da, Yr)	Dec. 31, 1998

GAS PLANT IN SERVICE (Accounts 101, 102, 103, and 106)

Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)		Line No.
				346	34
				347	35
0	0	0	0		36
0	0	0	830,133		37
			0		38
0	0	0	830,133		39
[illegible]					40
[illegible]					41
			261,127	350.1	42
			4,682	350.2	43
			288,957	351	44
			2,708,776	352	45
			233,144	352.1	46
			0	352.2	47
				353	48
			387,959	354	49
			470,685	355	50
			288,851	356	51
			239,930	357	52
			0		53
0	0	0	4,884,111		54
[illegible]					55
			0	360	56
			0	361	57
			0	362	58
			0	363	59
			0	363.1	60
			0	363.2	61
			0	363.3	62
			0	363.4	63
			0	363.5	64
0	0	0	0		65
[illegible]					66
			0	364.1	67
			0	364.2	68
			0	364.3	69
			0	364.4	70
			0	364.5	71
			0	364.6	72
			0	364.7	73
			0	364.8	74
					75
0	0	0	0		0
0	0	0	4,884,111		76
[illegible]					77
			26,951	365.1	78
			403,419	365.2	79
			83,970	366	80

KENTUCKY ONLY

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
ATMOS ENERGY CORPORATION	[X] An Original [ ] A Resubmission		Dec. 31, 1998

GAS PLANT IN SERVICE (Accounts 101, 102, 103, and 106)

Line No.	Account (a)	Balance at Beginning of Year (b)	Additions (c)
81	367 Mains	18,918,668	365,000
82	368 Compressor Station Equipment		
83	369 Measuring and Regulating Station Equipment	2,836,201	151,876
84	370 Communication Equipment		
85	371 Other Equipment		
86	TOTAL Transmission Plant (Enter Totals of lines 78 thru 85)	22,287,333	498,752
87	DISTRIBUTION PLANT		
88	374 Land and Land Rights	105,018	4,527
89	375 Structures and Improvements	160,484	
90	376 Mains	64,600,761	3,325,104
91	377 Compressor Station Equipment		
92	378 Meas. and Reg. Station Equipment-General	1,770,398	136,721
93	379 Meas. and Reg. Station Equipment-City Gate	1,650,884	
94	380 Services	41,356,098	2,890,105
95	381 Meters	17,142,123	982,777
96	382 Meter Installations	10,431,785	1,381,130
97	383 House Regulators	3,968,622	206,192
98	384 House Regulator Installations	159,969	
99	385 Industrial Measuring and Regulating Station Equipment	2,621,138	307,121
100	386 Other Property on Customers' Premises		
101	387 Other Equipment		
102	TOTAL Distribution Plant (Enter Total of lines 88 thru 101)	143,967,280	9,233,677
103	GENERAL PLANT		
104	389 Land and Land Rights	44,728	
105	390 Structures and Improvements	1,633,329	
106	391 Office Furniture and Equipment	1,786,490	798
107	392 Transportation Equipment	7,013,709	3,662
108	393 Stores Equipment		
109	394 Tools, Shop, and Garage Equipment	3,031,503	32,971
110	395 Laboratory Equipment		
111	396 Power Operated Equipment	1,652,343	
112	397 Communication Equipment	922,692	21,783
113	398 Miscellaneous Equipment	37,073	
114	Subtotal (Enter Total on lines 104 thru 113)	16,121,867	59,214
115	399 Other Tangible Property	1,100,919	198,197
116	TOTAL General Plant (Enter Total of lines 114 and 115)	17,222,786	257,411
117	TOTAL (Accounts 101 and 106)	189,307,805	10,001,861
118	Gas Plant Purchased (See Instr. 8)		
119	(Less) Gas Plant Sold (See Instr. 8)		
120	Experimental Gas Plant Unclassified	1,694,833.00	
121	TOTAL Gas Plant in Service (Enter Total of lines 117 thru 120)	191,002,638	10,001,861

KENTUCKY ONLY

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
ATMOS ENERGY CORPORATION	[X] An Original [ ] A Resubmission		Dec. 31, 1998

GAS PLANT IN SERVICE (Accounts 101, 102, 103, and 106)

Retirements (d)	Adjustments (e)	Transfers (f)	Balance at End of Year (g)		Line No.
			19,283,668	367	81
			0	368	82
11,922		(27,864)	2,948,291	369	83
			0	370	84
			[illegible]	37[illegible]	[illegible]
11,922	0	(27,864)	22,746,299		[illegible]
					87
			109,545	374	88
			160,484	375	89
178,050		27,864	67,775,679	376	90
			0	377	91
59			1,907,060	378	92
			1,650,884	379	93
			44,246,203	380	94
5,414			18,119,486	381	95
			11,812,915	382	96
264,277			3,910,537	383	97
			159,969	384	98
9,536			2,918,723	385	99
			0	386	100
			0	387	101
457,336	0	27,864	152,771,485		102
					103
			44,728	389	104
			1,633,329	390	105
10,722			1,776,566	391	106
806,445		(882)	6,210,044	392	107
			0	393	108
335		35	3,064,174	394	109
			0	395	110
292		(35)	1,652,016	396	111
			944,475	397	112
			37,073	398	113
817,794	0	(882)	15,362,405		114
(7,400)		2,740	1,309,256	399	115
810,394	0	1,858	16,671,661		116
1,279,652	0	1,858	198,031,872		117
			0		118
			0		119
			1,694,833		120
1,279,652	0	1,858	199,726,705		121

Atmos Energy Corporation (KENTUCKY ONLY)
Gas Plant in Service - Common Plant Allocation
December 31, 1998

GAS PLANT IN SERVICE (Accounts 101, 102, 103, and 106)				
Line No.	Account (a)	Located in Kentucky (C)	Allocated (D)	Total Plant in Service (C) + (D)
1	1. INTANGIBLE PLANT			
2	301 Organization	8,330	0	8,330
3	302 Franchises and Consents	119,853	0	119,853
4	303 Miscellaneous Intangible Plant	0	0	0
5	TOTAL Intangible Plant (Enter Total of lines 2 thru 4)	128,183	0	128,183
6	2. PRODUCTION PLANT			
7	Natural Gas Production and Gathering Plant			
8	325.1 Producing Lands	0	0	0
9	325.2 Producing Leaseholds	2,353	0	2,353
10	325.3 Gas Rights	0	0	0
11	325.4 Rights-of-Way	6,069	0	6,069
12	325.5 Other Land and Land Rights	0	0	0
13	326 Gas Well Structures	0	0	0
14	327 Field Compressor Station Structures	0	0	0
15	328 Field Meas. and Reg. Sta. Structures	0	0	0
16	329 Other Structures	0	0	0
17	330 Producing Gas Wells-Well Construction	0	0	0
18	331 Producing Gas Wells-Well Equipment	3,492	0	3,492
19	332 Field Lines	575,381	0	575,381
20	333 Field Compressor Station Equipment	0	0	0
21	334 Field Meas. and Reg. Sta. Equipment	198,469	0	198,469
22	335 Drilling and Cleaning Equipment	0	0	0
23	336 Purification Equipment	44,369	0	44,369
24	337 Other Equipment	0	0	0
25	338 Unsuccessful Exploration & Devel. Costs	0	0	0
26	TOTAL Production and Gathering Plant (Enter Total of lines 8 thru 25)	830,133	0	830,133
27	PRODUCTS EXTRACTION PLANT			
28	304 Land and Land Rights	0	0	0
29	305 Structures and Improvements	0	0	0
30	342 Extraction and Refining Equipment	0	0	0
31	343 Pipe Lines	0	0	0
32	344 Extracted Products Storage Equipment	0	0	0
33	345 Compressor Equipment	0	0	0
34	346 Gas Measuring and Regulating Equipment	0		
35	347 Other Equipment	0		
36	TOTAL Products Extraction Plant (Enter Total of lines 28 thru 35)	0	0	0
37	TOTAL Natural Gas Production Plant (Enter total of lines 26 and 36)	830,133	0	830,133
38	Manufactured Gas Prod. Plant (Submit Suppl. Statement)	0	0	0
39	TOTAL Production Plant (Enter Total of lines 37 and 38)	830,133	0	830,133
40	3. NATURAL GAS STORAGE AND PROCESSING PLANT			
41	Underground Storage Plant			
42	350.1 Land	261,127	0	261,127
43	350.2 Rights-of-Way	4,682	0	4,682
44	351 Structures and Improvements	288,957	0	288,957
45	352 Wells	2,708,776	0	2,708,776
46	352.1 Storage Leaseholds and Rights	233,144	0	233,144
47	352.2 Reservoirs	0	0	0
48	352.3 Non-recoverable Natural Gas	0	0	0
49	353 Lines	387,959	0	387,959
50	354 Compressor Station Equipment	470,685	0	470,685
51	355 Measuring and Regulating Equipment	288,851	0	288,851
52	356 Purification Equipment	239,930	0	239,930
53	357 Other Equipment	0	0	0
54	TOTAL Underground Storage Plant (Enter Total of lines 42 thru 53)	4,884,111	0	4,884,111
55	Other Storage Plant			
56	360 Land and Land Rights	0	0	0
57	361 Structures and Improvements	0	0	0
58	362 Gas Holders	0	0	0
59	363 Purification Equipment	0	0	0
60	363.1 Liquefaction Equipment	0	0	0
61	363.2 Vaporizing Equipment	0	0	0
62	363.3 Compressor Equipment	0	0	0
63	363.4 Measuring and Regulating Equipment	0	0	0
64	363.5 Other Equipment	0	0	0

Atmos Energy Corporation (KENTUCKY ONLY)
Gas Plant in Service - Common Plant Allocation
December 31, 1998

GAS PLANT IN SERVICE (Accounts 101, 102, 103, and 106)

Line No.	Account (a)	Located in Kentucky (C)	Allocated (D)	Total Plant in Service (C) + (D)
65	TOTAL Other Storage Plant (Enter Total of lines 56 thru 64)	0	0	0
66	Base Load Liquefied Natural Gas Terminaling and Processing Plant			
67	364.1 Land and Land Rights	0	0	0
68	364.2 Structures and Improvements	0	0	0
69	364.3 LNG Processing Terminal Equipment	0	0	0
70	364.4 LNG Transportation Equipment	0	0	0
71	364.5 Measuring and Regulating Equipment	0	0	0
72	364.6 Compressor Station Equipment	0	0	0
73	364.7 Communications Equipment	0	0	0
74	364.8 Other Equipment	0	0	0
75	TOTAL Base Load Liquefied Natural Gas, Terminaling and Processing Plant (Total of lines 67 thru 74)	0	0	0
76	TOTAL Nat. Gas Storage and Proc. Plant (Total of lines 54, 65 and 75)	4,884,111	0	4,884,111
77	TRANSMISSION PLANT			
78	365.1 Land and Land Rights	26,951	0	26,951
79	365.2 Rights-of-Way	403,419	0	403,419
80	366 Structures and Improvements	83,970	0	83,970
81	367 Mains	19,283,668	0	19,283,668
82	368 Compressor Station Equipment	0	0	0
83	369 Measuring and Regulating Station Equipment	2,948,291	0	2,948,291
84	370 Communication Equipment	0	0	0
85	371 Other Equipment	0	0	0
86	TOTAL Transmission Plant (Enter Totals of lines 78 thru 85)	22,746,299	0	22,746,299
87	DISTRIBUTION PLANT			
88	374 Land and Land Rights	109,545	0	109,545
89	375 Structures and Improvements	160,484	0	160,484
90	376 Mains	67,775,679	0	67,775,679
91	377 Compressor Station Equipment	0	0	0
92	378 Meas. and Reg. Station Equipment-General	1,907,060	0	1,907,060
93	379 Meas. and Reg. Station Equipment-City Gate	1,650,884	0	1,650,884
94	380 Services	44,246,203	0	44,246,203
95	381 Meters	18,119,486	0	18,119,486
96	382 Meter Installations	11,812,915	0	11,812,915
97	383 House Regulators	3,910,537	0	3,910,537
98	384 House Regulator Installations	159,969	0	159,969
99	385 Industrial Measuring and Regulating Station Equipment	2,918,723	0	2,918,723
100	386 Other Property on Customers' Premises	0	0	0
101	387 Other Equipment	0	0	0
102	TOTAL Distribution Plant (Enter Total of lines 88 thru 101)	152,771,485	0	152,771,485
103	GENERAL PLANT			
104	389 Land and Land Rights	44,728	0	44,728
105	390 Structures and Improvements	1,633,329	980,581	2,613,910
106	391 Office Furniture and Equipment	1,776,566	765,227	2,541,793
107	392 Transportation Equipment	6,210,044	9,006	6,219,050
108	393 Stores Equipment	0	986	986
109	394 Tools, Shop, and Garage Equipment	3,064,174	5,373	3,069,547
110	395 Laboratory Equipment	0	0	0
111	396 Power Operated Equipment	1,652,016	0	1,652,016
112	397 Communication Equipment	944,475	130,983	1,075,458
113	398 Miscellaneous Equipment	37,073	105,339	142,412
114	Subtotal (Enter Total on lines 104 thru 113)	15,362,405	1,997,495	17,359,900
115	399 Other Tangible Property	1,309,256	3,530,321	4,839,577
116	TOTAL General Plant (Enter Total of lines 114 and 115)	16,671,661	5,527,816	22,199,477
117	TOTAL (Accounts 101 and 106)	198,031,872	5,527,816	203,559,688
118	Gas Plant Purchased (See Instr. 8)	0	0	0
119	(Less) Gas Plant Sold (See Instr. 8)	0	0	0
120	Experimental Gas Plant Unclassified	1,694,833	0	1,694,833
121	TOTAL Gas Plant in Service (Enter Total of lines 117 thru 120)	199,726,705	5,527,816	205,254,521
	WORK IN PROGRESSS			
	107 *Construction work in Progress - Gas*	2,558,051	16,759,602	19,317,653
	TOTAL PLANT	**202,284,756**	**22,287,418**	**224,572,174**

KENTUCKY ONLY

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
ATMOS ENERGY CORPORATION	(1) [X] An Original (2) [ ] A Resubmission		Dec. 31, 1998

GAS OPERATING REVENUES (ACCOUNT 400)

1. Report below natural gas operating revenues for each prescribed account, and manufactured gas revenues in total.
2. Natural gas means either natural gas unmixed or any mixture of natural and manufactured gas.
3.. Report number of customers, columns (f) and (g), on the basis of meters, in addition to the number of flat rate accounts; except that where separate meter readings are added for billing purposes, one customer should be counted for each group of meters added. The average number of customers means the average of twelve figures at the close of each month.
4. Report quantities of natural gas sold in Mcf (14.73 psia at 60F). If billings are on a therm basis, give the Btu contents of the gas sold and the sales converted to Mcf.
5. If increases or decreases from previous year (columns (c), (e) and (g)), are not derived from previously

Line No.	Title of Account (a)	OPERATING REVENUES Amount for Year (b)	Amount for Previous Year (c)
1	GAS SERVICE REVENUES		
2	480 Residential Sales	52,026,313	81,470,636
3	481 Commercial & Industrial Sales		
4	Small (or Comm.) (See Instr. 6)	21,310,652	31,520,747
5	Large (or Ind.) (See Instr. 6)	12,055,119	21,453,571
6	482 Other Sales to Public Authorities	5,221,270	7,711,767
7	484 Interdepartmental Sales		
8	TOTAL Sales to Ultimate Consumers	90,613,354	142,156,721
9	483 Sales for Resale		
10	TOTAL Nat. Gas Service Revenues	90,613,354	142,156,721
11	Revenues from Manufactured Gas		
12	TOTAL Gas Service Revenues	90,613,354	142,156,721
13	OTHER OPERATING REVENUES		
14	485 Intracompany Transfers		
15	487 Forfeited Discounts	0	0
16	488 Misc. Service Revenues	736,444	783,908
17	489 Rev. from Trans. of Gas of Others	8,814,425	7,770,044
18	490 Sales of Prod. Ext. from Nat. Gas	0	
19	491 Rev. from Nat. Gas Proc. by Others		
20	492 Incidental Gasoline and Oil Sales		
21	493 Rent from Gas Property	0	
22	494 Interdepartmental Rents		
23	495 Other Gas Revenues	461,069	466,022
24	TOTAL Other Operating Revenues	10,011,938	9,019,974
25	TOTAL Gas Operating Revenues	100,625,292	151,176,695
26	(Less) 496 Provision for Rate Refunds		
27	TOTAL Gas Operating Revenues Net of Provision for Refunds	100,625,292	
28	Dist. Type Sales by States (Incl. Main Line Sales to Resid. and Comm. Custrs.)	73,336,965	
29	Main Line Industrial Sales (Incl. Main Line Sales to Pub. Authorities	12,055,119	
30	Sales for Resale		
31	Other Sales to Pub. Auth. (Local Dist. Only)	5,221,270	
32	Interdepartmental Sales		
33	TOTAL (Same as Line 10, Columns (b) and (d))	90,613,354	

Name of Respondent	This Report Is:	Date of Report	Year of Report
ATMOS ENERGY CORPORATION	(1) [X] An Original (2) [ ] A Resubmission	(Mo,Da,Yr)	Dec. 31, 1998

GAS OPERATING REVENUES (ACCOUNT 400) (Continued)

reported figures, explain any inconsistencies in a footnote.

6. Commercial and Industrial Sales, Account 481, may be classified according to the basis of classification (Small or Commercial, and Large or Industrial) regularly used by the respondent if such basis of classification is not generally greater than 200,000 Mcf per year or approximately 800 Mcf per day of normal requirements. (See Account 481 of the Uniform System of Accounts. Explain basis of classification in a footnote.)

7. See pages 108-109, Important Changes During Year, for important new territory added and important rate increases or decreases.

MCF OF NATURAL GAS SOLD		AVG. NO. OF NAT. GAS CUSTRS. PER MO.		
Quantity for Year (d)	Quantity for Previous Year (e)	Number for Year (f)	Number for Previous Year (g)	Line No.
[redacted]	[redacted]	[redacted]	[redacted]	1
11,241,110.0	13,480,983.0	157,779	153,046	2
[redacted]	[redacted]	[redacted]	[redacted]	3
4,991,530.0	5,901,515.0	19,876	17,631	4
3,166,308.0	5,261,023.0	443	295	5
1,318,567.0	1,536,967.0	incl. W/ commercial amt.	1,565	6
				7
20,717,515.0	26,180,488.0	178,098	172,537	8
				9
20,717,515.0	26,180,488.0	178,098	172,537	10
[redacted]				11
				12
				13
				14
				15
				16
				17
				18
				19
				20
				21
				22
				23
				24
				25
				26
				27
16,232,640				28
3,166,308				29
				30
1,318,567				31
				32
20,717,515.0				33

KENTUCKY ONLY

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
ATMOS ENERGY CORPORATION	(1) [X] An Original (2) [ ] A Resubmission		Dec. 31, 1998

GAS OPERATION AND MAINTENANCE EXPENSES

1. Report operation and maintenance expenses. If the amount for previous year is not derived from previously reported figures, explain in footnotes.

2. Provide in footnotes the source of the index used to determine the price for gas supplied byshippers as reflected on line 74.

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
1	1. PRODUCTION EXPENSES		
2	A. Manufactured Gas Production		
3	Manufactured Gas Production (Submit Supplement Statement)	0	0
4	B. Natural Gas Production		
5	B1. Natural Gas Production and Gathering		
6	Operation		
7	750 Operation Supervision and Engineering	13	113
8	751 Production Maps and Records		
9	752 Gas Wells Expenses		
10	753 Field Lines Expenses		
11	754 Field Compressor Station Expenses		
12	755 Field Compressor Station Fuel and Power		
13	756 Field Measuring and Regulating Station Expenses	847	1,556
14	757 Purification Expenses		
15	758 Gas Well Royalties	100	100
16	759 Other Expenses		
17	760 Rents		
18	TOTAL Operation (Enter Total of lines 7 thru 17)	960	1,769
19	Maintenance		
20	761 Maintenance Supervision and Engineering		
21	762 Maintenance of Structures and Improvements		
22	763 Maintenance of Producing Gas Wells		
23	764 Maintenance of Field Lines		
24	765 Maintenance of Field Compressor Station Equipment		
25	766 Maintenance of Field Meas. and Reg. Sta. Equipment	477	1,957
26	767 Maintenance of Purification Equipment		
27	768 Maintenance of Drilling and Cleaning Equipment		
28	769 Maintenance of Other Equipment		
29	TOTAL Maintenance (Enter Total of lines 20 thru 28)	477	1,957
30	TOTAL Natural Gas Production and Gathering (Total of lines 18 and 29)	1,437	3,726

Atmos Energy Corporation (Kentucky Only)
Manufactured Gas Production
1998
Page 317 Line 3

	Current Year	Previous Year
L/P Gas Expense	0	0
Gas Mixing Expense	0	0
Misc. Production Expense	0	0
Total Operations	0	0
Structure & Improvements	0	0
Production Equipment	2	0
Total Maintenance	2	0
al Mfg. Gas Production	2	0

KENTUCKY ONLY

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
ATMOS ENERGY CORPORATION	(1) [X] An Original (2) [ ] A Resubmission		Dec. 31, 1998

GAS OPERATION AND MAINTENANCE EXPENSES

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
31	B2. Products Extraction		
32	Operation		
33	770 Operation Supervision and Engineering		
34	771 Operation Labor		
35	772 Gas Shrinkage		
36	773 Fuel		
37	774 Power		
38	775 Materials		
39	776 Operation Supplies and Expenses		
40	777 Gas Processed by Others		
41	778 Royalties on Products Extracted		
42	779 Marketing Expenses		
43	780 Products Purchased for Resale		
44	781 Variation in Products Inventory		
45	(Less) 782 Extracted Products Used by the Utility-Credit		
46	783 Rents		
47	TOTAL Operation (Enter Total of lines 33 thru 46)	0	0
48	Maintenance		
49	784 Maintenance Supervision and Engineering		
50	785 Maintenance of Structures and Improvements		
51	786 Maintenance of Extraction and Refining Equipment		
52	787 Maintenance of Pipe Lines		
53	788 Maintenance of Extracted Products Storage Equipment		
54	789 Maintenance of Compressor Equipment		
55	790 Maintenance of Gas Measuring and Reg. Equipment		
56	791 Maintenance of Other Equipment		
57	TOTAL Maintenance (Enter Total of lines 49 thru 56)	0	0
58	TOTAL Products Extraction (Enter Total of lines 47 and 57)	0	0

KENTUCKY ONLY

Name of Respondent	This Report Is:			Date of Report	Year of Report
	(1)	X	An Original	(Mo, Da, Yr)	
ATMOS ENERGY CORPORATION	(2)		A Resubmission		Dec. 31, 1998

GAS OPERATION AND MAINTENANCE EXPENSES (Continued)

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
59	C. Exploration and Development		
60	Operation		
61	795 Delay Rentals		
62	796 Nonproductive Well Drilling		
63	797 Abandoned Leases		
64	798 Other Exploration	859	1,132
65	TOTAL Exploration and Development (Enter Total of lines 61 thru 64)	859	1,132
66	D. Other Gas Supply Expenses		
67	Operation		
68	800 Natural Gas Well Head Purchases		
69	800.1 Natural Gas Well Head Purchases, Intracompany Transfers		
70	801 Natural Gas Field Line Purchases		
71	802 Natural Gas Gasoline Plant Outlet Purchases		
72	803 Natural Gas Transmission Line Purchases	67,883,935	85,196,185
73	804 Natural Gas City Gate Purchases	(9,936,695)	19,847,288
74	804.1 Liquefied Natural Gas Purchases		
75	805 Other Gas Purchases		
76	(Less) 805.1 Purchased Gas Cost Adjustments		
77	TOTAL Purchased Gas (Enter Total of line 68 thru 76)	57,947,240	105,043,473
78	806 Exchange Gas		0
79	Purchased Gas Expenses		
80	807.1 Well Expenses		
81	807.2 Operation of Purchased Gas Measuring Stations		
82	807.3 Maintenance of Purchased Gas Measuring Stations		
83	807.4 Purchased Gas Calculations Expenses		
84	807.5 Other Purchased Gas Expenses	25,054	20,233
85	TOTAL Purchased Gas Expenses (Enter Total of lines 80 thru 84)	25,054	20,233

KENTUCKY ONLY

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
ATMOS ENERGY CORPORATION	(1) [X] An Original (2) [ ] A Resubmission		Dec. 31, 1998

GAS OPERATION AND MAINTENANCE EXPENSES

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
86	808.1 Gas Withdrawn from Storage - Debit	10,294,953	9,455,037
87	(Less) 808.2 Gas Delivered to Storage - Credit		
88	809.1 Withdrawals of Liquefied Natural Gas for Processing - Debit		
89	(Less) 809.2 Deliveries of Natural Gas for Processing - Credit	(8,728,132)	(10,934,888)
90	Gas Used in Utility Operations - Credit		
91	810 Gas Used for Compressor Station Fuel - Credit		
92	811 Gas Used for Products Extraction - Credit		
93	812 Gas Used for Other Utility Operations - Credit	(63,282)	(93,420)
94	TOTAL Gas Used In Utility Operations - Credit (Total of lines 91 thru 93)	(63,282)	(93,420)
95	813 Other Gas Supply Expenses		
96	TOTAL Other Gas Supply Exp (Total of lines 77, 78, 85, 86 thru 89, 94, 95)	59,475,833	103,490,435
97	TOTAL Production Expenses (Enter Total of lines 3, 30, 58, 65, and 96)	59,478,129	103,495,293
98	2. NATURAL GAS STORAGE, TERMINALING AND PROCESSING EXPENSES		
99	A. Underground Storage Expenses		
100	Operation		
101	814 Operation Supervision and Engineering	(191)	(2,703)
102	815 Maps and Records		
103	816 Wells Expenses	63,783	73,344
104	817 Lines Expenses	55,381	38,479
105	818 Compressor Station Expenses	61,212	80,960
106	819 Compressor Station Fuel and Power	21,520	16,763
107	820 Measuring and Regulating Station Expenses	42,523	19,404
108	821 Purification Expenses	29,803	24,779
109	822 Exploration and Development		
110	823 Gas Losses		
111	824 Other Expenses	4,941	5,851
112	825 Storage Well Royalties	39,621	35,601
113	826 Rents		11,670
114	TOTAL Operation (Enter Total of lines 101 thru 113)	318,593	304,148

KENTUCKY ONLY

Name of Respondent	This Report Is:	Date of Report	Year of Report
ATMOS ENERGY CORPORATION	(1) [X] An Original (2) [ ] A Resubmission	(Mo, Da, Yr)	Dec. 31, 1998

GAS OPERATION AND MAINTENANCE EXPENSES

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
115	Maintenance		
116	830 Maintenance Supervision and Engineering		
117	831 Maintenance of Structures and Improvements	949	6,884
118	832 Maintenance of Reservoirs and Wells	891	1,127
119	833 Maintenance of Lines	51	
120	834 Maintenance of Compressor Station Equipment	6,252	3,824
121	835 Maintenance of Measuring and Regulating Station Equipment	2,234	3,774
122	836 Maintenance of Purification Equipment	2,712	4,873
123	837 Maintenance of Other Equipment		
124	TOTAL Maintenance (Enter Total of lines 116 thru 123)	13,089	20,482
125	TOTAL Underground Storage Expenses (Total of lines 114 and 124)	331,682	324,630
126	B. Storage Expenses		
127	Operation		
128	840 Operation Supervision and Engineering		
129	841 Operation Labor and Expenses		
130	842 Rents		
131	842.1 Fuel		
132	842.2 Power		
133	842.3 Gas Losses		
134	TOTAL Operation (Enter Total of lines 128 thru 133)	0	0
135	Maintenance		
136	843.1 Maintenance Supervision and Engineering		
137	843.2 Maintenance of Structures and Improvements		
138	843.3 Maintenance of Gas Holders		
139	843.4 Maintenance of Purification Equipment		
140	843.5 Maintenance of Liquefaction Equipment	152	
141	843.6 Maintenance of Vaporizing Equipment		
142	843.7 Maintenance of Compressor Equipment		
143	843.8 Maintenance of Measuring and Regulating Equipment		
144	843.9 Maintenance of Other Equipment		
145	TOTAL Maintenance (Enter Total of lines 136 thru 144)	152	0
146	TOTAL Other Storage Expenses (Enter Total of lines 134 and 145)	152	0

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
ATMOS ENERGY CORPORATION	(1) [X] An Original (2) [ ] A Resubmission		Dec. 31, 1998

GAS OPERATION AND MAINTENANCE EXPENSES

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
147	C. Liquefied Natural Gas Terminaling and Processing Expenses		
148	Operation		
149	844.1 Operation Supervision and Engineering		
150	844.2 LNG Processing Terminal Labor and Expenses		
151	844.3 Liquefaction Processing Labor and Expenses		
152	844.4 Liquefaction Transportation Labor and Expenses		
153	844.5 Measuring and Regulating Labor and Expenses		
154	844.6 Compressor Station Labor and Expenses		
155	844.7 Communication System Expenses		
156	844.8 System Control and Load Dispatching		
157	845.1 Fuel		
158	845.2 Power		
159	845.3 Rents		
160	845.4 Demurrage Charges		
161	(Less) 845.5 Wharfage Receipts - Credits		
162	845.6 Processing Liquefied or Vaporized Gas by Others		
163	846.1 Gas Losses		
164	846.2 Other Expenses		
165	TOTAL Operation (Enter Total of lines 149 thru 164)	0	0
166	Maintenance		
167	847.1 Maintenance Supervision and Engineering		
168	847.2 Maintenance of Structures and Improvements		
169	847.3 Maintenance of LNG Processing Terminal Equipment		
170	847.4 Maintenance of LNG Transportation Equipment		
171	847.5 Maintenance of Measuring and Regulating Equipment		
172	847.6 Maintenance of Compressor Station Equipment		
173	847.7 Maintenance of Communication Equipment		
174	847.8 Maintenance of Other Equipment		
175	TOTAL Maintenance (Enter Total of lines 167 thru 174)	0	0
176	TOTAL Liquefied Nat. Gas Terminaling and Processing Exp (Lines 165 & 175)	0	0
177	TOTAL Natural Gas Storage (Enter Total of lines 125, 146, and 176)	331,834	324,630

KENTUCKY ONLY

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
ATMOS ENERGY CORPORATION	(1) X An Original (2) A Resubmission		Dec. 31, 1998

GAS OPERATION AND MAINTENANCE EXPENSES

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
178	3. TRANSMISSION EXPENSES		
179	Operation		
180	850 Operation Supervision and Engineering	25,139	4,444
181	851 System Control and Load Dispatching		
182	852 Communication System Expenses		
183	853 Compressor Station Labor and Expenses		
184	854 Gas for Compressor Station Fuel		
185	855 Other Fuel and Power for Compressor Stations		
186	856 Mains Expenses	251,475	189,785
187	857 Measuring and Regulating Station Expenses	124,360	116,795
188	858 Transmission and Compression of Gas by Others		
189	859 Other Expenses	188	
190	860 Rents		
191	TOTAL Operation (Enter Total of lines 180 thru 190)	401,162	311,024
192	Maintenance		
193	861 Maintenance Supervision and Engineering		
194	862 Maintenance of Structures and Improvements	4,014	4,217
195	863 Maintenance of Mains	7,165	8,776
196	864 Maintenance of Compressor Station Equipment	232	
197	865 Maintenance of Measuring and Reg. Station Equipment	31,765	38,842
198	866 Maintenance of Communication Equipment		
199	867 Maintenance of Other Equipment	251	426
200	TOTAL Maintenance (Enter Total of lines 193 thru 199)	43,427	52,261
201	TOTAL Transmission Expenses (Enter Total of lines 191 and 200)	444,589	363,285
202	4. DISTRIBUTION EXPENSES		
203	Operation		
204	870 Operation Supervision and Engineering	2,303,562	1,826,817
205	871 Distribution Load Dispatching	223,080	354,018
206	872 Compressor Station Labor and Expenses	72	
207	873 Compressor Station Fuel and Power		

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Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
ATMOS ENERGY CORPORATION	(1) X An Original (2) A Resubmission		Dec. 31, 1998

GAS OPERATION AND MAINTENANCE EXPENSES

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
208	874 Mains and Services Expenses	1,770,259	1,041,884
209	875 Measuring and Regulating Station Expenses - General	93,592	106,488
210	876 Measuring and Regulating Station Expenses - Industrial	269,148	253,250
211	877 Measuring and Regulating Station Expenses - City Gate Check Station	194,337	177,908
212	878 Meter and House Regulator Expenses	1,453,115	1,222,564
213	879 Customer Installations Expenses	716,747	777,144
214	880 Other Expenses	39,569	56,192
215	881 Rents	1,274,012	1,251,689
216	TOTAL Operation (Enter Total of lines 204 thru 215)	8,337,493	7,967,954
217	Maintenance		
218	885 Maintenance Supervision and Engineering	457,266	441,743
219	886 Maintenance for Structures and Improvements	7,090	20,473
220	887 Maintenance of Mains	81,300	83,230
221	888 Maintenance of Compressor Station Equipment		
222	889 Maintenance of Meas. and Reg. Sta. Equip. - General	25,603	14,093
223	890 Maintenance of Meas. and Reg. Sta. Equip - Industrial	45,193	47,745
224	891 Maintenance of Meas. and Reg. Sta. Equip. - City Gate Check Station	49,544	57,468
225	892 Maintenance of Services	29,525	12,724
226	893 Maintenance of Meters and House Regulators	163,444	257,340
227	894 Maintenance of Other Equipment	6,977	6,741
228	TOTAL Maintenance (Enter Total of lines 218 thru 227)	865,942	941,557
229	TOTAL Distribution Expenses (Enter Total of lines 216 and 228)	9,203,435	8,009,511
230	5. CUSTOMER ACCOUNTS EXPENSES		
231	Operation		
232	901 Supervision	101,329	315,237
233	902 Meter Reading Expenses	1,084,859	1,009,785
234	903 Customer Records and Collection Expenses	1,433,808	2,974,748

KENTUCKY ONLY

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year of Report
ATMOS ENERGY CORPORATION	(1) X An Original (2) A Resubmission		Dec. 31, 1998

GAS OPERATION AND MAINTENANCE EXPENSES

Line No.	Account (a)	Amount for Current Year (b)	Amount for Previous Year (c)
235	904 Uncollectible Accounts	741,720	383,573
236	905 Miscellaneous Customer Accounts Expense	20	
237	TOTAL Customer Accounts Expenses (Enter Total of lines 232 thru 236)	3,361,736	4,683,343
238	6. CUSTOMER SERVICE AND INFORMATIONAL EXPENSES		
239	Operation		
240	907 Supervision	374,163	106,420
241	908 Customer Assistance Expenses	714,436	884,677
242	909 Informational and Instructional Expenses	57,270	80,745
243	910 Miscellaneous Customer Service and Informational Expenses		
244	TOTAL Customer Service and Information Expenses (Lines 240 thru 243)	1,145,869	1,071,842
245	7. SALES EXPENSES		
246	Operation		
247	911 Supervision	10,611	4,039
248	912 Demonstration and Selling Expenses	66,494	48,767
249	913 Advertising Expenses	1,097	
250	916 Miscellaneous Sales Expenses	3,872	3,628
251	TOTAL Sales Expenses (Enter Total of lines 247 thru 250)	82,074	56,434
252	8. ADMINISTRATIVE AND GENERAL EXPENSES		
253	Operation		
254	920 Administrative and General Salaries	773	5,662
255	921 Office Supplies and Expenses	15,942	14,086
256	(Less) 922 Administrative Expenses Transferred - Credit	5,844,051	5,533,706
257	923 Outside Services Employed	315,973	342,776
258	924 Property Insurance	31,987	39,430
259	925 Injuries and Damages	678,059	466,312
260	926 Employee Pensions and Benefits	1,255,617	3,101,831
261	927 Franchise Requirements	17,079	17,870
262	928 Regulatory Commission Expenses	68,285	81,942
263	(Less) 929 Duplicate charges - Credit		
264	930.1 General Advertising Expenses	20	
265	930.2 Miscellaneous General Expenses	87,719	
266	931 Rents		83,073
267	TOTAL Operation (Enter Total of lines 254 thru 266)	8,315,505	9,686,688
268	Maintenance		
269	935 Maintenance of General Plant		
270	TOTAL Administrative and General Exp (Total of lines 267 and 269)	8,315,505	9,686,688
271	TOTAL Gas O. and M. Exp (Lines 97, 177, 201, 229, 237, 244, 251, and 270)	82,363,171	127,691,026

Western Kentucky Gas Company
Case No. 99-070
Forecasted Test Period Filing Requirements
FR10(9)(l)

Description of Filing Requirement:

The annual report to shareholders or members and the statistical supplements covering the most recent five (5) years from the application filing date.

Response:

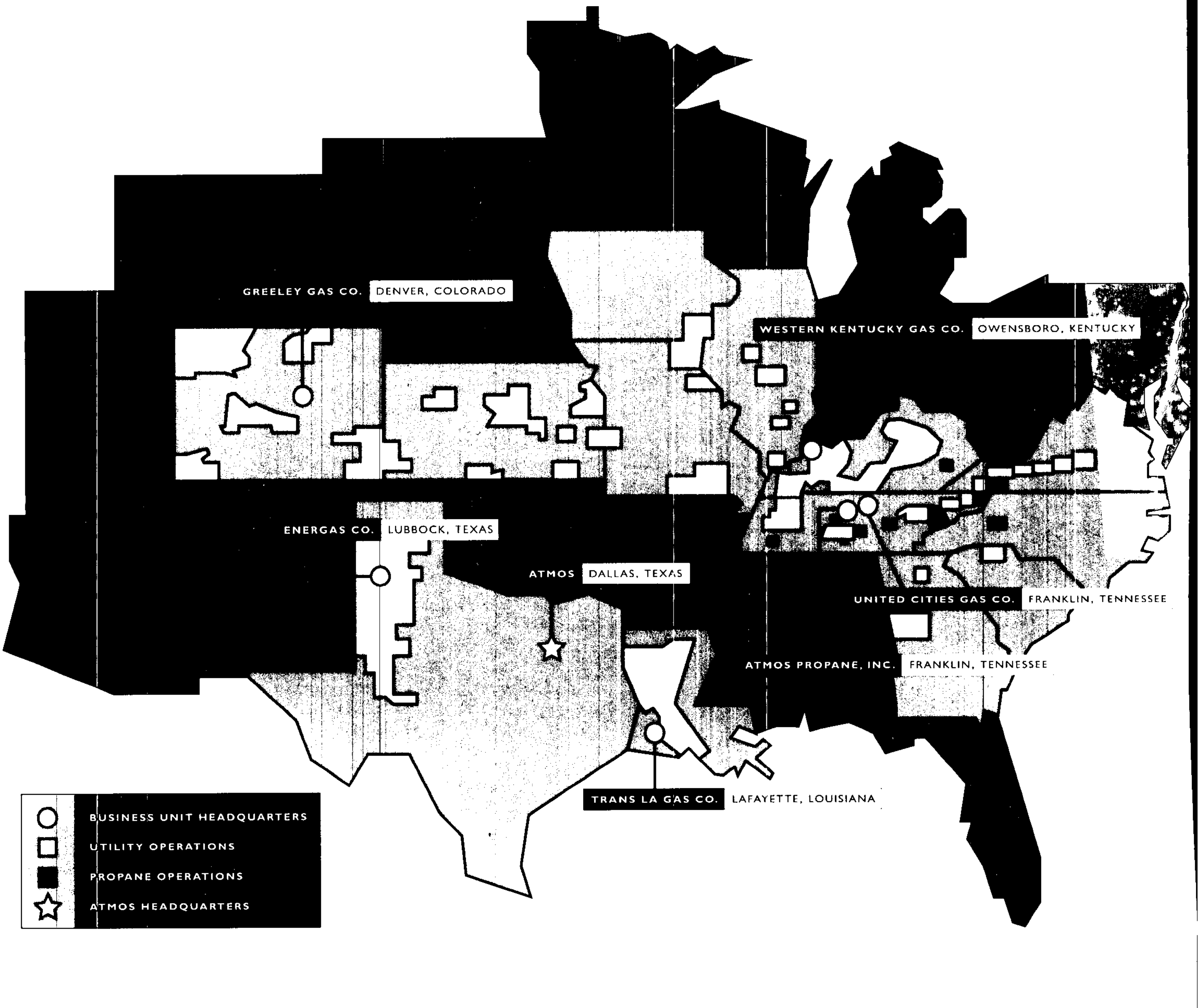
The requested documents are enclosed. Please refer to the testimony of Mr. Donald Burman.

3

ATMOS

ATMOS ENERGY CORPORATION 1998 ANNUAL REPORT

Thinking like a winner.



Based in Dallas, Texas, Atmos Energy Corporation distributes natural gas and propane to more than one million customers in Colorado, Georgia, Illinois, Iowa, Kansas, Kentucky, Louisiana, Missouri, North Carolina, South Carolina, Tennessee, Texas and Virginia through its operating divisions – Energas Company, Greeley Gas Company, Trans Louisiana Gas Company, United Cities Gas Company, Western Kentucky Gas Company and Atmos Propane, Inc.

	Year ended September 30, 1998	1997	1996
Utility Meters In Service [1]			
Residential	889,074	870,747	860,229
Commercial	94,302	92,703	91,960
Industrial (including agricultural)	16,322	17,217	19,403
Public authority	4,834	4,781	4,716
Total natural gas meters	1,004,532	985,448	976,308
Propane customers	37,400	29,097	26,108
Total	1,041,932	1,014,545	1,002,416
Heating Degree Days			
Actual (weighted average)	3,799	3,909	4,043
Percent of normal	95%	98%	101%
Sales Volumes (MMcf)			
Residential	73,472	75,215	77,001
Commercial	36,083	37,382	38,247
Industrial (including agricultural)	44,881	46,416	57,863
Public authority	4,937	5,195	5,182
Total	159,373	164,208	178,293
Transportation Volumes (MMcf)	56,224	48,800	44,146
Total Throughput (MMcf)	215,597	213,008	222,439
Propane – Gallons (000's)	33,676	32,975	40,723
Operating Revenues (000's)			
Gas Revenues			
Residential	$ 410,538	$ 452,864	$ 409,039
Commercial	184,046	193,302	186,032
Industrial (including agricultural)	161,382	168,386	187,693
Public authority	20,504	23,898	21,738
Total	776,470	838,450	804,502
Transportation revenues	23,971	19,885	18,872
Other gas revenue	8,121	6,385	13,751
Total gas revenues	808,562	864,720	837,125
Propane revenues	29,091	33,194	38,372
Other revenues	10,555	8,921	11,194
Total Operating Revenues (000's)	$ 848,208	$ 906,835	$ 886,691
Other Statistics			
Gross plant (000's)[1]	$1,446,420	$1,332,672	$1,219,774
Net plant (000's)[1]	$ 917,860	$ 849,127	$ 770,211
Miles of pipe [1]	30,108	30,902	30,163
Employees [1]	2,193	2,679	2,863

[1] Balances as of September 30, 1998

Financial Highlights

	Year ended September 30, 1998	1997	% change
	(Dollars in thousands, except per share amounts)		
Operating revenues	$ 848,208	$ 906,835	-6.5%
Gross profit	$ 331,836	$ 329,654	0.7%
Utility net income	$ 42,147	$ 16,991	148.1%
Non-utility net income	$ 13,118	$ 6,847	91.6%
Total net income	$ 55,265	$ 23,838	131.8%
Total assets	$1,141,390	$1,088,311	4.9%
Total capitalization	$ 769,706	$ 630,241	22.1%
Net income per share – diluted	$ 1.84	$ .81	127.2%
Cash dividends per share	$ 1.06	$ 1.01	5.0%
Book value per share at end of year	$ 12.21	$ 11.04	10.6%
Total throughput (MMcf)	215,597	213,008	1.2%
Heating degree days	3,799	3,909	-2.8%
Degree days as a % of normal	95%	98%	-3.1%
Meters in service at end of year	1,004,532	985,448	1.9%
Return on average shareholders' equity	15.8%	7.3%	116.4%
Shareholders' equity as a % of total capitalization at end of year	41.5%	40.3%	3.0%
Shareholders of record	36,949	29,867	23.7%
Average shares outstanding – diluted (000's)	30,031	29,422	2.1%

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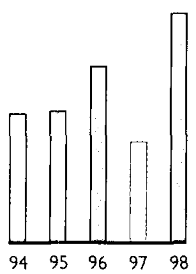
Atmos has a tradition of delivering safe, reliable, economical and environmentally friendly natural gas to customers, doing so with a focus on exceptional customer service. Even though our industry is changing, our commitment to customers is not. This report outlines our successes in 1998 and highlights ways we are delivering on our commitment to be counted among the best in the industry. We also feature some outstanding citizens from the communities served by our company who display a winning attitude. They passionately pursue excellence, dare to reach for the summit, utilize their unique to make a difference, translate dreams into realities, help others to succeed and perform their best with precision, stamina and heart. By "thinking like a winner," they have become winners indeed.

Dear fellow share-holders:

A company's accomplishments can be gauged in a variety of ways, but the ultimate measure of a company's performance is its total return to shareholders. For fiscal 1998, Atmos' total return to shareholders (simple price appreciation plus reinvestment of dividends) was 19.2 percent during a period when U.S. equity markets experienced dramatic volatility. The total return to Atmos shareholders for the fiscal year exceeded the return of the Dow Jones Industrial Average, the S&P 500 and was among the best of our peer group of mid-cap local distribution companies for the same 12-month period. For the past three-, five-, and 10-year periods, the total return to shareholders was 18.2 percent, 11.7 percent and 16.2 percent, respectively. We believe our returns to shareholders reflect the Company's underlying financial and operational successes. We would like to highlight the 1998 achievements.



Earnings Per Share (fully diluted)

- □ **94** *$1.05*
- □ **95** *$1.06*
- □ **96** *$1.42*
- □ **97** *$0.81*
- □ **98** *$1.84*

Atmos achieved record earnings. Net income for 1998 was $1.84 per share on a fully diluted basis, compared with $.81 per share the previous year on a fully diluted basis. Winter weather in 1998 was 5 percent warmer than normal and 3 percent warmer than last year. However, the negative effect of weather was offset by a significant reduction in operations and maintenance expenses resulting from the restructuring of our organization and the successful integration of United Cities Gas Company, acquired through the merger completed in 1997. In addition, gas sales to Texas farmers for powering irrigation pumps were higher in fiscal 1998 compared to 1997 due to the hot, dry summer weather. Irrigation volumes increased 34 percent in 1998 compared with last year, providing more revenue during late spring, summer and early fall when natural gas sales are typically low because there are generally no sales or transportation of natural gas for space heating.

The dividend was increased for the 11th consecutive year. In November 1998, the Company increased its quarterly dividend by 3.8 percent to $.275 per share, or $1.10 annually. With the payment of the quarterly dividend on December 10, 1998, to shareholders of record on November 25, 1998, the Company will have paid a quarterly dividend for 60 consecutive quarters.

United Cities was successfully integrated into Atmos' utility operations. During 1998, United Cities' integration into Atmos' operations was substantially completed. United Cities' operations were restructured to match Atmos' highly efficient utility business unit model and to gain the advantages of Atmos' "shared services" approach to administrative and support functions. The benefits of the United Cities restructuring along with others throughout the Atmos utility operations are reflected in lower operation and maintenance expenses for fiscal 1998 compared to 1997. Net income in 1998 also included a one-time gain totaling $2.2 million, or $.07 per diluted share, from the sale of certain real estate and equipment owned by the United Cities Division that were no longer essential to Atmos' operations or those of the United Cities Division.

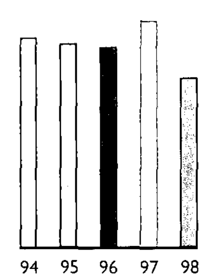
Atmos has completed four major acquisitions since 1986, nearly tripling the number of meters served to over one million in 12 states. Closing a merger or acquisition is an achievement in itself, but deriving value from the transaction is an even greater accomplishment. Atmos has demonstrated the abilities to integrate companies quickly and without unnecessary expense. Atmos retains the acquired company's name, capitalizes on its local identity and reputation with customers, but utilizes its business unit and shared services structure to achieve economies of scale without replicating administrative and support functions in each business unit.

We continued to enhance utility customer service and operating efficiency. The Company is showing the benefits of a restructuring of its customer service operations begun in 1997 for all of our utility business units, including United Cities. We enhanced service and convenience for our customers by employing technology to improve our already efficient operations. Our Customer Support Center is now providing 24-hour a day, seven days a week customer call support to utility customers of all five utility divisions. The Customer Support Center and a new state-of-the-art customer information system currently being developed will further improve our responsiveness to our customers.

Atmos strives to be among the best of its peers in terms of efficiency in utility operations. One measure of this is operating and maintenance expense per meter. Atmos' 1998 operating and maintenance expense of $136 per meter achieved our goal of being among the best, if not the best, of our peers. This is the result of a dedicated, focused employee team that serves on average 475 meters per employee, again a measure that puts Atmos among the best, if not the best, of our peers.

We continued to add meters in our current service areas. Atmos added more than 19,000 new utility meters in 1998, with the largest number of additions in the United Cities and Greeley Divisions. We are focusing on untapped market potential in our existing service areas, particularly in residential gas fireplaces, water heating and gas lighting. We are initiating programs to pursue these opportunities and target areas where we can increase market penetration.

Non-utility contributions to consolidated net income increased. Atmos' non-utility operations include a propane operation, a leasing and rental operation, and an energy services operation that includes storage, gas marketing, irrigation, and energy services. In 1998, about 24 percent of the Company's reported net income was from non-utility operations, primarily from irrigation, gains on asset sales and Woodward Marketing, LLC. Excluding the one-time gain on asset sales, non-utility operations contributed 20 percent to 1998 consolidated net income compared to 17 percent in 1997. The 1997 contribution to consolidated net income excludes the one-time charge for reserve for integration and management reorganization. The contributions to net income from each non-utility operation are described elsewhere in this report.



Operating and Maintenance Expense Per Customer

- **94** $169
- **95** $163
- **96** $160
- **97** $183
- **98** $136

Atmos will be

working

to make

shareholders,

customers,

communities

and employees

winners,

too.

Robert W. Best

Chairman of the Board, President and Chief Executive Officer

Established compensation more closely aligned with financial performance. We instituted a new total rewards program in October 1998 that more directly aligns the interests of our Board of Directors, officers and employees with those of our shareholders by basing compensation on the Company's financial performance. Starting at the very top of our organization, our Board of Directors has elected to replace the directors' retirement plan with a plan providing for deferred payment of annual compensation and meeting fees in the form of cash or company stock. Directors may also receive annual current compensation and meeting fees in the form of company stock. The total rewards program establishes share ownership guidelines for Atmos executives at a minimum of one and one-half to five times their annual salary, and a new officer incentive plan will base stock option grants on the achievement of financial performance measures. A variable pay program will give all employees the opportunity to share in the success of the Company based on the attainment of certain financial targets. Nearly all our employees are shareholders, and together the board, officers and employees currently hold more than 12 percent of Atmos stock. Certain of our compensation plans will require a vote of the shareholders at the February 1999 shareholders meeting.

Thinking ahead. Atmos has been a successful company. Our challenge is to build on that success, and to be as successful in the future as we have been in the past. Our successful past sets a high standard for future performance.

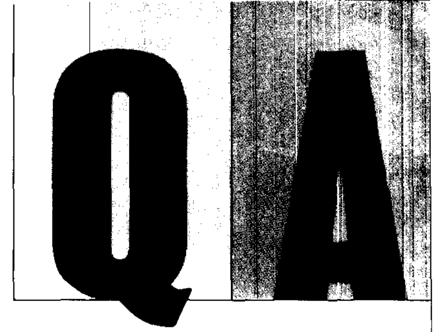
We devoted much of 1998 to assessing every aspect of our business, defining our organizational structure, governance policies and strategies that will position the Company for what we believe will be a successful future. I would like to recognize our employees for their openness to change, their unwavering dedication to exceptional customer service even in times of change, and their commitment to excellence. I also want to thank our Board of Directors for their counsel and ongoing support of the Company's vision and strategies for growth.

Now, all our focus and energies are dedicated to executing our plans. We intend to be a winner and measured among the best. And we know that while our accomplishments can be described in a variety of ways, in the final analysis, the measure of our accomplishments will be the total return to you, our shareholder. By thinking like a winner in everything we do, Atmos will be working to make shareholders, customers, employees and communities winners, too.

Robert W. Best

Robert W. Best

Chairman, President and Chief Executive Officer



A Conversation with Bob Best

Thinking like a winner.

Describe Atmos' vision for the future and its underlying operating philosophy.

Best: Since joining the Company in March 1997, we have reconfirmed the vision for the future with four major strategies for achieving the vision. We intend to be as successful in the future as we have been in the past by running our utility operations exceptionally well; growing the market share of the non-utility operations (propane and gas marketing); developing retail energy services; and growing through acquisitions.

We have worked to define our organizational structure and governance policies. Our business units have established brand names and are closest to our customers, giving them greater ability to determine customer expectations. Our shared services approach to administration and support avoids duplication of functions in our business units and allows us to quickly integrate acquisitions. We are committed to providing the highest level of service to our customers, and investing in technology to remain competitive and efficient in our operations. We intend to grow our net income every year. Our new total rewards compensation and benefits strategy supports our values and aligns the interests of our Board of Directors, officers and employees with those of our shareholders.

I have visited every business unit communicating to our employees our values and how we will live out those values in the workplace. We've invested considerable time this year in team-building and visiting with all employees about their role in achieving our vision and strategy.

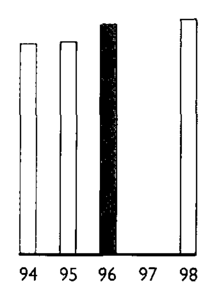
The Company has pursued an aggressive corporate development strategy. Will that strategy continue in the future?

With our vision and strategy confirmed, our top priorities are execution of our plans and acquisition strategy. We will not be satisfied as a "maintenance" utility just managing, although very well, our current operations. To achieve our objective, we must continue the acquisition strategy that has successfully brought Atmos to this point. We also believe that larger scale operations will have an even greater competitive advantage with the unbundling of energy services and an increasingly competitive marketplace.

We continually evaluate opportunities. However, the decision is not solely in our hands. Potential partners have to share our vision and see the benefits and synergies of a larger company. We have been successful in acquiring companies, integrating them quickly and efficiently, retaining the local company's brand identity, and adding value to the shareholders of both companies. Our track record makes us an attractive partner for a company looking for a partner that is focused on a combination that is "seamless" to the customer and value creating for shareholders.

How do you intend to grow your non-utility business?

Our non-utility operations contributed about 24 percent of our consolidated net income in 1998. If you exclude the one-time gain from asset sales, our non-utility business contributed 20 percent of 1998 consolidated net income. Our objective is for continued growth in both our utility and non-utility businesses, and for our non-utility operations to continue to contribute about 20 percent to net income each year.



Gross Profit

- ☐ **94** *$297,020*
- ☐ **95** *$300,158*
- ■ **96** *$324,412*
- **97** *$329,654*
- ☐ **98** *$331,836*

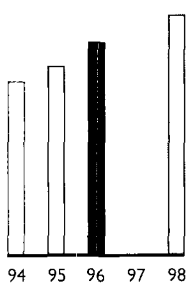
A Conversation with Bob Best *(continued)*

The Company is committed to improving the profitability of its propane operations through internal growth and through acquisitions. Currently, Atmos Propane, Inc. is the 33rd largest propane company in the United States. Our non-utility operations also include a 45 percent interest in Woodward Marketing, LLC, a natural gas services firm. Woodward's strategy for continued growth is to increase gas usage by existing customers and to add new customers. We also may seek an electric partner to become a member of Woodward Marketing, LLC, and create the opportunity to market electricity to Woodward customers.

How does Atmos plan to offer retail services to its customers?

The cornerstone of our retail services strategy is to position the Company to sell the gas commodity to customers behind the meter through partnerships with commodity providers. We are limited in our ability to implement this part of our retail strategy until the states in which we operate permit us to offer these services. Until unbundling occurs, we are focusing on three key areas. First, we are preparing to sell other products and services to our customers by establishing partnerships with third parties that have mass marketing expertise. Our focus is on products and services that have recurring monthly revenues. A second key area is restructuring our non-regulated agricultural and industrial businesses to separate them from the utility so that we can clearly focus on the needs and expectations of these customers. The third key area is identifying technological opportunities that can increase our cash flow, earnings and gas throughput, such as introducing natural gas-fired electric generator units for irrigation.

We believe our approach to retail services offers many advantages, including minimal investment or operating expenses with limited risk. Our retail strategy also positions the Company for unbundling when it does occur.



Total Assets

□ **94** *$ 829,385*

□ **95** *$ 900,948*

■ **96** *$1,010,610*

97 *$1,088,311*

□ **98** *$1,141,390*

What competitive advantages does Atmos have in providing services in an unbundled environment?

Tomorrow's customers will insist on competitive rates, a choice of providers, superior customer service that exceeds expectations, and enhanced product and service offerings beyond the core business. We believe unbundling will occur in the long-term, although it may be slower and less comprehensive than some have predicted. The states we serve are taking a very measured, cautious approach to make sure that customers receive real benefits. We have developed a consistent set of guiding principles for unbundling across all regulatory jurisdictions in the areas we serve, and are participating in the proceedings in those jurisdictions to ensure rules being developed provide for a level playing field. As unbundling occurs, we believe that the incumbent utility or one of its affiliates will have an advantage, both as a seller of the natural gas commodity and as the seller of other products and services. We have an organization that is efficient and responsive to customers, and our desire is to make it convenient for customers to do business with us.

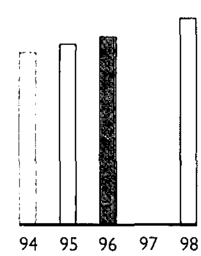
How is Atmos using technology to support its vision for growth?

We are using technology to gain efficiencies in our current operations and to enhance the services and convenience provided to our customers. We plan to eventually allow customers the opportunity to receive their bills on line and remit payment electronically, for example. We also are investing in information technology to respond to future customer growth that occurs through acquisitions and to prepare for unbundling. Unbundling will require the capability to bill in many different ways, and will make our financial systems more complex. We are automating many functions of our billing and financial systems to give us flexibility in the wake of unbundling and allow us to integrate acquisitions in months instead of a year or more. We are implementing an enterprise resource planning system that will get more timely financial and human resources information to the desktop, and also addresses Year 2000 (Y2K) issues. We are automating the way we handle customer service requests through our new customer information system, and our next step is to implement an automated workforce management system to handle construction, cathodic protection of our pipe and facilities management. We're also planning the development of a comprehensive gas supply and capacity management system.

I'm often asked about our Year 2000 readiness. Our goal is to make the Year 2000 a non-event for our customers and the Company. We formed a Y2K team in October 1996 to inventory all internal and external systems and to address related issues throughout Atmos and with our external business partners. We are working with our vendors, particularly our gas suppliers, to ensure that they are Y2K compliant and that we have gas flowing into our distribution system. Our new customer information system is being implemented to allow us more capabilities and flexibility, but has the upside of taking care of most customer issues related to Y2K.

What are the strengths that will make the Company continue to be a winner in the future?

Our strategy of growth by acquisition and the diversity we have created through that strategy are tremendous strengths that set us apart from other companies. We operate in 13 states with great variety in economic climates, regulatory environments, markets and weather patterns – Atmos' breadth of operations is unmatched in the industry. Our agricultural market in Texas and Colorado is an example of a unique market niche, providing spring and summer sales of natural gas for powering irrigation pumps. Our non-regulated operations, particularly propane distribution and our interest in Woodward Marketing, also complement our utility operations and promote real earnings growth opportunities.



Book Value Per Share

94 *$10.33*
95 *$10.77*
96 *$11.27*
97 *$11.04*
98 *$12.21*

Let's look at some of the intangibles that set us apart. I believe that we have an excellent team that is diverse in thinking and open to pursuing best practices. The way we think and work matches the diversity of our operations and our physical assets. We have a vision and strategy we believe in, and we expect to be successful. We have passionate, well-trained employees who take great pride in our Company and their work, and they want to be the best. We have a new total rewards strategy that supports our vision and rewards employees for achieving our financial goals. Our Board of Directors supports our vision and is fully committed to the growth of this Company.

I feel good about where our Company is positioned. I am confident about our Company's prospects for growth. We are a company with a bright and exciting future.

Our strong local presence provides us with a distinct competitive advantage.

Atmos' five utility business units – Energas Company, Greeley Gas Company, Trans Louisiana Gas Company, Western Kentucky Gas Company and United Cities Gas Company – serve over one million natural gas meters in 12 states. Utility operations produced revenues of $744.6 million in 1998, or about 88 percent of Atmos' total revenues. Utility revenues were about 8 percent lower than in 1997, generally the result of lower gas cost and winter weather that was 5 percent warmer than normal and 3 percent warmer than last year. However, utility net income for 1998 was $42 million, or about 76 percent of Atmos' consolidated net income, and up from 1997 utility net income of $17 million.

Our utility operations are the core of Atmos' business, and we are intensely focused on *running our utility operations exceptionally well*. We measure our utility performance in terms of superior customer satisfaction ratings; operating efficiency; earning our allowed rate of return each year in each jurisdiction; and growing utility earnings annually.

Customer Service Enhancements

In 1998, the Company's utility division continued to invest in developing and implementing its program of customer service enhancements. By investing in the technology of a new Customer Support Center and customer information system, Atmos is positioning itself to provide more convenience and extended service hours to its customers while continuing to enhance the efficiency of its field operations.

In early 1998, Atmos opened a central Customer Support Center in Amarillo, Texas, that provides customer call support 24 hours a day, seven days a week for all of its utility customers. The Company also is in the process of installing a state-of-the-art customer information system that is expected to be in service by the end of fiscal 1999. The new customer information system will provide more information than ever before on customer bills regarding energy usage and will provide customer service representatives more readily available information to handle customer inquiries. The system supports new technology that makes our customer service more responsive and efficient, such as automatic dispatching of service orders to in-truck terminals and computerized meter reading units that improve accuracy and reduce the time for reading meters.

The Company also established a network of payment centers in convenient locations such as banks and grocery stores, many of which offer extended business hours. With the payment centers and Customer Support Center in place, Atmos was able to consolidate its field offices.

Internal Growth

The Company added over 19,000 new utility meters in its current service areas in fiscal 1998. The largest number of additions occurred in the United Cities and Greeley Divisions. The Company participates in economic development efforts in the communities it serves. For example, Energas actively supported initiatives that helped Amarillo, Texas, attract a new helicopter assembly plant that will create 1,200 jobs, and the location of five call centers to the area that will create new jobs. Western Kentucky Gas was a leader in the effort to build a new airpark in Owensboro, Kentucky, that initially attracted five new businesses to the Western Kentucky area. These new businesses will create nearly 1,500 jobs.

The Company undertook an extensive assessment of its utility marketing initiatives in 1998. The results of the re-evaluation were to focus on untapped market potential in our existing service areas, particularly in residential gas fireplaces, water heating and gas lighting. We are initiating programs to pursue these opportunities and target areas where we can increase market penetration. Responsibility for marketing strategy and program development is in each business unit, giving each business unit the opportunity to promote greater market segmentation and customization of programs for local market conditions. A companywide marketing council was established to share expertise and successful marketing ideas across the utility business units.

The true measure of success of our service enhancement efforts will be in achieving superior customer satisfaction ratings. We are planning to regularly survey our customers to ensure they are totally satisfied with our service and that we are truly meeting their expectations. We will continually evaluate and modify our programs and practices to be responsive to what our customers are telling us. We want to go beyond just satisfied customers – we want happy, satisfied and loyal customers.

Earning our allowed rates of return

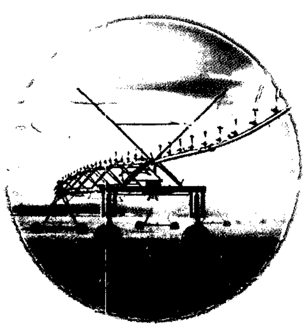
In 1998, none of our utility business units filed any general rate cases. During the year, we evaluated the financial performance in each jurisdiction under each current rate case, and no rate cases were filed in 1998. The Company will continue to carefully monitor performance under the current rate cases and make the filings when necessary to ensure the Company is achieving adequate returns on its utility investments and the capital employed in its utility operations.

In June, Western Kentucky Gas received approval for a three-year, performance-based gas cost incentive plan in Kentucky. Under the plan, Western Kentucky Gas shares equally with customers any savings in gas costs it achieves, as measured against certain predetermined industry benchmarks. United Cities Gas has a similar performance-based gas cost incentive plan in effect in Georgia, and a plan is under review in Tennessee.

Local identity

Our five utility business units are committed to being good citizens in the communities they serve. We believe in the importance of supporting and improving the well-being of those who are in need or less fortunate. Our interests include such areas as community development, education systems, and health and welfare agencies. Our employees are active in civic and community organizations – several of our employees serve in public office.

Part of our strategy includes using established brand identity. Each acquired company continues to operate under its name, ensuring the trust and respect that was developed decades ago with our customers continues to grow. We believe that our strong local presence provides us with a distinct competitive advantage in an increasingly competitive marketplace.



Between daily practice sessions and weekend travel to competitions, seven-year-old Tyler Burns of Amarillo, Texas, devotes seven days a week to his passion for Motocross racing. "He started asking for a motorcycle at age three. I told him he'd have to wait until he could ride his bicycle without training wheels. He's been riding in Motocross events since he was five," says Energas employee, Michael Burns, Tyler's dad and coach. For Atmos, providing convenient customer call support is a seven-day per week passion.

Amarillo, Texas will be the home of the world's first tiltrotor assembly plant. Amarillo's Economic Development Corporation prepared an aggressive proposal to attract Bell Helicopter, creating 1,200 new jobs.

ENERGAS CO.

Winners dream

big

and dare to

reach

the top.

Greg Bardin and Chip White started a home-sewing operation making funky athletic headwear for skiers and for college students in Colorado. Today, their Durango-based company, Bula Inc., is a world-class manufacturer of headwear, and is a sponsor of the U.S. Olympic ski team and many athletes, including Gold Medalist Tommy Moe. "Bula is the Fijian greeting meaning life, health and happiness. That's the Bula attitude: Punch it. Go BIG. No matter how much we grow, we'll keep our attitude," said President Chip White. Atmos dares to dream big, measuring itself against the best in this and other industries.

Neosho Gardens in Council Grove, Kansas, depends on natural gas to keep plants warm and growing when the temperature is below 65 degrees, and has been assisted by Greeley Gas as the greenhouse operations have expanded.

GREELEY GAS CO.

Winners use unique talen to play in the big leagues.

Stanley Dural Jr. played organ, fronting his own R&B band. He was not initially interested in the traditional music he grew up with in Carencro, Louisiana. Then he rediscovered his Creole roots, picked up the accordion and 20 years ago this year became Buckwheat Zydeco. Fifteen acclaimed albums later, nominated for four Grammy awards, Buckwheat Zydeco says, "Don't criticize what you don't understand, or you'll be the loser." Atmos is taking what it understands and employing a strategy to play in the big leagues.

Stuller Settings, a customer in Lafayette, Louisiana, has grown from a small jewelry operation to become one of the world's largest distributors of jewelry-related products, and a major employer. Stuller's accomplishments have been recognized with the U.S. Senate Productivity Award and numerous state awards.

TRANS LA GAS CO.

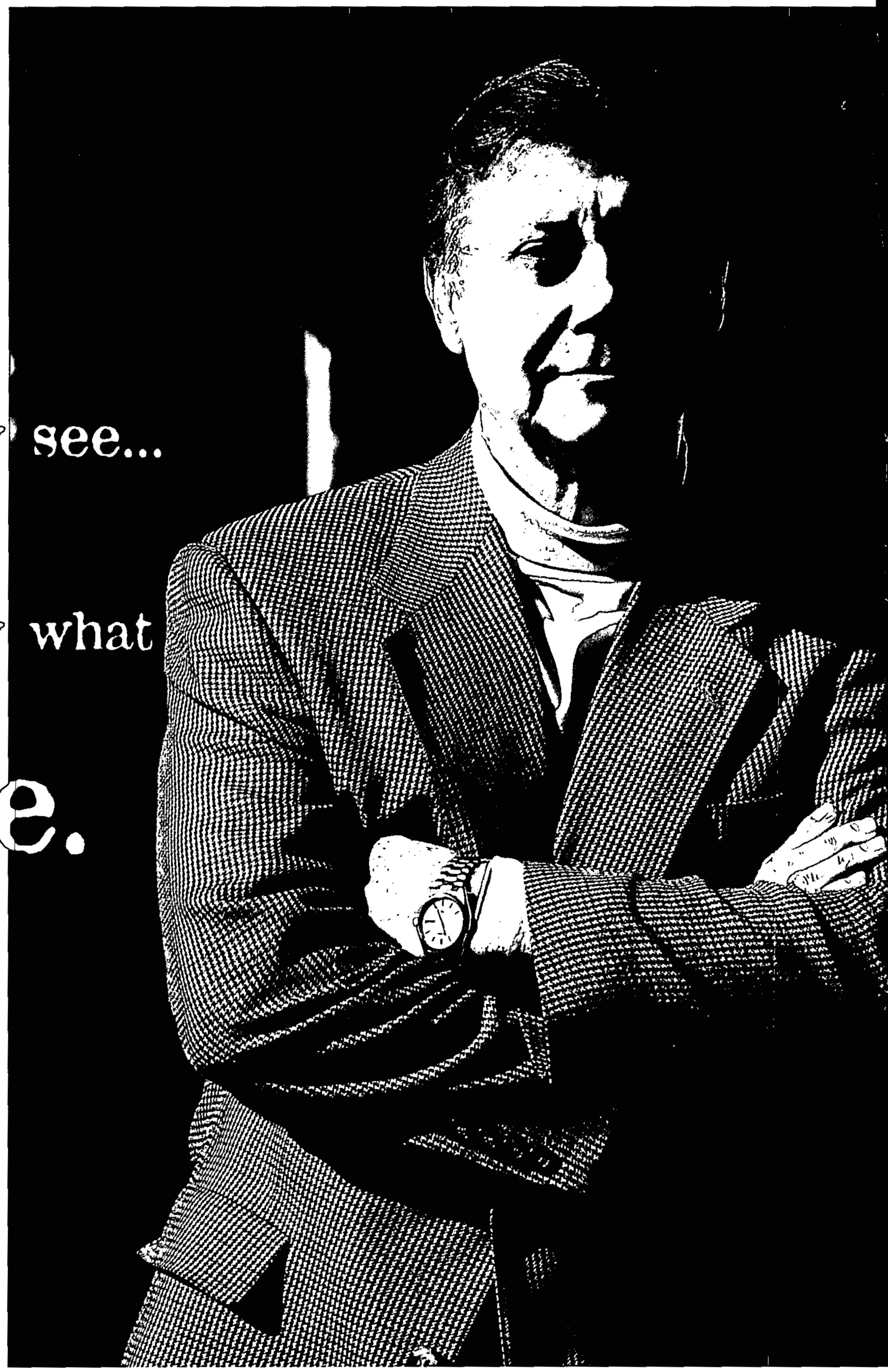
Winners are not

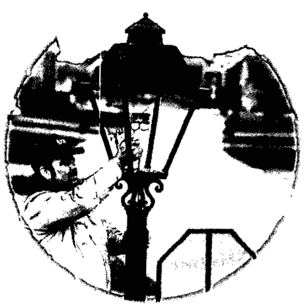
limited by

what they see...

they are driven by what

can be.





Developer Calvin LeHew has created remarkable transformations in downtown Franklin, Tennessee, rehabilitating abandoned industrial buildings into tourist attractions. "I don't see broken bricks and walls when I walk through these old buildings — I see people attending concerts, and visiting art galleries and restaurants," he says. Atmos' vision is to be among the top competitors in the industry in customer service and financial performance.

Four educational institutions in Tennessee are using new natural gas cooling technology, which provide a year-round gas load for the Company. The Company offers technical assistance to large users to help them improve their energy efficiency.

UNITED CITIES GAS CO.

Reward for

a winner

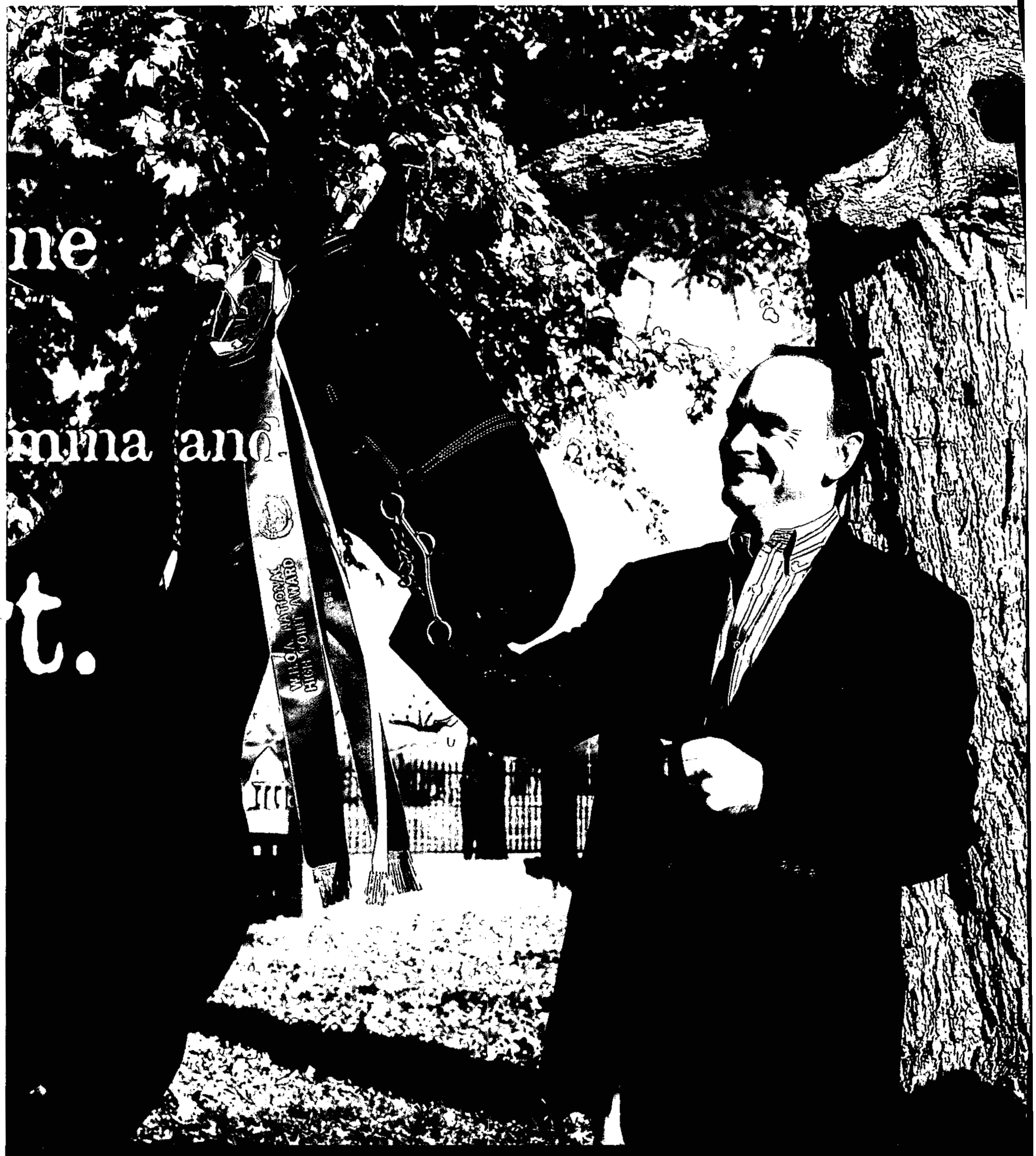
is helping others

succeed.

A gospel singer and Owensboro, Kentucky, city employee who served three terms on the city commission of her hometown of Beaver Dam, Alma Randolph heads a charitable foundation that provides new back-to-school clothes and supplies for more than 500 disadvantaged children each year. "I've never forgotten my family's struggle through poverty after my father died when I was a child, and I wanted to use my talent to help children traveling the same road I once traveled," she said. Atmos has built its success on helping its customers succeed by providing reliable, affordable and environmentally friendly natural gas service.

Biosource Technologies, Inc. is developing pharmaceutical uses of tobacco at its Owensboro, Kentucky facility. The company is one of five companies attracted to the city's MidAmerica AirPark creating 1,500 new jobs for the area. Western Kentucky Gas assisted in the development of the airpark and recruiting of the companies, as well as providing natural gas services.

WESTERN KENTUCKY GAS CO.



ATMOS PROPANE, INC.

Our growing propane operations include service to new upscale developments that have hidden, underground propane tanks like this subdivision near Franklin, Tennessee.

Rolling Stone is a nine-year-old stallion named 1998 World Grand Champion in the show pleasure class at the National Walking Horse Celebration in Shelbyville, Tennessee, trained by David Landrum Stables. Landrum's stables in Franklin, Tennessee, breed and train winning Tennessee Walking Horses. "These horses were developed through 150 years of selective breeding to implant stamina, style and spirit, mild manners and an easy-going ride," said Landrum. For Atmos, customer service is a combination of precise performance and the personal touch in caring for our customers' needs.

Non-utility operations contributed about 24 percent of reported net income in 1998, including the sale of certain United Cities' assets. Atmos' non-utility operations include propane distribution, gas storage and energy services, and leasing and rental operations.

Atmos Propane, Inc.

Atmos currently is the 33rd largest propane distributor in the country according to the 1998 survey published by *LP Gas Magazine*. Our goal is to increase the size of our propane operation with the objective of creating value through the economies of scope and scale that we think can be achieved by consolidation in the currently very fragmented industry. The propane operations serve more than 37,000 customers in Tennessee, Kentucky, Virginia and North Carolina. During 1998, the Company completed five propane acquisitions that added 8,500 new customers in Tennessee. The Company's primary competitors are independent operators and co-ops.

The Company's propane operations reported a loss of $66,000 for fiscal 1998 compared to a loss of $90,000 for fiscal 1997. In each of these years, propane operations were significantly impacted by warmer weather and lower margins due to increased competition. The Company is committed to profitability in its current propane operations as well as growth of the propane business. To that end, the propane operation is changing its strategic direction to focus on retail and wholesale propane distribution, and will be exiting less profitable segments of the business including transportation, propane cylinder exchange and propane appliance sales and service. To increase margins, the Company is continuing its strategy of pre-buying propane in the off-season to lock in its supply so that it avoids price spikes in the winter months. The Company has targeted its Southeast service area to increase market penetration, and is also evaluating marketing incentive programs to increase market share.

Gas Storage and Energy Services

The Company's gas storage and energy services segment includes wholesale gas services through Woodward Marketing, irrigation, natural gas storage, and retail services.

Woodward Marketing, LLC Woodward Marketing, LLC, a natural gas services firm, contributed $3.9 million pre-tax earnings in 1998 compared with $3.3 million in 1997, due to an increase in gas volumes sold in 1998 compared to 1997 as well as a modest average margin improvement.

Atmos owns a 45 percent interest in Woodward, which is based in Houston, Texas. Woodward provides natural gas services to the Company, industrial customers, municipalities and natural gas utilities in the Southeast, Midwest and California. Woodward's management services include contract negotiation and administration, load forecasting, nominations and scheduling, storage management, capacity utilization and risk management. Atmos expects Woodward's growth to continue through increased gas usage by existing customers and by adding new customers. Atmos continues to consider opportunities for electricity marketing as an added service through Woodward Marketing, LLC.

Irrigation Atmos serves a unique agricultural market in West Texas, selling natural gas to farmers who use natural gas-fired engines that pump water for irrigation. Due to hotter and drier weather in 1998, irrigation sales volumes increased 34 percent and revenues increased to $52.0 million compared to $40.8 million in 1997.

Natural Gas Storage Atmos has underground storage facilities in Kansas and Kentucky that allow the Company to purchase natural gas during the summer when prices are lower and store it for the Company's use or to sell it to others during the winter months when natural gas prices are higher. Storage contributed $1.8 million in net income in 1998, compared to $.7 million in 1997.

Retail Energy Services Our retail energy services strategy is to develop partnerships to sell the natural gas commodity, and eventually the electric commodity, to customers behind the meter when unbundling occurs in the states where we operate. Until then, we are focusing on three retail initiatives through Atmos Energy Services: selling other products and services to our customers by developing partnerships with experienced mass marketers; restructuring our non-regulated agricultural and industrial businesses to separate them from our utility businesses; and identifying technological opportunities that can increase our cash flow, earnings and gas throughput. We believe our approach to retail services limits our investment and operating expenses, minimizes risk, and positions the Company for unbundling when it does occur.

Leasing and Rental

The Company leases and rents appliances, real estate, equipment and vehicles to the United Cities Division. Net income from leasing and rental increased to $3.3 million in 1998, compared with $1.1 million in 1997, due to the sale of certain assets.

Shared services offers significant economies of scale and efficiency.

Atmos provides call support 24 hours a day, seven days a week to its utility customers from a central Customer Support Center and is implementing a state-of-the-art information system. The Company achieves significant economies of scale and efficiency by having one unit performing support functions rather than duplicating them in each business unit.

Atmos continues to achieve efficiencies in its day-to-day operations by providing administrative and support services to its business units through a central group called "shared services." The Company gains significant economies of scale, efficiency and consistency in work practices by having one unit performing support functions rather than duplicating them in each business unit. This structure also enables the Company to integrate the operations of acquired companies quickly and efficiently.

Atmos' shared services include accounting, customer billing, bill payment processing, treasury, purchasing, legal, human resources, information technology, investor relations and corporate communications, gas supply, and internal audit.

Atmos added an important new function to shared services during 1998: the Customer Support Center. The Company opened the central Customer Support Center in Amarillo, Texas, to provide response to customer calls 24 hours a day, seven days a week. Previously, the Company had staffed business offices in locations throughout its service areas to handle customer inquiries and requests for service. The Atmos Customer Support Center demonstrates the Company's shared services philosophy: providing service to the business units from a central location that is responsive, efficient, economical and expandable to serve new customers added by internal growth and through acquisitions.

Atmos has been a pioneer in operating with a shared services structure. The Company regularly reviews its support functions to ensure that they are located where it makes the most sense for efficiency, customer service or strategic reasons.

Shared Services Officers

David L. Bickerstaff
Vice President, Controller

Donald P. Burman
Treasurer

Lee A. Everett
Vice President, Price Policy and Administration

Cleaburne H. Fritz
Vice President, Information Technology

Tom S. Hawkins, Jr.
Vice President, Budget and Planning

Lynn L. Hord
Vice President, Investor Relations and Corporate Communications

J. Patrick Reddy
Vice President, Corporate Development

Gordon J. Roy
Vice President, Gas Supply

Mark G. Thessin
Vice President, Regulatory Affairs

Financial Review

Senior Management Team

Robert W. Best
Chairman of the Board, President and Chief Executive Officer

Glen A. Blanscet
Vice President, General Counsel and Corporate Secretary

Larry J. Dagley
Executive Vice President and Chief Financial Officer

J. Charles Goodman
Executive Vice President, Utility Operations

Wynn D. McGregor
Vice President, Human Resources

Business Units

Thomas R. Blose, Jr.
President, United Cities Gas Company

Eugene A. Ehler
President, Energas Company (retiring January 1, 1999)

R. Earl Fischer
President, Energas Company (effective January 1, 1999)

Conrad E. Gruber
President, Western Kentucky Gas Company (effective January 1, 1999)

B.J. Hackler
President, Trans Louisiana Gas Company

Robert E. Mattingly
Vice President, New Business Ventures – Retail Services

Ron W. McDowell
Vice President, New Business Ventures

Gary L. Schlessman
President, Greeley Gas Company

Anthony W. Slayden
Vice President and General Manager, Atmos Propane, Inc.

Consolidated Balance Sheets

	September 30, 1998	September 30, 1997
	(In thousands, except share data)	
Assets		
Property, plant and equipment	$1,333,556	$1,301,004
Construction in progress	112,864	31,668
	1,446,420	1,332,672
Less accumulated depreciation and amortization	528,560	483,545
Net property, plant and equipment	917,860	849,127
Current assets		
Cash and cash equivalents	4,735	6,016
Accounts receivable, less allowance for doubtful accounts of $1,969 in 1998 and $2,188 in 1997	34,887	71,217
Inventories	15,219	12,333
Gas in storage	48,909	48,122
Prepayments	3,630	6,017
Total current assets	107,380	143,705
Deferred charges and other assets	116,150	95,479
	$1,141,390	$1,088,311
Capitalization and Liabilities		
Shareholders' equity		
Common stock, no par value (stated at $.005 per share); 75,000,000 shares authorized; issued and outstanding 1998 – 30,398,319 shares, 1997 – 29,642,437 shares	$ 152	$ 148
Additional paid-in capital	271,637	251,174
Retained earnings	99,369	75,938
Total shareholders' equity	371,158	327,260
Long-term debt	398,548	302,981
Total capitalization	769,706	630,241
Current liabilities		
Current maturities of long-term debt	57,783	15,201
Notes payable to banks	66,400	167,300
Accounts payable	44,742	62,626
Taxes payable	12,736	416
Customers' deposits	12,029	15,098
Other current liabilities	30,369	52,582
Total current liabilities	224,059	313,223
Deferred income taxes	80,213	87,828
Deferred credits and other liabilities	67,412	57,019
	$1,141,390	$1,088,311

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

	Year ended September 30,		
	1998	1997	1996
	(In thousands, except per share data)		
Operating revenues	$ 848,208	$ 906,835	$ 886,691
Purchased gas cost	516,372	577,181	562,279
Gross profit	331,836	329,654	324,412
Operating expenses			
Operation	131,336	173,683	148,196
Maintenance	10,278	11,974	11,719
Depreciation and amortization	47,555	45,257	41,666
Taxes, other than income	29,788	32,131	30,254
Income taxes	31,806	14,298	23,316
Total operating expenses	250,763	277,343	255,151
Operating income	81,073	52,311	69,261
Other income (expense)			
Interest and investment income	5,430	5,410	3,867
Other, net	4,341	(288)	(300)
Total other income	9,771	5,122	3,567
Interest charges	35,579	33,595	31,677
Net income	$ 55,265	$ 23,838	$ 41,151
Basic net income per share	$ 1.85	$ .81	$ 1.42
Diluted net income per share	$ 1.84	$ .81	$ 1.42
Cash dividends per share	$ 1.06	$ 1.01	$ .98
Weighted average shares outstanding			
Basic	29,822	29,409	28,978
Diluted	30,031	29,422	28,994

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

	Common stock			
	Number of shares	Stated value	Additional paid-in capital	Retained earnings
		(In thousands, except share data)		
Balance, September 30, 1995	28,246,392	$141	$230,630	$73,578
Net income	-	-	-	41,151
Cash dividends ($.98 per share)	-	-	-	(28,478)
Common stock issued:				
Restricted stock grant plan	41,700	1	733	-
Direct stock purchase plans	251,224	1	4,322	-
ESOP	161,477	1	3,641	-
Long-term stock plan for United Cities Division	16,900	-	241	-
Outside directors stock-for-fee plan	3,389	-	76	-
Monarch Gas Co. acquisition	207,366	1	1,499	933
Oceana Heights acquisition	313,411	1	304	594
Other	-	-	212	-
Balance, September 30, 1996	29,241,859	146	241,658	87,778
Net income	-	-	-	23,838
Cash dividends ($1.01 per share)	-	-	-	(26,415)
Common stock issued:				
Restricted stock grant plan	100,000	1	2,443	-
Direct stock purchase plans	85,243	-	1,888	-
Outside directors stock-for-fee plan	3,008	-	72	-
ESOP/401(k) plans	212,327	1	5,113	-
Less: UCGC net income for the quarter ended December 31, 1996	-	-	-	(9,263)
Balance, September 30, 1997	29,642,437	148	251,174	75,938
Net income	-	-	-	55,265
Cash dividends ($1.06 per share)	-	-	-	(31,834)
Common stock issued:				
Restricted stock grant plan	114,250	1	2,898	-
Direct stock purchase plan	531,353	3	14,482	-
ESOP/401(k) plans	52,473	-	1,485	-
Long-term stock plan for United Cities Division	55,500	-	1,533	-
Outside directors stock-for-fee plan	2,306	-	65	-
Balance, September 30, 1998	30,398,319	$152	$271,637	$99,369

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

	1998	1997	1996
		Year ended September 30, (In thousands)	
Cash flows from operating activities			
Net income	$ 55,265	$ 14,575	$ 41,151
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization:			
Charged to depreciation and amortization	47,555	39,970	41,666
Charged to other accounts	5,861	2,237	3,580
Deferred income taxes	(3,968)	5,807	7,585
Gain on sales of non-utility assets	(3,335)	-	-
Other	-	-	(1,866)
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	36,330	32,198	(12,697)
(Increase) decrease in inventories	(2,886)	1,562	(1,238)
Increase in gas in storage	(787)	(4,772)	(15,949)
(Increase) decrease in prepayments	2,387	(3,208)	1,966
Increase in deferred charges and other assets	(20,671)	(29,683)	(4,623)
Increase (decrease) in accounts payable	(17,884)	(17,695)	23,796
Increase (decrease) in taxes payable	8,673	(837)	7,099
Increase (decrease) in customers' deposits	(3,069)	(1,714)	592
Increase (decrease) in other current liabilities	(22,213)	28,716	(4,165)
Increase in deferred credits and other liabilities	10,393	1,593	4,836
Net cash provided by operating activities	91,651	68,749	91,733
Cash flows from investing activities			
Capital expenditures	(134,989)	(122,312)	(117,589)
Retirements of property, plant and equipment, net	178	1,189	5,708
Proceeds from sales of assets	15,997	-	-
Net cash used in investing activities	(118,814)	(121,123)	(111,881)
Cash flows from financing activities			
Net increase (decrease) in notes payable	(100,900)	38,812	62,675
Proceeds from issuance of long-term debt	154,445	40,000	-
Repayment of long-term debt	(16,296)	(14,659)	(20,734)
Cash dividends paid	(31,834)	(26,415)	(28,478)
Issuance of common stock	20,467	9,518	8,523
Net cash provided by financing activities	25,882	47,256	21,986
Net increase (decrease) in cash and cash equivalents	(1,281)	(5,118)	1,838
Cash and cash equivalents at beginning of year	6,016	11,134	9,296
Cash and cash equivalents at end of year	$ 4,735	$ 6,016	$ 11,134

See accompanying notes to consolidated financial statements.

Contents of Notes to Consolidated Financial Statements

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Forward-Looking Statements These notes to consolidated financial statements, particularly notes 2, 5, 9, and 11 may contain "forward-looking statements" as discussed herein in Management's Discussion and Analysis of Financial Condition and Results of Operations under the heading, "Cautionary Statement for the Purposes of the Safe Harbor under the Private Securities Litigation Reform Act of 1995" and should be read in conjunction with such discussion.

Description of Business Atmos Energy Corporation and its subsidiaries ("Atmos" or the "Company") are engaged primarily in the natural gas utility business as well as certain non-utility businesses. The Company distributes through sales and transportation arrangements natural gas to approximately 1.0 million residential, commercial, industrial and agricultural customers through its five regulated utility divisions: Energas Company ("Energas Division") in Texas; Trans Louisiana Gas Company ("Trans La Division") in Louisiana; Western Kentucky Gas Company ("Western Kentucky Division") in Kentucky; Greeley Gas Company ("Greeley Division") in Colorado and Kansas; and United Cities Gas Company ("United Cities Division") in Illinois, Tennessee, Iowa, Virginia, Georgia, South Carolina, Kansas and Missouri. Such business is subject to federal and state regulation and/or regulation by local authorities in each of the twelve states in which the utility divisions operate.

Through United Cities Gas Storage Company ("Storage"), a non-regulated utility business, the Company also owns and operates natural gas storage fields in Kentucky and Kansas to supplement natural gas used by regulated customers in Tennessee, Kansas and Illinois and to provide storage services to other customers that may be in other states.

Through Atmos Propane, Inc. ("Propane"), a non-regulated utility business and a wholly-owned subsidiary of UCG Energy Corporation ("UCG Energy"), which is a wholly-owned subsidiary of Atmos, the Company is engaged in the retail distribution of propane (LP) gas, the wholesale supply and the transportation of LP gas, the transportation of certain products for other companies and the direct merchandising and repair of propane gas appliances. Propane currently has operation and storage centers and store front offices located in Tennessee, Kentucky, and North Carolina with a total company storage capacity of approximately 2.3 million gallons. As of September 30, 1998, Propane served approximately 37,400 customers.

Through UCG Energy's 45% interest in Woodward Marketing, L.L.C. ("WMLLC"), a limited liability company formed in Delaware and headquartered in Houston, Texas, the Company is engaged in gas marketing and energy management services. WMLLC provides gas marketing services to industrial customers, municipalities and local distribution companies, including the United Cities, Energas, Greeley, and Trans La Divisions. The Company utilizes equity accounting for its investment in WMLLC.

Finally, the Company, through UCG Energy, leases and rents appliances, real estate, equipment, and vehicles to the United Cities Division and others, and owns a small interest in a partnership engaged in exploration and production activities.

Principles of Consolidation The accompanying consolidated financial statements include the accounts of Atmos Energy Corporation and its subsidiaries. Each subsidiary is wholly owned and all material intercompany transactions have been eliminated.

Accounting for Unconsolidated Investments The Company accounts for its 45% interest in WMLLC, using the equity method of accounting for investments. Equity in pre-tax earnings of WMLLC included in the interest and investment income caption in the consolidated statement of income were $3.9 million, $3.3 million and $2.0 million in 1998, 1997 and 1996, respectively.

Restatement for Pooling of Interests The consolidated financial statements for all periods prior to July 31, 1997 have been restated for the pooling of interests of the Company with United Cities Gas Company. Certain changes in account classifications have been made to conform United Cities Gas Company's classifications to Atmos' presentation.

Regulation The Company's utility operations are subject to regulation with respect to rates, service, maintenance of accounting records and various other matters by the respective regulatory authorities in the states in which it operates. Atmos' accounting policies recognize the financial effects of the ratemaking and accounting practices and policies of the various regulatory commissions. Regulated utility operations are accounted for in accordance with Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation." This statement requires cost-based rate regulated entities that meet certain criteria to reflect the authorized recovery of costs due to regulatory decisions in their financial statements.

The Company records regulatory assets which represent assets which are being recovered through customer rates or are probable of being recovered through customer rates. Significant regulatory assets as of September 30, 1998 included the following: unamortized debt expense of $5.6 million, merger and integration costs of $59.8 million, environmental costs of $4.0 million, and deferred cost of purchased gas proceeding of $1.1 million. Regulatory liabilities represent probable future reductions in revenues associated with amounts that are to be credited to customers through the ratemaking process. As of September 30, 1998, the Company had recorded a regulatory liability of $2.2 million for deferred income taxes.

Revenue Recognition Sales of natural gas are billed on a monthly cycle basis; however, the billing cycle periods for certain classes of customers do not necessarily coincide with accounting periods used for financial reporting purposes. The Company follows the revenue accrual method of accounting for natural gas revenues whereby revenues applicable to gas delivered to customers but not yet billed under the cycle billing method are estimated and accrued and the related costs are charged to expense. Estimated losses due to credit risk are reserved at the time revenue is recognized.

Utility Property, Plant and Equipment Utility property, plant and equipment is stated at original cost net of contributions in aid of construction. The cost of additions includes direct construction costs, payroll related costs (taxes, pensions and other fringe benefits), administrative and general costs, and the estimated cost of an allowance for funds used during construction (See AFUDC below). Major renewals and betterments are capitalized, while the costs of maintenance and repairs are charged to expense as incurred. The costs of large projects are accumulated in construction in progress until the project is completed. When the project is completed, tested and placed in service, the balance is transferred to the utility plant in service account, included in rate base and depreciation begins. As of September 30, 1998, the Company has invested approximately $80 million in its Customer Service Initiative ("CSI"). The CSI investment is currently recorded in construction in progress. CSI is a group of projects that are reorganizing processes throughout the Company to leverage technology and implement industry best practices. It is expected to be fully placed in service in 1999. Property, plant and equipment is depreciated at various rates on a straight-line basis over the estimated useful lives of the assets. The composite rates were 4.0% and 3.9% for the years ended September 30, 1998 and 1997, respectively. At the time property, plant and equipment is retired, the cost, plus removal expenses and less salvage, is charged to accumulated depreciation.

Allowance for Funds Used During Utility Construction ("AFUDC") AFUDC represents the estimated cost of funds used to finance the construction of major projects. Under regulatory practices, the costs are capitalized and included in rate base for ratemaking purposes when the completed projects are placed in service. Interest expense of $4.1 million, $1.2 million and $.4 million was capitalized in 1998, 1997 and 1996, respectively. The increased amounts in 1998 and 1997 were related to CSI.

Non-Utility Property, Plant and Equipment Balances are stated at cost and depreciation is computed generally on the straight-line method for financial reporting purposes.

Inventories Inventories consist primarily of materials and supplies and merchandise held for resale. These inventories are stated at the lower of average cost or market. Inventories also include propane inventories of $979,000 and $722,000 at September 30, 1998 and 1997, respectively. Propane is priced at average cost.

Gas in Storage Net additions of inventory gas to storage and withdrawals of inventory gas from storage are priced using the average cost method for all Atmos utility divisions, except for the United Cities Division, where it is priced on the first-in first-out method. Gas stored underground and owned by Storage is priced on the last-in first-out ("LIFO") method. In accordance with the United Cities Division's purchased gas adjustment ("PGA") clause, the liquidation of a LIFO layer would be reflected in subsequent gas adjustments in customer rates and does not affect the results of operations. Noncurrent gas in storage is classified as property, plant and equipment and is priced at cost.

Income Taxes The Company provides deferred income taxes for significant temporary differences in the recognition of revenues and expenses for tax and financial reporting purposes.

Cash and Cash Equivalents The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Deferred Charges and Other Assets Deferred charges and other assets at September 30, 1998 and 1997 include merger and integration costs of $59.8 million and $49.0 million in 1998 and 1997, respectively; the related reserve for merger and integration costs of $20.3 million in both 1998 and 1997; and the investment in WMLLC of $11.9 million and $10.0 million in 1998 and 1997, respectively. Also included in deferred charges and other assets are assets of the Company's qualified defined benefit retirement plans in excess of the plans' obligations, Company assets related to the nonqualified retirement plans, unamortized debt expense, and deferred compensation expense related to non-vested restricted stock grants.

Deferred Credits and Other Liabilities Deferred credits and other liabilities include customer advances for construction, obligations under capital leases, obligations under other postretirement benefits, and obligations under the Company's nonqualified retirement plans.

Earnings Per Share The calculation of basic earnings per share is based on income available to common stockholders divided by weighted average common shares outstanding. The calculation of diluted earnings per share is based on net income available to common stockholders divided by weighted average shares outstanding plus the dilutive shares related to the United Cities Division's Long-term Stock Plan and Atmos' Restricted Stock Grant Plan.

Use of Estimates The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recently Issued Accounting Standards Not Yet Adopted The Company has not yet adopted Statement of Financial Accounting Standards No. 130 "Reporting Comprehensive Income." The Statement will be effective for the Company's 1999 fiscal year. It establishes standards for reporting and display of comprehensive income and its components (revenues, expenses, gains, and losses) in a full set of general-purpose financial statements. Reclassification of financial statements for earlier periods provided for comparative purposes is required.

The Company has not yet adopted Statement of Financial Accounting Standards No. 131 "Disclosures about Segments of an Enterprise and Related Information." The Statement will be effective for the Company's 1999 fiscal year. It establishes standards for the way that public business enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports issued to shareholders. In the initial year of application, comparative information for earlier years is to be restated.

In addition, the Company has not yet adopted Statement of Financial Accounting Standards No. 133 "Accounting for Derivative Instruments and Hedging Activities." The Statement will be effective for the Company's fiscal year 2000. It establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. This Statement does not allow retroactive application to financial statements of prior periods.

The Company believes that adoption of these Statements will not have a material impact on its reported financial condition, results of operations, or cash flows.

2 Business Combinations

On July 31, 1997, Atmos acquired by means of a merger all of the assets and liabilities of United Cities Gas Company ("UCGC") in accordance with the terms and provisions of an Agreement and Plan of Reorganization dated July 19, 1996 and amended October 3, 1996. A total of 13,320,221 shares of Atmos common stock were issued in a one-for-one exchange for all outstanding shares of UCGC common stock. UCGC was a natural gas utility company engaged in the distribution and sale of natural gas. At the time of the merger, UCGC served approximately 306,000 utility customers in Georgia, Illinois, Iowa, Kansas, Missouri, South Carolina, Tennessee, and Virginia, and approximately 29,000 propane customers in Kentucky, North Carolina, Tennessee, and Virginia. Its assets consisted of the property, plant and equipment used in its natural gas and propane sales and distribution businesses.

UCGC was merged with and into Atmos by means of a tax-free reorganization. The transaction was accounted for as a pooling of interests; therefore, historical financial statements for periods prior to the merger have been restated. UCGC prepared its financial statements on a December 31 fiscal year-end. UCGC's fiscal year has been changed to September 30 to conform to the Company's year end. The restated consolidated statements of income and cash flows for the year ended September 30, 1996 include Atmos operations for the year then ended and UCGC operations for the year ended December 31, 1996. The consolidated statement of income for the year ended September 30, 1997 includes Atmos and UCGC operations for the twelve months then ended. As a result, UCGC's operations for the three months ended December 31, 1996 (operating revenues of approximately $123.0 million and net income of $9.3 million) are included in both the 1997 and 1996 consolidated statements of income, and the UCGC net income for this period has been deducted in calculating the shareholders' equity balances at September 30, 1997 and cash flows for the year then ended. Certain account reclassifications were made to conform UCGC 's classifications to Atmos' presentation.

Following the merger, UCGC's business began operating as United Cities Gas Company, a division of Atmos ("United Cities Division") and integration of the companies began. The United Cities Division is structured like other divisions of Atmos. To achieve this structure, approximately 560 utility positions in the

United Cities Division were eliminated by September 1998. An additional 75 Atmos positions were eliminated as part of the integration, resulting in approximately 635 total position reductions in the combined Company by September 1998. Atmos also has initiated plans to enhance its customer service in Texas, Louisiana, Kentucky, Colorado, Kansas and Missouri through business process changes which resulted in a net reduction of approximately 240 positions. These changes include restructuring business office operations, establishing a network of payment centers and creating a customer support center, all part of the CSI project.

The Company has recorded as regulatory assets through September 30, 1998 the costs of the merger and integration of the United Cities Division, which amounted to $59.8 million. The Company believes there are substantial long term benefits to its customers and shareholders from the merger of the two companies, which are expected to result in operating cost savings over the next 10 years totaling approximately $375 million. The Company believes a significant amount of the costs to achieve these benefits will be recovered through rates and future operating efficiencies of the combined operations. Therefore, the merger and integration costs will be charged to operations concurrent with the benefits received. However, in the fourth quarter of fiscal 1997 the Company established a general reserve of approximately $20.3 million ($12.6 million after-tax), to account for costs that may not be recovered through rates.

The statements above concerning anticipated cost savings in the future constitute "forward-looking statements," as defined in the Private Securities Litigation Reform Act of 1995. Such forward-looking statements should be read in conjunction with the Company's disclosures under the heading "Cautionary Statement for the Purposes of the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995" at the beginning of Management's Discussion and Analysis.

Results of operations and net income for the previously separate companies for the periods prior to the merger are as follows:

	10 Months ended July 31, 1997 (Unaudited)	Year ended September 30, 1996
	(In thousands)	
Operating revenues:		
Atmos	$474,069	$483,744
UCGC	356,325	402,947
	$830,394	$886,691
Net income:		
Atmos	$ 23,079	$ 23,949
UCGC	19,434	17,202
	$ 42,513	$ 41,151
Dividends per share:		
Atmos	$ .75	$ .96
UCGC	$ .76	$ 1.02

3 RATES

As of September 30, 1998, the Company did not have any general rate cases currently pending. The Trans La Division does have a hearing scheduled before the Louisiana Public Service Commission in April 1999 for the Louisiana Commission to consider the Trans La Division rate of return. Rate proceedings completed during the three years ended September 30, 1998 are summarized as follows.

In September 1998, the Company and the staff of the Virginia State Corporation Commission presented a Stipulation and Settlement of issues to the Virginia State Corporation Commission. It was adopted effective October 1, 1998. The Stipulation and Settlement provided for a reduction of approximately $249,000 in annual gross revenues of the United Cities Division. This represents approximately a .2% reduction in the gross profit of the United Cities Division and less than .08% reduction in the consolidated gross profit of the Company.

In fiscal 1997, the Colorado Office of Consumer Counsel filed a complaint with the Colorado Public Utilities Commission ("Colorado Commission") requesting a $3.5 million reduction in the annual revenues in Colorado of the Greeley Division. On December 17, 1997, a hearing was held at the Colorado Commission presenting a Stipulation and Agreement reached by the Greeley Division and the Colorado Office of Consumer Counsel. It settled the Consumer Counsel's complaint against the Greeley Division for a $1.6 million reduction in annual revenues. The Stipulation and Agreement became effective in January 1998. The reduction decreased the annual gross profit of the Greeley Division by approximately 4% and the gross profit of the Company by approximately .5%.

On June 9, 1998, the Kentucky Public Service Commission issued an Order approving an Experimental Performance-Based Ratemaking ("PBR") mechanism related to gas procurement and gas transportation activities filed by the Western Kentucky Division. The PBR mechanism is incorporated into the Western Kentucky Division's Gas Cost Adjustment Clause.

The Georgia Public Service Commission and the Tennessee Regulatory Authority have approved Weather Normalization Adjustments ("WNA"). The WNAs, effective October through May each year in Georgia, and November through April each year in Tennessee, allow the United Cities Division to increase the base rate portion of customers' bills when weather is warmer than normal and decrease the base rate when weather is colder than normal. The net effect of the WNA was an increase/(decrease) in revenues of $.7 million, $2.6 million and $(2.6) million in 1998, 1997 and 1996, respectively.

In May 1996, the Company filed to increase revenues by approximately $7.7 million for a portion of its Energas Division service area, which includes approximately 200,000 customers inside the city limits of 67 cities in West Texas. All cities either approved, or took no action to reject, a settlement allowing a $5.3 million increase in annual revenues to be effective for bills rendered on or after November 1, 1996. In October 1996, the Company filed a rate request with the Railroad Commission of Texas to increase revenues by approximately $.5 million for the remaining 22,000 rural customers in West Texas. The rate request was approved and became effective in April 1997.

4 INCOME TAXES

The components of income tax expense for 1998, 1997 and 1996 are as follows:

	1998	1997	1996
		(In thousands)	
Current			
Federal	$31,694	$ 7,917	$13,641
State	4,503	1,000	2,515
Deferred			
Federal	(3,352)	4,807	7,024
State	(616)	1,000	561
Investment tax credits	(423)	(426)	(425)
	$31,806	$14,298	$23,316

Deferred income taxes reflect the tax effect of differences between the basis of assets and liabilities for book and tax purposes. The tax effect of temporary differences that give rise to significant components of the deferred tax liabilities and deferred tax assets at September 30, 1998 and 1997 are presented below:

	1998	1997
	(In thousands)	
Deferred tax assets:		
Costs expensed for book purposes and capitalized for tax purposes	$ 1,049	$ 641
Accruals not currently deductible for tax purposes	7,189	12,398
Customer advances	3,730	3,160
Nonqualified benefit plans	11,297	9,118
Postretirement benefits	10,093	5,757
Unamortized investment tax credit	1,427	1,723
Regulatory liabilities	3,175	3,117
Other, net	2,838	3,758
Total deferred tax assets	40,798	39,672
Deferred tax liabilities:		
Difference in net book value and net tax value of assets	(114,229)	(102,038)
Pension funding	(4,120)	(4,190)
Gas cost adjustment	8,943	(6,568)
Regulatory assets	(4,941)	(8,673)
Other, net	(6,664)	(6,031)
Total deferred tax liabilities	(121,011)	(127,500)
Net deferred tax liabilities	$ (80,213)	$ (87,828)
SFAS No. 109 deferred accounts for rate regulated entities (included in other deferred credits)	$ 13,475	$ 15,072

Reconciliations of the provisions for income taxes computed at the statutory rate to the reported provisions for income taxes for 1998, 1997 and 1996 are set forth below:

	1998	1997	1996
		(In thousands)	
Tax at statutory rate of 35%	$30,474	$13,348	$22,564
Common stock dividends deductible for tax reporting	(695)	(706)	(684)
State taxes	2,526	1,300	2,000
Other, net	(499)	356	(564)
Provision for income taxes	$31,806	$14,298	$23,316

5 Contingencies

Litigation

Trans La Division In November 1997, a jury in Plaquemine, Louisiana awarded Brian L. Heard General Contractor, Inc., ("Heard") a total of $177,929 in actual damages and $15 million in punitive damages resulting from a lawsuit by Heard against the Trans La Division, the successor in interest to Oceana Heights Gas Company, which the Company acquired in November 1995. The trial judge also awarded interest on the total judgment amount. The claims are for events that occurred prior to the time Atmos acquired Oceana Heights Gas Company. Heard claimed damages associated with delays he allegedly incurred in constructing a sewer system in Iberville Parish, Louisiana. Heard filed the suit against the Trans La Division and two other defendants, alleging that gas leaks had caused delays in Heard's completion of a sewer project, resulting in lost business opportunities for the contractor during 1994.

The jury awarded punitive damages under a prior Louisiana statute that allowed punitive damages to be awarded in cases involving hazardous substances, which, as defined in the statute, included natural gas. Although not retroactive, the Louisiana legislature repealed the statute in 1996. The Company has appealed the verdict and intends to aggressively pursue obtaining reversal of the judgment. However, the Company cannot assess, at this time, the likelihood of the judgment being reversed on appeal. The Company is in the process of reviewing its insurance coverage with respect to this case. To date, the insurance companies have denied coverage and one company has filed a declaratory action to determine its obligations under the policy. The Company does not expect the final outcome of this case to have a material adverse effect on the financial condition, the results of operations or the cash flows of the Company because in the Company's opinion, it is more likely than not that the amount of punitive damages ultimately awarded will be substantially reduced.

On March 15, 1991, suit was filed in the 15th Judicial District Court of Lafayette Parish, Louisiana, by the "Lafayette Daily Advertiser" and others against Trans Louisiana Gas Company ("Trans La Division"), Trans Louisiana Industrial Gas Company, Inc., a wholly owned subsidiary of the Company, and Louisiana Intrastate Gas Corporation and certain of its affiliates ("LIG"). LIG is the Company's primary supplier of natural gas in Louisiana and is not otherwise affiliated with the Company.

The plaintiffs purported to represent a class consisting of all residential and commercial gas customers in the Trans La Division's service area. Among other things, the lawsuit alleged that the defendants violated antitrust laws of the state of Louisiana by manipulating the cost-of-gas component of the Trans La Division's gas rate to the purported customer class, thereby causing such purported class members to pay a higher rate. The plaintiffs made no specific allegation of an amount of damages. The case was concluded on December 15, 1997 when the Court entered its final approval of the settlement whereby LIG made a payment of $10.3 million to the Trans La Division for the benefit of its customers in the form of credits to customers' bills during the period November 1997 through March 1998. The suit was dismissed with prejudice at the same fairness hearing on December 15, 1997.

Greeley Division In Colorado, the Greeley Division is a defendant in several lawsuits filed as a result of a fire in a building in Steamboat Springs, Colorado on February 3, 1994. The plaintiffs claim that the fire resulted from a leak in a severed gas service line owned by the Greeley Division. On January 12, 1996, the jury awarded the plaintiffs approximately $2.5 million in compensatory damages and approximately $2.5 million in punitive damages. The jury assessed the Company with liability for all of the damages awarded. The Company appealed the judgment to the Colorado Court of Appeals. On June 11, 1998, the Colorado Court of Appeals reversed the trial court verdict and ordered a new trial. The plaintiffs have appealed the case to the Colorado Supreme Court. The Company does not expect the final outcome of this case to have a material adverse effect on the financial condition, the results of operations or the cash flows of the Company because the Company believes it has adequate insurance and reserves to cover any damages that may ultimately be awarded.

Western Kentucky Division In March 1997, Western Kentucky Gas Company ("Western Kentucky Division") was named as a defendant in a lawsuit in the District Court in Danville, Kentucky, as a result of an explosion and fire at a residence in Danville, Kentucky on March 4, 1997. The plaintiffs, Lisa Benedict, et al, who were leasing the residence, suffered serious burns in the accident and alleged that the Western Kentucky Division was negligent in installing and servicing gas lines at the residence. In September 1998, the Company and the plaintiffs entered into a confidential settlement of all claims in this case and the case was dismissed. The majority of the settlement was paid by the Company's insurance carriers and the remainder borne by the Company and charged to the reserve for litigation losses.

From time to time, other claims are made and lawsuits are filed against the Company arising out of the ordinary business of the

Company. In the opinion of the Company's management, liabilities, if any, arising from these other claims and lawsuits are either covered by insurance, adequately reserved for by the Company or would not have a material adverse effect on the financial condition, results of operations, or cash flows of the Company.

Guarantees

The Company's wholly-owned subsidiary, UCG Energy, and Woodward Marketing, Inc. ("WMI"), sole members of WMLLC, act as guarantors of up to $12.5 million of balances outstanding under a $30 million bank credit facility for WMLLC. UCG Energy guarantees the payment of up to $5.6 million of borrowings under this facility. No balance was outstanding under this credit facility at September 30, 1998. UCG Energy and WMI also act as joint and several guarantors on certain accounts payable for gas purchases. UCG Energy has agreed to guarantee payables of WMLLC up to $40.0 million of natural gas purchases and transportation services from suppliers. WMLLC payable balances outstanding that were subject to these guarantees amounted to $8.5 million at September 30, 1998.

Environmental Matters

Atmos is the owner or previous owner of manufactured gas plant sites which were used to supply gas prior to availability of natural gas. The gas manufacturing process resulted in certain by-products and residual materials including coal tar. It was an acceptable and satisfactory process at the time such operations were being conducted. Under current environmental protection laws and regulations, the Company may be responsible for response actions with respect to such materials, if response actions are necessary.

The United Cities Division owns or owned former manufactured gas plant sites in Johnson City and Bristol, Tennessee, Hannibal, Missouri and Americus, Georgia. UCGC and the Tennessee Department of Environment and Conservation entered into a consent order effective January 23, 1997, for the purpose of facilitating the investigation, removal and remediation of the Johnson City site. UCGC began the implementation of the consent order in the first quarter of 1997.

The Company is unaware of any information which suggests that the Bristol site gives rise to a present health or environmental risk as a result of the manufactured gas process or that any response action will be necessary. The Tennessee Regulatory Authority granted UCGC permission to defer, until its next rate case, all costs incurred in Tennessee in connection with state and federally mandated environmental control requirements.

On July 22, 1998, Atmos entered into an Abatement Order on Consent with the Missouri Department of Natural Resources addressing the former manufactured gas plant located in Hannibal, Missouri. Atmos, through its United Cities Division, agreed in the order to perform a removal action, a subsequent site evaluation and to reimburse the response costs incurred by the state of Missouri in connection with the property. The removal action was conducted and completed in August 1998 and the site evaluation will be completed in 1999. The Company has requested an Accounting Authority Order from the Missouri Public Service Commission ("MSPC") that would authorize it to defer its response costs related to the Hannibal site. On July 7, 1998, the MPSC Staff recommended that the MPSC approve the application.

As of September 30, 1998, the Company had incurred and deferred for recovery $1.1 million including $258,000 related to an insurance recoverability study, and accrued and deferred for recovery an additional $750,000 associated with the preliminary survey and invasive study of the Johnson City, Hannibal and Bristol sites.

On December 16, 1997, the Company, through its United Cities Division, entered into a Settlement Agreement with two other responsible parties at the Americus, Georgia former manufactured gas plant site. UCGC was a former owner of the property. In the Settlement Agreement, the Company agreed to pay $250,000 to resolve its liability for response costs and property damages associated with the site. The Company has paid the $250,000. The agreement contains a covenant not to sue, an indemnification provision from the other parties and gives the other parties all responsibility for investigation and response actions at the site. On October 20, 1998, the Company filed a proposal with the Georgia Public Service Commission for recovery of this amount through a rate rider. In November 1998, the Commission approved recovery through the rate rider which will take affect December 1, 1998.

Atmos is currently conducting an investigation pursuant to a Consent Order between the Kansas Department of Health and Environment and UCGC. The Order provides for the investigation, and a possible response action, for mercury contamination at gas pipeline sites which utilize or formerly utilized mercury meter equipment in Kansas. As of September 30, 1998, the Company had identified approximately 720 sites where mercury may have been used and had incurred and deferred for recovery $100,000. In addition, based upon available current information, the Company accrued and deferred for recovery an additional $280,000 for the investigation of these sites. The Kansas Corporation Commission has authorized the Company to defer these costs and seek recovery in a future rate case.

The Company addresses other environmental matters from time to time in the regular and ordinary course of its business. Management expects that future expenditures related to response action at any site will be recovered through rates or insurance, or shared among other potentially responsible parties. Therefore, the costs of responding to these sites are not expected to materially affect the results of operations, financial condition or cash flows of the Company.

6 LEASES

The Company has entered into noncancelable operating leases for office and warehouse space used in its operations. The remaining lease terms range from one to 20 years and generally provide for the payment of taxes, insurance and maintenance by the lessee. The Company has also entered into capital leases for division offices and operating facilities. Net property, plant and equipment included amounts for capital leases of $3.2 million and $2.3 million at September 30, 1998 and 1997, respectively.

The related future minimum lease payments at September 30, 1998 were as follows:

	Capital leases	Operating leases
	(In thousands)	
1999	$ 735	$ 9,633
2000	735	9,199
2001	735	8,810
2002	735	8,679
2003	735	8,172
Thereafter	4,119	52,564
Total minimum lease payments	7,794	$97,057
Less amount representing interest	(4,215)	
Present value of net minimum lease payments	$3,579	

Consolidated lease and rental expense amounted to $9.2 million, $10.5 million and $9.7 million for fiscal 1998, 1997 and 1996, respectively. Rents for the regulated business are expensed and the Company receives rate treatment as a cost of service on a pay-as-you-go basis.

7 LONG-TERM DEBT AND NOTES PAYABLE

Long-term debt at September 30, 1998 and 1997 consisted of the following:

	1998	1997
	(In thousands)	
Unsecured 7.95% Senior Notes, due 2006, payable in annual installments of $1,000	$ 8,000	$ 9,000
Unsecured 9.57% Senior Notes, due 2006, payable in annual installments of $2,000	16,000	18,000
Unsecured 9.76% Senior Notes, due 2004, payable in annual installments of $3,000	21,000	24,000
Unsecured 11.2% Senior Notes, due 2002, payable in annual installments of $2,000	10,000	12,000
Unsecured 10% Notes, due 2011	2,303	2,303
Unsecured 6.09% Note, due November 1998	40,000	40,000
Unsecured 8.07% Senior Notes, due 2006, payable in annual installments of $4,000 beginning 2002	20,000	20,000
Unsecured 8.26% Senior Notes, due 2014, payable in annual installments of $1,818 beginning 2004	20,000	20,000
Unsecured 6.75% Debentures, due 2028	150,000	–
First Mortgage Bonds		
Series J, 9.40% due 2021	17,000	17,000
Series N, 8.69% due 2000	3,000	5,000
Series P, 10.43% due 2017	25,000	25,000
Series Q, 9.75% due 2020	20,000	20,000
Series R, 11.32% due 2004	12,860	15,000
Series T, 9.32% due 2021	18,000	18,000
Series U, 8.77% due 2022	20,000	20,000
Series V, 7.50% due 2007	10,000	10,000
Medium term notes		
Series A, 1995-1, 6.67%, due 2025	10,000	10,000
Series A, 1995-2, 6.27%, due 2010	10,000	10,000
Series A, 1995-3, 6.20%, due 2000	2,000	2,000
Rental property, propane and other term notes due in installments through 2013	21,168	20,879
Total long-term debt	456,331	318,182
Less current maturities	(57,783)	(15,201)
	$398,548	$302,981

In July 1998, the Company issued $150 million of 30-year 6.75% debentures. The proceeds were used to refinance short-term borrowings.

Most of the Senior Notes and First Mortgage Bonds contain provisions that allow the Company to prepay the outstanding balance in whole at any time, subject to a prepayment premium. The Senior Note agreements and First Mortgage Bond indentures provide for certain cash flow requirements and restrictions on additional indebtedness, sale of assets and payment of dividends. Under the most restrictive of such covenants, cumulative cash dividends paid after December 31, 1988 may not exceed the sum of accumulated net income for periods after December 31, 1988 plus $15.0 million. At September 30, 1998, approximately $60.9 million of retained earnings was unrestricted.

As of September 30, 1998, all of the Greeley Division utility plant assets with a net book value of approximately $88.3 million are subject to a lien under the 9.4% Series J First Mortgage Bonds assumed by the Company in the acquisition of Greeley Gas Company. Also, substantially all of the United Cities Division utility plant assets, totaling approximately $324.7 million, are subject to a lien under the Indenture of Mortgage of the Series N through V First Mortgage Bonds.

Based on the borrowing rates currently available to the Company for debt with similar terms and remaining average maturities, the fair value of long-term debt at September 30, 1998 and 1997 is estimated, using discounted cash flow analysis, to be $489.0 million and $348.3 million, respectively. It is not currently advantageous for the Company to refinance its long-term debt because of costs of prepayment required in the various debt agreements.

Maturities of long-term debt at September 30, 1998 are as follows (in thousands):

1999	$ 57,783
2000	16,389
2001	17,934
2002	15,823
2003	22,745
Thereafter	325,657
	$ 456,331

Short-term debt

Committed Credit Facilities The Company has two short-term committed credit facilities. The committed lines are renewed or renegotiated at least annually. One short-term, unsecured credit facility from a group of eight banks is for $250 million. This facility expires in August 1999. No balance was outstanding under it at September 30, 1998. This facility requires a commitment fee of .06% on the unused portion. A second facility is for $12 million with a single bank. This facility expires March 31, 1999. It requires a commitment fee of .075% on the unused portion.

Uncommitted Credit Facilities The Company also has unsecured short-term uncommitted credit lines from three banks totaling $80 million, of which $25.6 million was unused as of September 30, 1998. These uncommitted lines expire at various dates from May through August 1999, and are renewed or renegotiated at least annually. The uncommitted lines have varying terms and the Company pays no fee for the availability of the lines. Borrowings under these lines are made on a when and as-available basis at the discretion of the banks. The weighted average interest rate on short-term borrowings outstanding was 6.2% and 6.1% at September 30, 1998 and 1997, respectively.

Commercial Paper Program The Company implemented a $250 million commercial paper program in October 1998. It is supported by the $250 million committed line of credit described above. The Company's commercial paper was rated A-2 by Standard and Poor's and P-2 by Moody's.

8 STATEMENT OF CASH FLOWS SUPPLEMENTAL DISCLOSURES

Supplemental disclosures of cash flow information for 1998, 1997 and 1996 are presented below.

	1998	1997	1996
		(In thousands)	
Cash paid for			
Interest	$29,980	$25,216	$32,778
Income taxes	$25,598	$ 9,736	$14,562

9 COMMON STOCK AND STOCK OPTIONS

Shareholders' Rights Plan On November 12, 1997, the Board of Directors approved a new Rights Agreement to become effective upon the expiration of the then existing Rights Agreement on May 10, 1998. Under the Rights Agreement, each right ("Right") will entitle the holder thereof, until May 10, 2008 or the date of redemption the Rights, to buy two additional shares of Common Stock of the Company at the exercise price of $80.00, subject to adjustment. At no time will the Rights have any voting rights. The exercise price payable and the number of shares of Common Stock or other securities or property issuable upon exercise of the Rights are subject to adjustment from time to time to prevent dilution. At the date upon which the rights become separate from the Company's Common Stock (the "Distribution Date"), the Company will issue one right with each share of Common Stock that becomes outstanding so that all shares of Common Stock will have attached Rights. After the Distribution Date, the Company may issue Rights when it issues Common Stock if the Board deems such issuance to be necessary or appropriate.

The Rights will separate from the Common Stock and a Distribution Date will occur upon the occurrence of certain events specified in the Agreement, including but not limited to, the acquisition by certain persons of at least 10% of the beneficial ownership of the Company's Common Stock. The Rights have certain anti-takeover effects and may cause substantial dilution to a person or entity that attempts to acquire the Company on terms not approved by the Board of Directors except pursuant to an offer conditioned upon a substantial number of Rights being acquired. The Rights should not interfere with any merger or other business combination approved by the Board of Directors because, prior to the time that the Rights become exercisable or transferable, the Rights may be redeemed by the Company at $.01 per Right.

Shares Issued Under Various Plans The following table presents the number of shares issued under various plans in 1998 and 1997, as well as the number of shares available for future issuance at September 30, 1998.

	Shares issued 1998	Shares issued 1997	Shares available for issuance at September 30, 1998
Restricted Stock Grant Plan	114,250	100,000	788,250
Employee Stock Ownership Plan	52,473	212,327	460,398
Direct Stock Purchase Plan	531,353	85,243	968,217
Outside Directors Stock-For-Fee Plan	2,306	3,008	42,379
United Cities Long-term Stock Plan	55,500	–	194,500

Restricted Stock Grant Plan The Company's Restricted Stock Grant Plan ("Plan") for management and key employees of the Company, which became effective October 1, 1987 and was amended and restated in November 1997, provides for awards of common stock that are subject to certain restrictions. The Plan is administered by the Board of Directors. The members of the Board who are not employees of the Company make the final determinations regarding participation in the Plan, awards under the Plan, and restrictions on the restricted stock awarded. The restricted stock may consist of previously issued shares purchased on the open market or shares issued directly from the Company. During 1998 the Company increased the number of shares of its common stock that may be issued under the plan by 650,000 shares. Compensation expense of $1,238,000, $437,000 and $795,000 was recognized in 1998, 1997 and 1996, respectively, in connection with the issuance of shares under the Plan.

Employee Stock Ownership Plan Atmos has an Employee Stock Ownership Plan ("ESOP") and the United Cities Division has a 401(k) savings plan, as discussed in Note 10. The ESOP will be amended effective January 1, 1999, as is more fully discussed in Note 10.

Direct Stock Purchase Plan The Company also has a Direct Stock Purchase Plan ("DSPP"). Participants in the DSPP may have all or part of their dividends reinvested at a 3% discount from market prices. DSPP participants may purchase additional shares of Company common stock as often as weekly with voluntary cash payments of at least $25, up to an annual maximum of $100,000.

Outside Directors Stock-For-Fee Plan In November 1994, the Board adopted the Outside Directors Stock-for-Fee Plan, which was approved by the shareholders of the Company in February 1995 and was amended and restated in November 1997. The plan permits non-employee directors to receive all or part of their annual retainer and meeting fees in stock rather than in cash.

United Cities Long-Term Stock Plan Prior to the UCGC merger, certain officers and key employees of UCGC were covered under UCGC's Long-term Stock Plan implemented in 1989. At the time of the UCGC merger on July 31, 1997, Atmos adopted this plan by registering a total of 250,000 shares of Atmos stock to be issued under the Long-term Stock Plan for the United Cities Division. Under this plan, incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock or any combination thereof may be granted to officers and key employees of the United Cities Division. During 1998, 55,500 options and rights were exercised under the plan. At September 30, 1998, there were 26,500 options outstanding. No incentive stock options, nonqualified stock options, stock appreciation rights, or restricted stock have been granted under the plan since 1996.

In October 1995, the FASB issued Statement No. 123 ("SFAS 123"), "Accounting for Stock-Based Compensation." This statement establishes a fair-value-based method of accounting for employee stock options or similar equity instruments and encourages, but does not require, all companies to adopt that method of accounting for all of their employee stock compensation plans. SFAS 123 allows companies to continue to measure compensation cost for employee stock options or similar equity instruments using the intrinsic value method of accounting described in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." The Company has elected to continue using this method. Because of the limited nature of the Company's stock-based compensation plans, the effect of adoption of SFAS 123 would not materially impact reported earnings per share.

Long-Term Incentive Plan On August 12, 1998, the Board of Directors approved and adopted the 1998 Long-Term Incentive Plan (the "LTIP"), which became effective October 1, 1998, subject to the approval of the shareholders of the Company at the Annual Meeting of Shareholders on February 10, 1999. The LTIP represents a part of the Company's total rewards strategy, which the Company developed as a result of a study it conducted of all employee, executive and non-employee director compensation and benefits. The LTIP is a comprehensive, long-term incentive compensation plan, providing for discretionary awards of incentive stock options, non-qualified stock options, stock appreciation rights, bonus stock, restricted stock and performance-based stock to help attract, retain, and reward employees and non-employee directors of the Company and its subsidiaries. The maximum aggregate number of shares that may by issued under the LTIP shall not exceed 1,500,000 shares of common stock.

10 EMPLOYEE RETIREMENT AND STOCK OWNERSHIP PLANS

In fiscal 1998, the Company adopted SFAS No. 132, "Employers Disclosures about Pensions and Other Postretirement Benefits." The Statement revises employers' disclosures about pension and other postretirement benefit plans. It does not change the measurement or recognition of those plans. Disclosures for earlier periods have been restated as required by SFAS No. 132.

Defined Benefit Plans As of September 30, 1998, the Company had four defined benefit pension plans, covering the Western Kentucky Division employees, the Greeley Division employees, the United Cities Division employees, and the fourth covering all other Atmos employees. The plans provide similar benefits to all employees. Prior to January 1, 1999, the benefits are based upon years of service and the highest paid five consecutive calendar years of compensation within the last 10 years of employment.

Effective January 1, 1999, the plans will be merged into the Western Kentucky Gas plan, and will be known as the Pension Account Plan which will cover all employees of the Company. Participants will have an opening account balance established for them as of January 1, 1999 equal to the present value of their respective accrued benefits under the pension plans as of December 31, 1998. The Pension Account Plan will credit an allocation to each participant's account at the end of each year according to a formula based on his age, service and total pay (excluding incentive pay).

The Pension Account Plan provides for an additional annual allocation based upon a participant's age as of January 1, 1999 for those participants who were participants in the prior pension plans. The plan will credit this additional allocation each year through December 31, 2008. In addition, at the end of each year, a participant's account will be credited with interest on the employee's prior year account balance. A special grandfather benefit also applies through December 31, 2008, for participants who will be at least age 50 as of January 1, 1999, and who were participants in one of the prior plans on December 31, 1998.

Participants are fully vested in their account balances after five years of service and may choose to receive their account balances as a lump sum or an annuity. The obligations shown as of September 30, 1998 anticipate the changes which will be effective January 1, 1999.

The Company's funding policy is to contribute annually an amount in accordance with the requirements of the Employee Retirement Income Security Act of 1974. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future.

Supplemental Executive Benefits Plan The Company has a non-qualified Supplemental Executive Benefits Plan ("Supplemental Plan") which provides additional pension, disability and death benefits to the officers and certain other employees of the Company. The supplemental plan was amended and restated in November 1997. In addition, in August 1998, the Company adopted the Performance-Based Supplemental Executive Benefits Plan, which will cover all employees who become officers or business unit presidents after August 12, 1998.

The following table sets forth the combined total for the four defined benefit pension plans and the Supplemental Plan's funded status for 1998 and 1997:

	1998	1997
Change in benefit obligation:		
Benefit obligation at beginning of year	$247,948	$235,943
Service cost	5,761	6,124
Interest cost	17,901	16,054
Curtailments/Special termination benefits	(2,645)	4,557
Plan amendments	(14,041)	2,314
Actuarial (gain)/loss	15,028	(6,561)
Benefits paid	(14,937)	(10,483)
Benefit obligation at end of year	255,015	247,948
Change in plan assets:		
Fair value of plan assets at beginning of year	259,852	224,699
Actual return on plan assets	40,062	42,416
Employer contribution	1,731	3,219
Benefits paid	(14,937)	(10,482)
Fair value of plan assets at end of year	286,708	259,852
Funded status	31,693	11,904
Unrecognized transition asset	(294)	(414)
Unrecognized prior service cost	(524)	13,490
Unrecognized net (gain)/loss	(38,844)	(35,681)
Accrued pension cost (net amount recognized)	$ (7,969)	$ (10,701)

	1998	1997
Weighted average assumptions for end of year disclosure:		
Discount rate	7.0%	7.5%
Rate of compensation increase	4.0%	4.0%
Expected return on plan assets	9.0%	9.0%

The plan assets consist primarily of investments in common stocks, interest bearing securities and interests in commingled pension trust funds.

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for the pension plan with accumulated benefit obligations in excess of plan assets were $36.8 million, $31.4 million, and none, respectively, as of September 30, 1998, and $30.8 million, $26.0 million, and none, respectively, as of September 30, 1997.

Net periodic pension cost for the combined pension benefit plans for 1998, 1997 and 1996 included the following components:

	1998	1997	1996
		(In thousands)	
Components of net periodic pension cost:			
Service cost	$ 5,761	$ 6,903	$ 6,786
Interest cost	17,901	17,234	16,288
Expected return on assets	(23,249)	(19,730)	(18,695)
Amortization of:			
Transition obligation/(asset)	(146)	(335)	(354)
Prior service cost	1,660	1,731	1,048
Actuarial (gain)/loss	(1,091)	390	279
Net periodic pension cost	836	6,193	5,352
Curtailment (gain)/loss and special termination benefits	(1,840)	4,758	56
Total pension cost accruals	$ (1,004)	$ 10,951	$ 5,408

Employee Stock Ownership Plan Atmos sponsors an ESOP for employees other than those in the United Cities Division. Full-time employees who have completed one year of service, as defined in the plan, are eligible to participate. Each participant enters into a salary reduction agreement with the Company pursuant to which the participant's salary is reduced by an amount not less than 2% nor more than 10%. Taxes on the amount by which the participant's salary is reduced are deferred pursuant to Section 401(k) of the Internal Revenue Code. The amount of the salary reduction is contributed by the Company to the ESOP for the account of the participant. The Company may make a matching contribution for the account of the participant in an amount determined each year by the Board of Directors, which amount must be at least equal to 25% of all or a portion of the participant's salary reduction. For the 1998 plan year, the Board of Directors elected to match 100% of each participant's salary reduction contribution up to 4% of the participant's salary. Matching contributions to the ESOP amounted to $1.8 million, $2.1 million, and $1.9 million for 1998, 1997 and 1996, respectively. The directors may also approve discretionary contributions, subject to the provisions of the Internal Revenue Code of 1986 and applicable regulations of the Internal Revenue Service. The Company recorded a charge of $1.5 million for a discretionary contribution in the year ended September 30, 1996. No discretionary contributions were made for 1997 and 1998. Company contributions to the plan are expensed as incurred. The Company's ESOP has been amended effective January 1, 1999 to provide for deferral of a portion of a participant's salary of up to 21%. In addition, among other changes to the ESOP as of January 1, 1999, participants will be provided with automatic matching contributions of 100% of each participant's salary reduction up to 4% of the participant's salary, and will be provided the option of taking out loans against their ESOP accounts, subject to certain restrictions.

401(k) savings plan The Company sponsors a 401(k) savings plan for the United Cities Division employees. The plan allows participants to make contributions toward retirement savings. Each participant may contribute up to 15% of qualified compensation. For employee contributions up to 6% of the participant's qualified compensation, the Company will contribute 30% of the employee's contribution. The Company may also contribute up to an additional 20% of the employee's contribution based on certain criteria specified in the plan. Effective January 1, 1995, any additional contribution made by the Company will be through the issuance of the Company's common stock. The Company contributed $648,000 for the year ended September 30, 1998, $694,000 for the nine months ended September 30, 1997, and $826,000 for the year ended December 31, 1996. This 401(k) savings plan will be merged into the ESOP effective January 1, 1999, and the United Cities Division employees will receive the same benefits as other Atmos employees.

11 Other Postretirement Benefits

Atmos sponsors two postretirement plans other than pensions. Each provides health care benefits to retired employees. One provides benefits to the United Cities Division retirees and the other provides medical benefits to all other retired Atmos employees.

Substantially all of the Company's employees become eligible for these benefits if they reach retirement age while working for the Company and attain certain specified years of service. Although specific terms of the two plans are different, participant contributions are required under these plans.

Effective January 1, 1999, the United Cities plan will provide benefits to future retirees that are essentially the same as provided to other Atmos employees. The obligations as of September 30, 1998 anticipate this plan change.

The following table sets forth the combined total for the two postretirement plans other than pensions:

	1998	1997
	(In thousands)	
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 53,295	$ 46,801
Service cost	1,659	1,734
Interest cost	3,809	3,208
Plan participants' contributions	382	275
Curtailments/Special termination benefits	2,125	2,292
Plan amendments	1,888	2,427
Actuarial (gain)/loss	6,210	135
Benefits paid	(4,874)	(3,577)
Benefit obligation at end of year	64,494	53,295
Change in plan assets:		
Fair value of plan assets at beginning of year	5,614	4,642
Actual return on plan assets	295	249
Employer contribution	4,963	4,024
Plan participants' contribution	382	276
Benefits paid	(4,874)	(3,577)
Fair value of plan assets at end of year	6,380	5,614
Funded status	(58,114)	(47,681)
Unrecognized transition obligation	23,243	30,131
Unrecognized prior service cost	3,614	2,125
Unrecognized net loss	8,571	996
Accrued pension cost (net amount recognized)	$(22,686)	$(14,429)

	1998	1997
Weighted average assumptions for end of year disclosure:		
Discount rate	7.0%	7.5%
Rate of compensation increase	4.0%	4.0%
Expected return on plan assets	5.3%	5.3%
Initial trend rate	9.0%	7.5%
Ultimate trend rate	4.5%	5.0%
Number of years from initial to ultimate trend	6	3

Net periodic pension cost for the combined postretirement benefit plans for 1998, 1997 and 1996 included the following components:

	1998	1997	1996
		(In thousands)	
Components of net periodic pension cost:			
Service cost	$ 1,659	$ 1,772	$ 1,622
Interest cost	3,810	3,467	3,260
Expected return on assets	(235)	(225)	(196)
Amortization of:			
Transition obligation/(asset)	1,862	1,994	1,994
Prior service cost	269	202	–
Actuarial (gain)/loss	(58)	4	98
Net periodic pension cost	7,307	7,214	6,778
Curtailment (gain)/ loss and special termination benefits	5,915	3,043	–
Total pension cost accruals	$13,222	$10,257	$ 6,778

Assumed health care cost trend rates have a significant effect on the amounts reported for the plans. A one-percentage point change in assumed health care cost trend rates would have the following effects on the latest actuarial calculations:

	1 – Percentage Point Increase	1 – Percentage Point Decrease
	(In thousands)	
Effect on total of service and interest cost components	$ 504	$ (495)
Effect on postretirement benefit obligation	$6,890	$(5,828)

The Company is currently recovering other postretirement benefits ("OPEB") costs through its regulated rates under SFAS No. 106 accrual accounting in Colorado, Kansas, the majority of its Texas service area and in Kentucky (effective November 1, 1995). It receives rate treatment as a cost of service item for OPEB costs on the pay-as-you-go basis in Louisiana. OPEB costs have been specifically addressed in rate orders in each jurisdiction served by the United Cities Division or have been included in a rate case and not disallowed. However, the Company was required to recover the portion of the UCGC transition obligation applicable to Virginia operations over 40 years, rather than 20 years, as in other states. Management believes that accrual accounting in accordance with SFAS No. 106 is appropriate and will continue to seek rate recovery of accrual-based expenses in its ratemaking jurisdictions that have not yet approved the recovery of these expenses.

12 EARNINGS PER SHARE

In 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, Earnings per Share. Statement 128 replaced the previously reported primary and fully diluted earnings per share with basic and diluted earnings per share. Unlike primary earnings per share, basic earnings per share excludes any dilutive effects of options, warrants and convertible securities. Diluted earnings per share is very similar to the previously reported fully diluted earnings per share. Earnings per share amounts for all historical periods presented have been restated to conform to the Statement 128 requirements. Adoption of Statement 128 did not change the fully diluted earnings per share amounts for the years ended September 30, 1997 and 1996. Reconciliations of the numerators and denominators of the basic and diluted per share computations for net income for 1998 are as follows:

	Income *(Numerator)*	Shares *(Denominator)*	Per-Share *Amount*
	(In thousands, except per share amounts)		
Basic EPS:			
Income available to common stockholders	$55,265	29,822	$ 1.85
Effect of dilutive securities:			
Restricted stock	–	199	
Stock options	–	10	
Diluted EPS:			
Income available to common stockholders and assumed conversions	$55,265	30,031	$ 1.84

13 RELATED PARTY TRANSACTIONS

Included in purchased gas cost were purchases from WMLLC of $124.7 million, $103.0 million and $46.9 million in 1998, 1997, and 1996, respectively. Volumes purchased were 53.4 billion cubic feet ("Bcf"), 38.6 Bcf and 21.7 Bcf in 1998, 1997 and 1996, respectively. These purchases were made in a competitive open bidding process and reflect market prices. Average prices per thousand cubic feet ("Mcf") for gas purchased from WMLLC were $2.33, $2.67 and $2.17 in 1998, 1997 and 1996, respectively.

Management's Responsibility for Financial Statements

Management is responsible for the preparation, presentation and integrity of the financial statements and other financial information in this report. The accompanying financial statements have been prepared in accordance with generally accepted accounting principles, and include estimates and judgments made by management that were necessary to prepare the statements in accordance with such accounting principles.

The Company maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded from loss and that transactions are executed and recorded in accordance with established procedures. The concept of reasonable assurance is based on the recognition that the cost of maintaining a system of internal accounting controls should not exceed related benefits. The system of internal accounting controls is supported by written policies and guidelines, internal auditing and the careful selection and training of qualified personnel.

The financial statements have been audited by the Company's independent auditors. Their audit was made in accordance with generally accepted auditing standards, as indicated in the Report of Independent Auditors, and included a review of the system of internal accounting controls and tests of transactions to the extent they considered necessary to carry out their responsibilities for the audit.

Management has considered the internal auditors' and the independent auditors' recommendations concerning the Company's system of internal control and has taken actions that are believed to be cost-effective in the circumstances to respond appropriately to these recommendations. The Audit Committee of the Board of Directors meets periodically with the internal auditors and the independent auditors to discuss the Company's internal accounting controls, auditing and financial reporting matters.

Report of Ernst & Young LLP, Independent Auditors

Board of Directors
Atmos Energy Corporation

We have audited the accompanying consolidated balance sheets of Atmos Energy Corporation at September 30, 1998 and 1997, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended September 30, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of United Cities Gas Company, wholly owned by Atmos Energy Corporation (see Note 2), which statements reflect total revenues of $402,947,000 for the year ended December 31, 1996. Those statements were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to data included for United Cities Gas Company is based solely on the report of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Atmos Energy Corporation at September 30, 1998 and 1997, and its consolidated results of operations and its cash flows for each of the three years in the period ended September 30, 1998 in conformity with generally accepted accounting principles.

Ernst + Young LLP

Dallas, Texas
November 10, 1998

Introduction This section provides management's discussion of Atmos Energy Corporation's ("the Company" or "Atmos") financial condition, cash flows and results of operations with specific information on liquidity, capital resources and results of operations. It includes management's interpretation of such financial results, the factors affecting these results, the major factors expected to affect future operating results, and future investment and financing plans. This discussion should be read in conjunction with the Company's consolidated financial statements and notes thereto.

Cautionary Statement for the Purposes of the Safe Harbor Under the Private Securities Litigation Reform Act of 1995

The matters discussed or incorporated by reference in this Annual Report may contain "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical facts included in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the notes to consolidated financial statements, regarding the Company's financial position, business strategy and plans and objectives of management of the Company for future operations, are forward-looking statements made in good faith by the Company and are intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. When used in this Report or in any of the Company's other documents or oral presentations, the words "anticipate," "expect," "estimate," "plans," "believes," "objective," "forecast," "goal" or similar words are intended to identify forward-looking statements. Such forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the statements relating to the Company's operations, markets, services, rates, recovery of costs, availability of gas supply, and other factors. These risks and uncertainties include, but are not limited to, national, regional and local economic and competitive conditions, regulatory and business trends and decisions, technological developments, Year 2000 issues, inflation rates, weather conditions, and other uncertainties, all of which are difficult to predict and many of which are beyond the control of the Company.

Accordingly, while the Company believes that the expectations reflected in the forward-looking statements are reasonable, there can be no assurance that such expectations will be realized or will approximate actual results.

Organization The Company distributes and sells natural gas through 1,004,532 meters in service areas located in Texas, Louisiana, Kentucky, Colorado, Kansas, Illinois, Tennessee, Iowa, Virginia, Georgia, South Carolina and Missouri. The Company also transports gas for others through parts of its distribution system. Its non-utility operations include a propane operation; a leasing and rental operation; and an energy services operation that includes storage, gas marketing, irrigation and energy services.

The Company's primary source of revenues, net income and cash flows is its utility business which is composed of five local distribution companies that are operated as divisions of Atmos. For additional information about these businesses, please see the "Description of Business" section of Note 1 in the accompanying notes to consolidated financial statements.

Each segment's contribution to net income is reflected in the table below:

	Year ended September 30, 1998	1997	1996
Utility	76.3 %	71.3 %	77.5%
Propane	(0.1)%	(.4)%	3.1%
Leasing / Rental	5.9 %	4.7 %	3.0%
Storage and Energy Services	17.9 %	24.4 %	16.4%
Total	100.0 %	100.0 %	100.0%

Acquisitions and Mergers The Company has expanded its customer base and sought to diversify the regulatory climates, weather patterns and local economic conditions to which it is subject through acquisitions in fiscal years 1997, 1994, 1987, and 1986. The Company plans to continue its acquisition strategy to add new customers and service areas for both natural gas and propane. It has an excellent track record of acquiring local distribution company ("LDC") operations and achieving synergies and benefits quickly, while preserving brand equity.

In addition to growing through acquisitions, the Company's strategy includes running the utility operations exceptionally well, increasing the size and market share of non-utility operations (gas marketing, related storage and energy services and propane) and developing plans to participate in retail services behind the meter.

Ratemaking Procedures The Company's five utility divisions are regulated by various state or local public utility authorities. The method of determining regulated rates varies among the 12 states in which the Company has utility operations. It is the responsibility of the regulators to determine that utilities under their jurisdiction operate in the best interests of customers while providing the utilities the opportunity to earn a reasonable return on investment.

In a general rate case, the applicable regulatory authority, which is typically the state public utility commission, establishes a base margin, which is the amount of revenue authorized to be collected from customers to recover authorized operating expense (other than the cost of gas), depreciation, interest, taxes and return on rate base. The utility divisions perform annual deficiency studies for each rate jurisdiction to determine when to file rate cases, which are typically filed every two to five years.

Substantially all of the sales rates charged by the Company to its customers fluctuate with the cost of gas purchased by the Company. Rates established by regulatory authorities are adjusted for increases and decreases in the Company's purchased gas cost through automatic purchased gas adjustment mechanisms. Therefore, while the Company's operating revenues may fluctuate, gross profit (which is defined as operating revenues less purchased gas cost) is generally not eroded or enhanced because of gas cost increases or decreases.

The Georgia Commission and Tennessee Regulatory Authority have approved Weather Normalization Adjustments as discussed below under "Weather and Seasonality."

The Company received rate reductions of $1.8 million in 1998, and rate increases totaling $9.4 million in 1997, and $6.8 million in 1996. For further information regarding rate activity please see Note 3, "Rates," in notes to consolidated financial statements.

Weather and Seasonality The Company's natural gas and propane distribution businesses and irrigation sales business are seasonal due to weather conditions in the Company's service areas. Natural gas sales to residential, commercial, and public customers and propane sales are affected by winter heating season requirements. Sales to industrial customers are much less weather sensitive. Sales to agricultural customers (who use natural gas to power irrigation pumps) during the period from April through September are affected by rainfall amounts. These factors generally result in higher operating revenues and net income during the period from October through March of each year and lower operating revenues, and either net losses or lower net income during the period from April through September of each year. Degree day information is shown below. For further information regarding the impact of weather and seasonality on operating results, see the Supplementary Quarterly Financial Data following the notes to consolidated financial statements herein.

	Year ended September 30,		
	1998	1997	1996
Sales volumes – Bcf	159.4	164.2	178.3
Transportation volumes – Bcf	56.2	48.8	44.1
Total	215.6	213.0	222.4
Degree days:			
Actual	3,799	3,909	4,043
Normal	3,989	3,990	3,990
% of normal	95%	98%	101%

The Georgia Public Service Commission and the Tennessee Regulatory Authority have approved Weather Normalization Adjustments ("WNA"). The WNA, effective October through May each year in Georgia and November through April each year in Tennessee, allow the United Cities Division to increase the base rate portion of customers' bills when weather is warmer than normal and decrease the base rate when weather is colder than normal. The net effect of the WNA was an increase/(decrease) in revenues of $.7 million, $2.6 million and $(2.6) million in 1998, 1997 and 1996, respectively. Approximately 170,000 of the Company's customers are located in Georgia and Tennessee.

The Company has not sought weather normalization clauses in its other rate jurisdictions because of the effect of its geographical diversification strategy and the potential for increased profits in unusually cold years.

Year 2000 Issues

The Year 2000 issues arose because many computer systems and software applications as well as embedded computer chips in plant and equipment currently in use were constructed using an abbreviated date field that eliminates the first two digits of the year. On January 1, 2000, these systems, applications and embedded computer chips may incorrectly recognize the date as January 1, 1900. Accordingly, many computer systems and software applications, as well as embedded chips, may incorrectly process financial and operating information or fail to process such information completely. The Company recognized this problem and is addressing its potential effects on its computer systems, software applications and plant and equipment.

State of Readiness In October 1996, the Company established its Year 2000 Project Team with the mission of ensuring that all critical systems, facilities and processes are identified, analyzed for Year 2000 compliance, corrected if necessary, and tested if changes are necessary. The Year 2000 Project Team is headed by an officer of the Company and consists of representatives from all business units and shared services units of the Company. The Company, including all of its departments and business units, has a Year 2000 strategy in place and has begun the implementation of the Year 2000 plan to manage and minimize risks associated with the Year 2000 issues.

The Company has also obtained an assessment from an independent consulting firm, who specializes in such matters, of the risks posed for the Company and its business units by the Year 2000 issues, including an assessment of its risks in every area involving the use of computer technology and an assessment of the business and legal risks created for the Company by the Year 2000 issues. Such assessment also includes the risks associated with the Company's embedded technologies such as micro-controllers or microchips embedded in non-information technology-related equipment.

With respect to information technology ("IT") systems, the Company has conducted an inventory of and is evaluating and reviewing its application software on all platforms such as the mainframe, local area network and personal computers. Concerning non-IT systems, including embedded technology, the Company has conducted an inventory of and is reviewing and evaluating all of its telecommunications, security access and building control systems, forms, reports and other business processes and activities as well as the equipment and facilities utilized in the Company's gas distribution and storage systems. In addition, several members of the Year 2000 Project Team have completed training on an American Gas Association-sponsored database relating to testing of embedded technology. This database will help expedite the review and compliance efforts related to embedded technology.

The Company's Year 2000 plan includes specific timetables for the following categories of tasks for each of its shared services units and business units with respect to both IT systems and embedded technology as follows:

- Identification of Year 2000 issues – substantially completed;
- Prioritization of Year 2000 issues – substantially completed;
- Estimation of total Year 2000-related costs – in process and to be completed by December 31, 1998;
- Implementation of Year 2000 solutions – in process and to be completed by May 31, 1999;
- Testing of Year 2000 solutions – in process and to be completed by September 30, 1999;
- Certification of Year 2000 compliance by third party vendors and suppliers – in process and to be completed by September 30, 1999;
- Monitoring of all systems for changes in current systems that would require changes in Year 2000 plan – in process and to be completed by September 30, 1999;
- Development of Year 2000 contingency plans – in process and to be completed by March 31, 1999; and
- Final Year 2000 tests – to be conducted starting September 30, 1999.

The Company is also currently in the process of conducting an inventory and review of computer systems provided by outside vendors. The Year 2000 Project Team is contacting all vendors to coordinate their Year 2000 compliance schedules with those of the Company. The Company is requiring vendors who provide mission critical goods or services to submit to the Company their compliance plans and to certify compliance in order to continue to do business with the Company. As discussed, the Company is also in the process of testing vendor products that provide mission critical goods or services to ensure their Year 2000 compliance. In addition, the Company has identified its key suppliers, including gas suppliers, and is communicating with them for the purpose of evaluating the status of their solutions to their respective Year 2000 issues. The expected date of completion of these procedures is September 30, 1999.

Costs to Address Year 2000 Issues As of September 30, 1998, the Company had incurred a total of less than $300,000 in fees and expenses in connection with its Year 2000 efforts. The Company currently expects to spend no more than $1.0 million directly on its Year 2000 efforts by December 31, 1999. As part of its normal systems upgrade in the ordinary course of business, the Company is in the process of replacing its customer information system, accounting and financial reporting system, and human resources system with systems that happen to be Year 2000 compliant. However, the installation of these systems was not accelerated in an attempt to deal with the Year 2000 issues.

Risks of Year 2000 Issues and Contingency Plans The Company has identified what it believes are its most significant worst case Year 2000 scenarios. These scenarios are (i) interference with the Company's ability to receive and deliver gas to customers; (ii) interference with the Company's ability to communicate with customers; and (iii) the temporary inability to send invoices to and receive payments from customers.

The most likely primary business risk associated with the Year 2000 issues is the Company's ability to continue to transport and distribute gas to its customers without interruption. In the event the Company and/or its suppliers and vendors are unable to remediate the Year 2000 issues prior to January 1, 2000, operations of the Company could be significantly impacted. In order to mitigate this risk, the Company is developing a contingency plan to continue operations through manual intervention and other procedures should it become necessary to do so. Such procedures are expected to include back-up power supply for its critical distribution and storage operations and, if necessary, curtailment of supply. The Company's storage capacity could be used to supplement system supply in the event its suppliers can not make deliveries. The Company expects to complete its operational contingency plan by March 31, 1999.

With respect to the communications with customers, which is heavily reliant on services provided by third parties, the Company is in the process of evaluating Year 2000 compliance by such third parties and will be developing contingency plans to address any worst case scenarios that may be determined after such evaluations are complete. Concerning the billing and payment systems, as previously discussed, the Company is in the process of replacing its customer information system, accounting and financial reporting system, and human resources system with systems that are Year 2000 compliant, which should substantially diminish the risk of Year 2000 issues. Nevertheless, the Company will be developing contingency plans by March 31, 1999 in case the billing and payment systems prove not to be Year 2000 compliant.

Despite the Company's efforts, there can be no assurance that all material risks associated with Year 2000 issues relating to systems within its control will have been adequately identified and corrected before the end of 1999. However, as the result of its Year 2000 plan and the replacement of the customer information system, accounting and financial reporting system, and human resources system in 1999, the Company does not believe that in the aggregate, Year 2000 issues with respect to both its own IT and non-IT systems will be material to its business, operations or financial condition. On the other hand, while the Company is in the process of researching the Year 2000 readiness of its suppliers and vendors, the Company can make no representation regarding the Year 2000 compliance status of systems or parties outside its control, and currently cannot assess the effect on it of any non-compliance by such systems or parties.

All statements concerning Year 2000 issues other than historical statements, including, without limitation, estimated costs and the projected timetable of Year 2000 compliance, constitute "forward-looking statements," as defined in the Private Securities Litigation Reform Act of 1995. Such forward-looking statements should be read in conjunction with the Company's disclosures under the heading "Cautionary Statement for the Purposes of the Safe Harbor under the Private Securities Litigation Reform Act of 1995" at the beginning of Management's Discussion and Analysis.

Environmental Matters The Company is involved in certain environmental matters as discussed in Note 5 "Contingencies" of notes to consolidated financial statements.

Results of Operations

Year ended September 30, 1998 compared with year ended September 30, 1997

To assist in management's discussion of results of operations, the following table presents the effects of certain non-recurring charges and weather on reported consolidated net income. Earnings per share amounts presented in this discussion are on a diluted basis.

	Year ended September 30,					
	1998		1997		1996	
	Amount	Per Share	Amount	Per Share	Amount	Per Share
	(In thousands, except per share data)					
Net income as reported	$55,265	$1.84	$23,838	$ .81	$41,151	$1.42
Non-recurring charges:						
Management reorganization	–	–	2,800	.10	–	–
Reserve for integration costs	–	–	12,630	.43	–	–
Sale of assets	(2,244)	(.07)	–	–	–	–
Normalized net income except for effects of weather	53,021	1.77	39,268	1.34	41,151	1.42
Effects of weather	3,485	.11	3,571	.12	(1,838)	(.06)
Normalized net income	$56,506	$1.88	$42,839	$1.46	$39,313	$1.36

Net Income as Reported For the fiscal year ended September 30, 1998, the Company reported net income of $55.3 million, or $1.84 per diluted share, on operating revenues of $848.2 million. The 1998 net income includes one-time gains totaling $2.2 million or $.07 per diluted share, from the sales of real estate and equipment owned by UCG Energy. Although revenues for 1998 were lower as a result of winter weather that was 5% warmer than normal, as well as warmer than last year, earnings improved due to gains on asset sales, lower operation and maintenance expenses and increased irrigation sales. Operations and maintenance expenses were lower for 1998 due to a company-wide restructuring of the organization and Atmos' integration of United Cities Gas Company. Sales of gas in Texas to farmers for fueling irrigation pumps increased due to hot and dry summer weather in 1998. Irrigation volumes increased 34% in 1998 compared with 1997. Utility operations contributed about 76% of 1998 net income, with non-utility operations generating about 24%.

For the fiscal year ended September 30, 1997, the Company reported net income of $23.8 million, or $.81 per share, on operating revenues of $906.8 million. The 1997 net income included the effects of non-recurring after-tax charges related to management reorganization ($2.8 million or $.10 per share) and reserves related to the UCGC merger and integration ($12.6 million or $.43 per share). Excluding the effect of these charges, the Company's net income would have been $39.3 million or $1.34 per share in 1997, compared with $41.2 million, or $1.42 per share for 1996. The 1997 results include UCGC, which merged with Atmos effective July 31, 1997, and operating results for years prior to the merger have been restated to reflect the pooling of interests accounting which was used for the merger.

Non-Recurring Charges In 1998 the Company sold the office building in which UCGC had headquartered its operation in Brentwood, Tennessee; two office buildings and a piece of land in Franklin, Tennessee UCGC had held for investment; and an airplane. The Company realized a pre-tax gain on the sale of assets totaling $3.3 million or $2.2 million after-tax.

In 1997 the Company completed a management reorganization and recorded a charge of $4.4 million ($2.8 million after-tax) in related costs.

In connection with the UCGC merger and integration in 1997, the Company recorded approximately $17 million of transaction costs and $42.8 million for separation and other costs. There are substantial longer term benefits to the Company's customers and shareholders from the merger of the two companies, which the Company expects to result in cost savings over the next 10 years totaling about $375 million. The Company believes a significant amount of the costs to achieve these benefits will be recovered through rates and future operating efficiencies of the combined operations. Therefore, the Company recorded as regulatory assets the costs of the merger and integration of UCGC. However, the Company established a reserve of $20.3 million ($12.6 million after-tax), to account for costs that may not be recovered. For further information regarding the merger please see Note 2 of notes to consolidated financial statements.

The statements in the preceding paragraph relating to the anticipated cost savings over the next 10 years constitute "forward-looking statements." Such forward-looking statements should be read in conjunction with the Company's disclosures under the heading "Cautionary Statement for the Purposes of the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995" at the beginning of Management's Discussion and Analysis.

Net Income by Segment As previously discussed, the Company currently has four business segments: utility operations, propane operations, leasing/rental operations, and storage and energy services including the Company's 45% interest in WMLLC.

The following table sets forth the net income (loss) of each of these business operations for the years 1998, 1997 and 1996.

	Year ended September 30, 1998	1997	1996
	(In thousands)		
Utility	$42,147	$16,991	$31,905
Propane	(66)	(90)	1,276
Leasing/Rental	3,272	1,117	1,237
Storage and Energy Services	9,912	5,820	6,733
Reported net income	$55,265	$23,838	$41,151

Results of Utility Operations Key financial and operating data for the Company's utility operations are highlighted in the following table.

	Year ended September 30, 1998	1997	1996
	(Dollars in thousands)		
Financial			
Operating revenues	$744,652	$811,537	$778,208
Purchased gas cost	444,288	510,943	488,575
Gross profit	300,364	300,594	289,633
Operating expenses	225,933	253,997	229,158
Other income	901	846	429
Interest charges	33,185	30,452	28,999
Net income	$ 42,147	$ 16,991	$ 31,905
Operating			
Sales volumes (MMcf):			
Residential	73,472	75,215	77,001
Commercial	36,083	37,382	38,247
Public authority and other	4,937	5,195	5,182
Industrial and irrigation	24,057	29,452	34,898
Total	138,549	147,244	155,328
Transportation (MMcf)	56,224	48,800	44,146
Total volumes (MMcf)	194,773	196,044	199,474
Meters in service, end of year	1,004,532	985,448	976,308
Average gas sales price/Mcf	$ 5.37	$ 5.51	$ 5.01
Average cost of gas/Mcf	$ 3.21	$ 3.47	$ 3.15
Average transportation revenue/Mcf	$ .43	$ .41	$ .43

Year ended September 30, 1998 compared with year ended September 30, 1997

Utility operating revenues decreased 8% to $744.7 million for 1998 from $811.5 million for 1997 due to lower total volumes delivered and a lower average sales price per Mcf. The lower total volumes delivered resulted from weather that was 3% warmer than 1997 and 5% warmer than 30-year normals. Sales volumes and revenues were also reduced by certain industrial customers switching from sales service to transportation service. Gross profits are not significantly affected by such switching. Gross profit was basically unchanged at $300.4 million for 1998 as compared with 1997.

Operating expenses, excluding income taxes, decreased $42.0 million for 1998 as compared with 1997 due to a $20.3 million reserve for integration included in 1997, and a $21.7 million reduction in 1998 operating expenses due to the company-wide reorganization related to the Customer Service Initiative ("CSI") and UCGC integration. CSI is composed of a combination of enhancements including a customer call center, a new customer information system on client server architecture, mobile data terminals, ITRON electronic meter reading technology, a network of third party payment centers, and implementation of industry best practices. Interest charges increased 9% to $33.2 million due to an increased level of debt in 1998 as compared with 1997.

Year ended September 30, 1997 compared with
year ended September 30, 1996

Operating revenues increased approximately 4% to $811.5 million in 1997 from $778.2 million in 1996 due to an increase of 10% in the average sales price per thousand cubic feet ("Mcf") of gas sold, which more than offset a 5% decrease in total volumes delivered. The increase in sales price reflects an increase in the commodity cost of gas which is passed through to end users and rate increases implemented in 1996 and 1997. Average gas sales revenues per Mcf increased by $.50 to $5.51 in 1997, while the average cost of gas per Mcf sold increased $.32 to $3.47 in 1997. Sales to weather sensitive residential, commercial and public authority customers decreased approximately 2.6 billion cubic feet ("Bcf") in 1997 while sales and transportation volumes delivered to industrial and agricultural customers decreased approximately 0.8 Bcf. Total sales and transportation volumes delivered decreased 2% to 196.0 Bcf in 1997, as compared with 199.5 Bcf in 1996. The decrease was primarily due to lower demand as a result of 3% warmer weather in 1997 than in 1996.

Gross profit increased by approximately 4% to $300.6 million in 1997 from $289.6 million in 1996. The primary factor contributing to the higher gross profit was annual rate increases totaling approximately $16.2 million implemented in fiscal 1997 and 1996 in Texas, Kentucky, Tennessee, Iowa, Missouri, Georgia, and Illinois. This was partially offset by a decrease in sales volumes of 8.1 Bcf or 5% due to the effect of warmer than normal weather and switching of certain industrial customers from sales service to transportation service. Operating expenses increased $24.9 million or 11% to $254.0 million in 1997. The increase in operating expenses was due primarily to the non-recurring $20.3 million reserve for merger and integration costs, and the $4.4 million charge for management reorganization. The $3.3 million increase in depreciation was due to utility plant additions placed in service in 1996 and 1997.

Effects of Weather Annual sales volumes and revenues vary in relation to winter heating degree days and summer irrigation demand. The Company has weather normalization adjustments in its rates in Georgia and Tennessee, but not in the other 10 states in which it has natural gas distribution operations. The estimated effect on net income of weather different from 30-year normals is included in the normalized income statement presented at the beginning of Management's Discussion and Analysis. The decline in net income, excluding the charges and reserves, was the result of the effects of warmer than normal weather during the winter months, which negatively impacted gas throughput and sales. Normal weather conditions would have added $.11 per share to net income in 1998 and $.12 per share to net income in 1997.

Rates The Company received rate increases totaling $9.4 million and $6.8 million in fiscal 1997 and 1996, respectively, in jurisdictions in Texas, Kentucky, Illinois, Georgia, Iowa, Tennessee, Missouri and Virginia. Weather normalization adjustments in Georgia and Tennessee contributed approximately $.7 million to gross profit in 1998, $2.6 million in 1997, and a reduction of $2.6 million in 1996. The Company received rate reductions totaling approximately $1.8 million in Colorado and Virginia in fiscal 1998.

Results of Propane Operations Key financial and operating data for the propane operations are presented in the following table.

	Year ended September 30,		
	1998	1997	1996
	(Dollars in thousands)		
Financial Data:			
Operating revenues	$29,091	$33,194	$38,372
Purchased gas cost	17,709	21,193	24,858
Gross profit	11,382	12,001	13,514
Operating expenses	10,725	11,508	11,766
Other income	72	159	223
Interest charges	795	742	695
Net income (loss)	$ (66)	$ (90)	$ 1,276
Operating Data:			
Propane heating degree days:			
Actual	3,799	3,847	4,258
% of normal	94%	96%	108%
Sales volumes (000 gallons):			
Retail	17,229	17,145	19,724
Wholesale	16,447	15,830	20,999
Total	33,676	32,975	40,723
Average selling price/gallon:			
Retail	$ 1.02	$ 1.12	$ 1.09
Wholesale	$ .51	$ .65	$ .63
Average cost of propane/gallon	$ .53	$ .65	$ .61
Customers, end of year	37,400	29,097	26,108

Year ended September 30, 1998, compared with year ended September 30, 1997

Revenues from propane operations decreased from $33.2 million in 1997 to $29.1 million in 1998 primarily due to the decreased selling price per gallon to retail and wholesale customers. This decreased selling price was the result of the lower demand because of warmer weather and increased competition for customers as compared to the prior year. Partially offsetting this decrease was an increase in total gallon sales. The increase in volumes sold resulted from the acquisitions of Ingas, Inc. in May 1998, Harris Propane Gas Co., Inc. in July 1998, Massey Propane Gas Company and E-con Gas, Inc. in August 1998 and Shaw LP Gas, Inc. in September 1998.

Purchased gas cost decreased from $21.2 million in 1997 to $17.7 million in 1998 primarily due to the decreased market cost of propane to the Company amounting to approximately $.12 per gallon. Partially offsetting this decrease was increased retail and wholesale gallon sales in 1998 as compared to 1997.

Operating expenses decreased from $11.5 million in 1997 to $10.7 million in 1998 primarily due to decreased administrative and general expenses due to control of operating expenses during 1998. Partially offsetting this decrease was an increase in depreciation and amortization expense from $2.1 million in 1997 to $2.3 million in 1998 due to the acquisitions in 1997 and in 1998, and depreciation on additional plant placed in service.

Interest expense increased from $.74 million in 1997 to $.80 million in 1998 due to increased short-term borrowings and long-term interest payments associated with the acquisitions in 1998, as well as increased short-term borrowings to cover cash flow deficits from decreased sales.

Net loss from propane operations decreased from $90,000 in 1997 to $66,000 in 1998, due primarily to the favorable operating expense variances discussed above. The Company is committed to substantially improving the profitability of its propane operations. To that end, the Company plans to exit the less profitable propane transportation, cylinder exchange, and appliance sales and service segments in 1999.

Year ended September 30, 1997 compared with year ended September 30, 1996

Propane revenues decreased $5.2 million from $38.4 million in 1996 to $33.2 million in 1997 primarily due to decreased retail and wholesale volumes sold as a result of warmer than normal weather. The weather in 1997 was 4% warmer than normal, compared to 8% colder than normal in 1996. Partially offsetting the decrease in volumes sold was an increase in the average selling price per gallon in 1997.

Purchased gas cost decreased $3.7 million from $24.9 million in 1996 to $21.2 million 1997 due primarily to decreased propane volumes sold as a result of warmer than normal weather. This decrease was partially offset by an increase in wholesale cost per gallon of $.04 per gallon from $.61 per gallon in 1996 to $.65 per gallon in 1997.

Operating expenses decreased $.3 million from $11.8 million in 1996 to $11.5 million in 1997 due primarily to a decrease in income tax expense of $.9 million, which was partially offset by increased administrative and general expenses due to the acquisitions of Harlan LP Gas, Inc. and Propane Sales and Services, Inc. in 1997. Additionally, depreciation and amortization expense increased from $1.9 million in 1996 to $2.1 million in 1997. This increase was due primarily to the acquisitions, and increased depreciation expense on additional plant and equipment placed in service.

Interest expense increased from $.7 million in 1996 to $.74 million in 1997 due to increased short-term borrowings and long-term interest payments associated with the acquisitions in 1997, as well as increased short-term borrowings to cover cash flow deficits from decreased sales.

Net income from propane operations decreased from $1.3 million in 1996 to a net loss of $90,000 in 1997, due primarily to warmer than normal weather. The decrease in gross profit of $1.5 million more than offset the decrease in operating expenses of $.3 million, resulting in 1997 being less profitable when compared to 1996.

Effects of Weather Like the utility operations, annual sales volumes and revenues of the propane operation vary in relation to winter heating degree days. The table above presents data for propane heating degree days, propane volumes delivered and profitability of the propane business for 1998, 1997 and 1996.

Gas Storage and Energy Services This segment is currently composed of four parts: United Cities Gas Storage Company, which owns underground storage fields in Kansas and Kentucky and provides storage services to the United Cities Division and other non-regulated customers; EnerMart, Inc. and EGASCO, which market gas to industrial and irrigation customers in West Texas; Atmos Energy Services, which is developing plans for marketing various non-regulated services and products; and the Company's 45% investment in WMLLC, a gas marketing and energy management services business.

Key financial data for the storage and energy services segment are set forth below.

	Year ended September 30, 1998	1997	1996
		(In thousands)	
Operating revenues	$70,488	$58,099	$65,907
Purchased gas cost	54,375	45,045	48,846
Gross profit	16,113	13,054	17,061
Operating expense	10,357	9,230	11,509
Other income	1,418	358	432
Equity in WMLLC	3,920	3,254	1,997
Interest charges	1,182	1,616	1,248
Net income	$ 9,912	$ 5,820	$ 6,733

Year ended September 30, 1998 compared with
year ended September 30, 1997

Operating revenues increased 21% from $58.1 million for 1997 to $70.5 million for 1998 due to increases of $10.7 million in non-regulated West Texas irrigation and industrial revenues, and $1.7 million for gas storage operations. The increase in irrigation and industrial revenues was primarily due to hotter and drier than normal weather in West Texas. The increase in storage revenues was due to increased volumes withdrawn from underground storage in 1998 as compared with 1997. Like the utility and propane operations, gas storage volumes and revenues vary in relation to winter heating degree days.

Operating expenses increased $1.1 million in 1998 as compared with 1997 due primarily to the increased volumes delivered to West Texas irrigation customers and storage customers in Kansas and Tennessee.

Other income increased to $1.4 million for 1998 as compared with $.4 million for 1997. The increase was primarily due to gas brokering and utilization of storage capacity in excess of that dedicated to regulated markets to serve certain non-regulated markets.

Interest charges decreased $.4 million in 1998 as compared with 1997 due primarily to reduced debt balances in EnerMart Inc., the Company's wholly-owned subsidiary that conducts non-regulated utility operations in West Texas.

Net income for 1998 increased by $4.1 million from 1997 primarily due to increased West Texas irrigation revenues, favorable returns from its 45% investment in WMLLC, increased other income from non-regulated storage services and gas brokering, and a reduction in interest expense.

Year ended September 30, 1997 compared with
year ended September 30, 1996

Operating revenues decreased 12% from $65.9 million in 1996 to $58.1 million in 1997 due primarily to decreased West Texas non-regulated irrigation and industrial revenues. The decrease in irrigation revenues was due to increased rainfall and cooler summer temperatures in West Texas. Storage revenues also decreased due to decreased volumes withdrawn from underground storage as a result of warmer than normal winter weather in Kansas and Tennessee.

Operating expenses decreased $2.3 million due primarily to decreased irrigation volumes in West Texas and storage withdrawals in Kansas and Tennessee.

Interest charges increased $.4 million due primarily to increased short-term debt due to lower cash flows and revenues from irrigation and storage operations in 1997 as compared with 1996.

Net income decreased to $5.8 million in 1997 as compared with $6.7 million in 1996. The primary factor causing the decreased net income was a $7.1 million decrease in West Texas irrigation revenues in 1997 as discussed above.

Equity in Earnings of WMLLC The Company accounts for its 45% investment in WMLLC through UCG Energy using the equity method of accounting. Against the 45% of the net income before tax recorded in the WMLLC financial statements, the Company records the amortization of the excess of the purchase price over the value of the net tangible assets, amounting to approximately $5.4 million which was allocated to intangible assets consisting of customer contracts and goodwill, and are being amortized over ten and twenty years, respectively, as well as the provision for income taxes.

The following table presents the WMLLC financial results recorded by Atmos for the years ended September 30, 1998, 1997 and 1996. WMLLC has a calendar year for financial reporting purposes.

	Year ended September 30, 1998	1997	1996
		(In thousands)	
WMLLC net income	$8,711	$7,231	$4,438
Atmos share @ 45%	3,920	3,254	1,997
Less:			
Amortization of excess purchase price	400	359	352
Provision for taxes	1,337	1,100	625
Atmos equity in WMLLC earnings	$2,183	$1,795	$1,020

The net income of WMLLC increased from $4.4 million for 1996, to $7.2 million for 1997, to $8.7 million for 1998, due to growth in number of customers and gas marketing revenues each year. Gross brokerage profit increased approximately 48% in 1998 as compared with 1997 due to increases in both sales volumes and margins, due primarily to customer growth. The Company's equity investment in WMLLC has grown from $5.8 million in 1995 to $11.9 million at September 30, 1998.

Leasing and Rental Operations Key financial and operating data for the leasing and rental operations are presented in the following table.

	Year ended September 30, 1998	1997	1996
		(In thousands)	
Operating revenues	$3,977	$4,005	$4,204
Operating expenses	3,748	2,609	2,718
Operating income	229	1,396	1,486
Other income	3,460	505	486
Interest charges	417	784	735
Net income	$3,272	$1,117	$1,237

This segment leases buildings, vehicles, and other equipment to the Company and other non-related customers.

Year ended September 30, 1998 compared with year ended September 30, 1997

Operating revenues remained consistent due to the stable nature of the leasing business (the leasing and rental segment leases buildings and equipment to the United Cities Division and other third parties).

Operating expenses increased $1.1 million from $2.6 million in 1997 to $3.7 million in 1998 primarily due to the tax effect of gains on sales of real estate and equipment.

Other income increased $3.0 million from $.5 million in 1997 to $3.5 million in 1998 primarily due to gains on the sale of real estate and equipment.

Interest expense decreased $.4 million from $.8 million in 1997 to $.4 million in 1998 due to decreased debt, which was retired using the proceeds from the sales of real estate and equipment.

Year ended September 30, 1997 compared with year ended September 30, 1996

Operating revenues, operating expenses, other income, and interest charges remained relatively consistent between 1997 and 1996 due to the stable nature of the business. No buildings or equipment were purchased or sold during 1997.

Capital Resources and Liquidity

(SEE "CONSOLIDATED STATEMENTS OF CASH FLOWS")

Because of the pooling of interests of Atmos, which has a September 30 fiscal year end, with UCGC, which had a December 31 year end, as required by generally accepted accounting principles, the activities of UCGC for the quarter ended December 31, 1996 are included in the restated 1996 consolidated statement of cash flows instead of the 1997 consolidated statement of cash flows. As a result, amounts in the 1997 consolidated statement of cash flows as reported are different than they would have been, had they included a full 12 month's activity for UCGC.

The following pro forma condensed consolidated statement of cash flows reflects activities of both Atmos and UCGC for the full 12 months ended September 30, 1997.

	(In thousands)
Cash flows from operating activities:	
Net income	$ 23,838
Depreciation	47,494
Other	(11,054)
Net cash provided by operating activities	60,278
Net cash used in investing activities	(131,286)
Cash flows from financing activities:	
Increase in notes payable, net	63,600
Issuance of long-term debt	40,000
Repayment of long-term debt	(16,037)
Issuance of common stock	10,482
Cash dividends paid	(29,778)
Net cash provided by financing activities	68,267
Decrease in cash	(2,741)
Cash at beginning of year	8,757
Cash at end of year	$ 6,016

Cash Flows From Operating Activities Cash flows from operating activities as reported in the consolidated statement of cash flows totaled $91.7 million for 1998 compared with $68.7 million for 1997 and $91.7 million for 1996. The decline in net cash provided by operating activities from 1996 to 1997 was primarily the result of only including nine months of UCGC activity in the 1997 statement of cash flows. Likewise, the increase in net cash provided from 1997 to 1998 was the result of the full 12 months activity for 1998 for the combined companies. Using 1997 beginning balances for UCGC as of December 31, 1996 resulted in large swings in certain seasonal asset and liability accounts like accounts receivable and accounts payable. Gas in storage increased in 1996 because of higher gas cost, but was lower in 1997 and 1998 because of substantially lower gas prices during the summers of 1997 and 1998 when the storage reservoirs were being refilled. The changes in deferred charges and other assets and other current liabilities in 1997 and 1998 were related to merger and integration costs accrued and the related regulatory assets recorded in the fourth quarter of 1997. See "Consolidated Statements of Cash Flows" for other changes in assets and liabilities.

Cash Flows From Investing Activities A substantial portion of the Company's cash resources is used to fund its ongoing construction program in order to provide natural gas services to a growing customer base and CSI which will upgrade processes and systems companywide. Net cash used in investing activities totaled $118.8 million in 1998 compared with $121.1 million in 1997 and $111.9 million in 1996. In 1998, the Company received $16.0 million from the sale of office buildings and an airplane. Capital expenditures in fiscal 1998 amounted to $135.0 million compared with $122.3 million in 1997 and $117.6 million in 1996. Currently budgeted capital expenditures for 1999 total $86.8 million and include funds for completing the CSI project and implementing new financial systems, as well as funds for additional mains, services, meters, and vehicles. The CSI project includes application software, related technology infrastructure and business process changes. Capital expenditures on the CSI project to date include approximately $26 million in 1997 and $54 million in 1998. Benefits related to the CSI project include enabling the Company's ability to achieve its vision by positioning for future growth, using industry best practices, timely integration of new acquisitions and resolution of Year 2000 issues. Capital expenditures for fiscal 1999 are planned to be financed from internally generated funds and financing activities, as discussed below.

The following table reflects the Company's capitalization, including short-term debt except for the portion related to current storage gas.

	September 30, 1998		1997	
	(In thousands)			
Working capital				
Short-term debt[(1)]	$ 48,909		$ 48,122	
Short-term debt	$ 17,491	2.1%	$119,178	15.6%
Long-term debt	456,331	54.0%	318,182	41.6%
Shareholders' equity	371,158	43.9%	327,260	42.8%
Total capitalization	$844,980	100.0%	$764,620	100.0%

[(1)] *Includes short-term borrowings associated with working gas inventories.*

As of the end of fiscal 1998, the debt to capitalization ratio had decreased to 56.1% from 57.2% for 1997 which was an increase from 53.4% for 1996. The improvement in 1998 reflects the benefits of 1998 net income in excess of dividend requirements and the issuance of equity under the Direct Stock Purchase Plan ("DSPP"). The increase in 1997 was primarily due to increased cash requirements related to merger and integration costs and CSI investments, as well as the effects of the nonrecurring charges and reserves previously discussed. The Company plans to decrease the debt to capitalization ratio to nearer its target range of 50-52% over the next two years through cash flow generated from operations, issuance of new common stock under its DSPP and ESOP, recovery of CSI and merger/integration costs and from the possible sale of certain remaining real estate assets.

Future Capital Requirements Short-term borrowings are expected to continue to increase somewhat in fiscal 1999 due to budgeted capital expenditures discussed above and scheduled maturities of long-term debt of $57.8 million. The Company has access to $262.0 million under its committed lines of credit and $80.0 million under its uncommitted lines. A committed line of credit of $250.0 million is used to support the Company's $250.0 million commercial paper program which was begun in October 1998.

Forward-looking cash requirements beyond fiscal 1999 include capital expenditures and possible contingencies and environmental matters as discussed in the notes to consolidated financial statements. The Company plans to fund future requirements through internally generated cash flows, credit facilities and its access to the public debt and equity capital markets.

Cash Flows From Financing Activities Net cash provided by financing activities totaled $25.9 million for 1998 compared with $47.3 million for 1997 and $22.0 million for 1996. Financing activities during these periods included issuance of common stock, dividend payments, short-term borrowings from banks under the Company's credit lines, and issuance and repayments of long-term debt.

Cash Dividends Paid The Company paid $31.8 million in cash dividends during 1998 compared with $26.4 million in 1997 (excluding dividends of $3.4 million paid by UCGC in the quarter ended December 31, 1996) and $28.5 million in 1996. Prior to the UCGC merger in July 1997, Atmos increased its actual annual dividend rate by $.04 in each of the years presented. It also raised the dividend rate $.04 for 1998 and 1999. Including fiscal 1999, the Company has increased its dividend rate for 11 consecutive years.

Short-Term Financing Activities At September 30, 1998, the Company had committed lines of credit totaling $262.0 million, $250.0 million of which was unused, in order to provide for short-term cash requirements. These credit facilities are negotiated at least annually. At September 30, 1998, the Company also had uncommitted short-term credit lines of $80.0 million, of which $25.6 million was unused. Subsequent to September 30, 1998, the Company began a commercial paper program under which it is authorized to issue up to $250.0 million. The commercial paper program is supported by the $250.0 million committed line of credit. During 1998, notes payable decreased $100.9 million, after the application of a portion of the $150.0 million proceeds from the issuance of 6.75% debentures to reduce notes payable, compared with an increase of $38.8 million during 1997 and an increase of $62.7 million in 1996.

Long-term Financing Activities In July 1998, the Company issued $150.0 million of 30-year 6.75% debentures. The debentures are rated A3 by Moody's and A- by Standard & Poor's. In November 1996, the Company issued $40.0 million of 6.09% unsecured notes due in November 1998 to a bank. The proceeds were used to refinance short-term debt. Long-term debt payments totaled $16.3 million, $14.7 million, and $20.7 million for the years ended September 30, 1998, 1997 and 1996, respectively. The amount for 1997 excludes repayments of $1.4 million by UCGC in the quarter ended December 31, 1996. Payments of long-term debt in 1998, 1997 and 1996 consisted of annual installments under the various loan documents. No long-term debt was issued in fiscal 1996.

The loan agreements pursuant to which the Company's Senior Notes and First Mortgage Bonds have been issued contain covenants by the Company with respect to the maintenance of certain debt-to-equity ratios and cash flows, and restrictions on the payment of dividends. Also see Note 7 of the accompanying notes to consolidated financial statements.

UCG Energy and Woodward Marketing, Inc. ("WMI"), sole members of WMLLC, act as guarantors of up to $12.5 million of balances outstanding under a $30 million bank facility for WMLLC. UCG Energy guarantees the payment of up to $5.6 million of borrowings under this facility. No balance was outstanding on this credit facility at September 30, 1998. UCG Energy and WMI also act as joint and several guarantors on certain purchases of natural gas and transportation services from suppliers by WMLLC. UCG Energy has agreed to guarantee such payables up to $40.0 million. These outstanding obligations amounted to $8.5 million at September 30, 1998.

Issuance of Common Stock The Company issued 755,882, 400,578 and 995,467 shares of common stock in 1998, 1997 and 1996, respectively, for its Direct Stock Purchase Plan, Employee Stock Ownership Plans, Long-term Stock Plan for United Cities Division, Restricted Stock Grant Plan, Outside Directors Stock-for-Fee Plan, and acquisitions of Oceana Heights and Monarch Gas Company in 1996. See the Consolidated Statements of Shareholders' Equity for the number of shares issued under each of the plans and for other transactions. Please see Note 9 of the accompanying notes to consolidated financial statements for the number of shares registered and available for future issuance under each of the Company's plans.

In November 1995, the Company exchanged 313,411 shares of its common stock valued at approximately $6.4 million in exchange for privately held Oceana Heights Gas Company of Thibodaux, Louisiana.

In June 1996, in connection with the acquisition of Monarch Gas Company ("Monarch"), 207,366 shares of UCGC's common stock were exchanged for the common stock of Monarch. The merger added approximately 2,900 natural gas customers in the Vandalia, Illinois area.

The Company believes that internally generated funds, its credit facilities, commercial paper program and access to the public debt and equity capital markets will provide necessary working capital and liquidity for capital expenditures and other cash needs for 1999.

Inflation The Company believes that inflation has caused and will continue to cause increases in certain operating expenses and has required and will continue to require assets to be replaced at higher costs. The Company continually reviews the adequacy of its gas rates in relation to the increasing cost of providing service and the inherent regulatory lag in adjusting those gas rates.

Selected Quarterly Financial Data (Unaudited)

Summarized unaudited quarterly financial data are presented below. The sum of net income per share by quarter may not equal the net income per share for the year due to variations in the weighted average shares outstanding used in computing such amounts. The Company's natural gas and propane distribution businesses are seasonal due to weather conditions in the Company's service areas. For further information on its effects on quarterly results, please see the "Seasonality" discussion included in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section herein.

	Fiscal year 1998 Quarter ended			
	December 31,	March 31,	June 30,	September 30,
	(In thousands, except per share data)			
Operating revenues	$295,331	$288,550	$137,311	$127,016
Gross profit	99,601	123,971	57,366	50,898
Operating income	28,668	44,493	6,931	981
Net income (loss)	20,122	37,398	1,676	(3,931)
Net income (loss) per share	.68	1.25	.06	(.13)

	Fiscal year 1997 Quarter ended			
	December 31,	March 31,	June 30,	September 30,
	(In thousands, except per share data)			
Operating revenues	$280,624	$362,636	$143,714	$119,861
Gross profit	97,269	124,249	59,546	48,590
Operating income (loss)	25,968	37,075	4,599	(15,331)
Net income (loss)	18,155	30,625	(3,018)	(21,924)
Net income (loss) per share	.62	1.04	(.10)	(.74)

Market Price of Common Stock and Related Matters

The Company's stock trades on the New York Stock Exchange under the trading symbol "ATO". The high and low sale prices and dividends paid per share of the Company's common stock for fiscal 1998 and 1997 are listed below. Dividends paid for 1997 have been restated to reflect the merger of Atmos and UCGC accounted for as a pooling of interests. The high and low prices listed are the actual closing NYSE quotes for Atmos shares.

	Fiscal year 1998		
	High	Low	Dividends Paid
Quarter ended:			
December 31	$30 1/2	$24 5/16	$.265
March 31	30 5/16	26 1/16	.265
June 30	31 3/16	28 3/16	.265
September 30	30 15/16	24 3/4	.265
			$1.06

	Fiscal year 1997		
	High	Low	Dividends Paid
Quarter ended:			
December 31	$24 3/4	$22 5/8	$.251
March 31	26 1/4	22 1/8	.252
June 30	25 1/2	22 1/2	.252
September 30	27 7/8	24 1/2	.255
			$1.01

See Note 7 of notes to consolidated financial statements for restriction on payment of dividends. The number of record holders of the Company's common stock on September 30, 1998 was 36,949.

Selected Financial Data

The following table sets forth selected financial data of the Company and should be read in conjunction with the consolidated financial statements included herein. Amounts for 1998 and 1997 reflect the pooled operations of Atmos and the United Cities Division. Prior year amounts have been restated for the pooling.

	Year ended September 30,				
	1998	1997	1996	1995	1994
	(In thousands, except per share data)				
Operating revenues	$ 848,208	$ 906,835	$ 886,691	$749,555	$826,302
Net income	$ 55,265	$ 23,838	$ 41,151	$ 28,808	$ 26,772
Net income per share	$ 1.84	$ .81	$ 1.42	$ 1.06	$ 1.05
Cash dividends per share	$ 1.06	$ 1.01	$ .98	$ .96	$ .91
Total assets at end of year	$ 1,141,390	$ 1,088,311	$ 1,010,610	$900,948	$829,385
Long-term debt at end of year	$ 398,548	$ 302,981	$ 276,162	$294,463	$282,647

program is supported by the $250.0 million committed line of credit. During 1998, notes payable decreased $100.9 million, after the application of a portion of the $150.0 million proceeds from the issuance of 6.75% debentures to reduce notes payable, compared with an increase of $38.8 million during 1997 and an increase of $62.7 million in 1996.

Long-term Financing Activities In July 1998, the Company issued $150.0 million of 30-year 6.75% debentures. The debentures are rated A3 by Moody's and A- by Standard & Poor's. In November 1996, the Company issued $40.0 million of 6.09% unsecured notes due in November 1998 to a bank. The proceeds were used to refinance short-term debt. Long-term debt payments totaled $16.3 million, $14.7 million, and $20.7 million for the years ended September 30, 1998, 1997 and 1996, respectively. The amount for 1997 excludes repayments of $1.4 million by UCGC in the quarter ended December 31, 1996. Payments of long-term debt in 1998, 1997 and 1996 consisted of annual installments under the various loan documents. No long-term debt was issued in fiscal 1996.

The loan agreements pursuant to which the Company's Senior Notes and First Mortgage Bonds have been issued contain covenants by the Company with respect to the maintenance of certain debt-to-equity ratios and cash flows, and restrictions on the payment of dividends. Also see Note 7 of the accompanying notes to consolidated financial statements.

UCG Energy and Woodward Marketing, Inc. ("WMI"), sole members of WMLLC, act as guarantors of up to $12.5 million of balances outstanding under a $30 million bank facility for WMLLC. UCG Energy guarantees the payment of up to $5.6 million of borrowings under this facility. No balance was outstanding on this credit facility at September 30, 1998. UCG Energy and WMI also act as joint and several guarantors on certain purchases of natural gas and transportation services from suppliers by WMLLC. UCG Energy has agreed to guarantee such payables up to $40.0 million. These outstanding obligations amounted to $8.5 million at September 30, 1998.

Issuance of Common Stock The Company issued 755,882, 400,578 and 995,467 shares of common stock in 1998, 1997 and 1996, respectively, for its Direct Stock Purchase Plan, Employee Stock Ownership Plans, Long-term Stock Plan for United Cities Division, Restricted Stock Grant Plan, Outside Directors Stock-for-Fee Plan, and acquisitions of Oceana Heights and Monarch Gas Company in 1996. See the Consolidated Statements of Shareholders' Equity for the number of shares issued under each of the plans and for other transactions. Please see Note 9 of the accompanying notes to consolidated financial statements for the number of shares registered and available for future issuance under each of the Company's plans.

In November 1995, the Company exchanged 313,411 shares of its common stock valued at approximately $6.4 million in exchange for privately held Oceana Heights Gas Company of Thibodaux, Louisiana.

In June 1996, in connection with the acquisition of Monarch Gas Company ("Monarch"), 207,366 shares of UCGC's common stock were exchanged for the common stock of Monarch. The merger added approximately 2,900 natural gas customers in the Vandalia, Illinois area.

The Company believes that internally generated funds, its credit facilities, commercial paper program and access to the public debt and equity capital markets will provide necessary working capital and liquidity for capital expenditures and other cash needs for 1999.

Inflation The Company believes that inflation has caused and will continue to cause increases in certain operating expenses and has required and will continue to require assets to be replaced at higher costs. The Company continually reviews the adequacy of its gas rates in relation to the increasing cost of providing service and the inherent regulatory lag in adjusting those gas rates.

Selected Quarterly Financial Data (Unaudited)

Summarized unaudited quarterly financial data are presented below. The sum of net income per share by quarter may not equal the net income per share for the year due to variations in the weighted average shares outstanding used in computing such amounts. The Company's natural gas and propane distribution businesses are seasonal due to weather conditions in the Company's service areas. For further information on its effects on quarterly results, please see the "Seasonality" discussion included in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section herein.

	Fiscal year 1998 Quarter ended December 31,	March 31,	June 30,	September 30,
	(In thousands, except per share data)			
Operating revenues	$295,331	$288,550	$137,311	$127,016
Gross profit	99,601	123,971	57,366	50,898
Operating income	28,668	44,493	6,931	981
Net income (loss)	20,122	37,398	1,676	(3,931)
Net income (loss) per share	.68	1.25	.06	(.13)

	Fiscal year 1997 Quarter ended			
	December 31,	March 31,	June 30,	September 30,
	(In thousands, except per share data)			
Operating revenues	$280,624	$362,636	$143,714	$119,861
Gross profit	97,269	124,249	59,546	48,590
Operating income (loss)	25,968	37,075	4,599	(15,331)
Net income (loss)	18,155	30,625	(3,018)	(21,924)
Net income (loss) per share	.62	1.04	(.10)	(.74)

Market Price of Common Stock and Related Matters

The Company's stock trades on the New York Stock Exchange under the trading symbol "ATO". The high and low sale prices and dividends paid per share of the Company's common stock for fiscal 1998 and 1997 are listed below. Dividends paid for 1997 have been restated to reflect the merger of Atmos and UCGC accounted for as a pooling of interests. The high and low prices listed are the actual closing NYSE quotes for Atmos shares.

	Fiscal year 1998		
	High	Low	Dividends Paid
Quarter ended:			
December 31	$30 1/2	$24 5/16	$.265
March 31	30 5/16	26 1/16	.265
June 30	31 3/16	28 3/16	.265
September 30	3015/16	24 3/4	.265
			$1.06

	Fiscal year 1997		
	High	Low	Dividends Paid
Quarter ended:			
December 31	$24 3/4	$22 5/8	$.251
March 31	26 1/4	22 1/8	.252
June 30	25 1/2	22 1/2	.252
September 30	27 7/8	24 1/2	.255
			$1.01

See Note 7 of notes to consolidated financial statements for restriction on payment of dividends. The number of record holders of the Company's common stock on September 30, 1998 was 36,949.

Selected Financial Data

The following table sets forth selected financial data of the Company and should be read in conjunction with the consolidated financial statements included herein. Amounts for 1998 and 1997 reflect the pooled operations of Atmos and the United Cities Division. Prior year amounts have been restated for the pooling.

	Year ended September 30,				
	1998	1997	1996	1995	1994
	(In thousands, except per share data)				
Operating revenues	$ 848,208	$ 906,835	$ 886,691	$749,555	$826,302
Net income	$ 55,265	$ 23,838	$ 41,151	$ 28,808	$ 26,772
Net income per share	$ 1.84	$ .81	$ 1.42	$ 1.06	$ 1.05
Cash dividends per share	$ 1.06	$ 1.01	$ .98	$ .96	$ .91
Total assets at end of year	$ 1,141,390	$ 1,088,311	$ 1,010,610	$900,948	$829,385
Long-term debt at end of year	$ 398,548	$ 302,981	$ 276,162	$294,463	$282,647

Consolidated Five-Year Financial and Statistical Summary[1]

	Year ended September 30,				
	1998	1997	1996	1995	1994
Balance Sheet Data at September 30			*(In thousands)*		
Capital expenditures	$ 134,989	$ 122,312	$ 117,589	$103,904	$ 85,471
Net property, plant and equipment	917,860	849,127	770,211	697,287	638,787
Total assets	1,141,390	1,088,311	1,010,610	900,948	829,385
Shareholders' equity	371,158	327,260	329,582	304,349	267,584
Long-term debt, excluding current maturities	398,548	302,981	276,162	294,463	282,647
Total capitalization	769,706	630,241	605,744	598,812	550,231
Income Statement Data			*(In thousands, except per share data)*		
Operating revenues	$ 848,208	$ 906,835	$ 886,691	$749,555	$826,302
Gross profit	331,836	329,654	324,412	300,158	297,020
Net income	55,265	23,838	41,151	28,808	26,772
Net income per share - diluted	1.84	.81	1.42	1.06	1.05
Common Stock Data					
Shares outstanding (in thousands)					
End of year	30,398	29,642	29,242	28,246	25,911
Average	30,031	29,422	28,994	27,208	25,604
Cash dividends per share	$ 1.06	$ 1.01	$ .98	$ .96	$ .91
Shareholders of record	36,949	29,867	36,472	31,782	27,005
Market price - High	$ 31 3/16	$ 27 7/8	$ 31	$ 20 5/8	$ 21 1/8
Low	$ 24 5/16	$ 22 1/8	$ 18	$ 15 7/8	$ 16 3/8
End of year	$ 28 9/16	$ 24 7/8	$ 23 3/8	$ 19 3/8	$ 17 3/4
Book value per share at end of year	$ 12.21	$ 11.04	$ 11.27	$ 10.77	$ 10.33
Price/Earnings ratio at end of year	15.52	30.71	16.46	18.28	16.90
Market/Book ratio at end of year	2.34	2.25	2.07	1.80	1.72
Annualized dividend yield at end of year	3.7%	4.1%	4.2%	5.0%	5.1%
Customers and Volumes (as metered)					
Gas sales volumes (MMcf)	159,373	164,208	178,293	166,656	170,691
Gas transportation volumes (MMcf)	56,224	48,800	44,146	47,647	47,882
Total throughput (MMcf)	215,597	213,008	222,439	214,303	218,573
Meters in service at end of year	1,004,532	985,448	976,308	949,213	943,728
Total meters and propane customers	1,041,932	1,014,545	1,002,416	972,572	965,421
Heating degree days (weighted average)	3,799	3,909	4,043	3,706	3,855
Degree days as % of normal	95%	98%	101%	93%	97%
Average gas sales price per Mcf sold	$ 4.87	$ 5.11	$ 4.51	$ 4.07	$ 4.41
Average purchased gas cost per Mcf sold	$ 3.24	$ 3.51	$ 3.15	$ 2.70	$ 3.10
Average transportation fee per Mcf	$ .43	$ .41	$ .43	$ .42	$ .45
Statistics					
Return on average shareholders' equity	15.8%	7.3%	13.0%	10.1%	10.3%
Number of employees	2,193	2,679	2,863	2,944	3,052
Net plant per meter	$ 914	$ 862	$ 789	$ 735	$ 677
Operating, maintenance and administrative expense per customer	$ 136	$ 183	$ 160	$ 163	$ 169
Meters/customers per employee	475	379	350	330	316
Times interest earned before income taxes	3.09	2.04	3.00	2.44	2.45

(1) Amounts have been restated for poolings of interests with United Cities in July 1997 and Greeley Gas Company in December 1993, and share data have been adjusted for a 3-for-2 stock split in May 1994.

Board of Directors

Top:
Front, from left
Dan Busbee, Lee Schlessman (Honorary Director)
Rear, from left
Richard Cardin, Phillip Nichol, Richard Ware, Carl Quinn, Robert Best

Bottom:
Front
Vincent Lewis
Rear, from left
Thomas Meredith, Gene Koonce, Travis Bain, Thomas Garland, Charles Vaughan

Travis W. Bain II
President, Bain Enterprises, Inc.
Plano, Texas
Board member since 1988
Committees: Work Session/Annual Meeting (Chairman), Audit, Human Resources

Robert W. Best
Chairman of the Board, President and Chief Executive Officer
Atmos Energy Corporation,
Dallas, Texas
Board member since 1997
Committee: Executive

Dan Busbee
Of Counsel with Gibson Dunn & Crutcher
Dallas, Texas
Board Member since 1998
Committees: Audit (Chairman), Human Resources

Richard W. Cardin
Consultant and retired partner of Arthur Andersen LLP
Nashville, Tennessee
Board Member since 1997
Committees: Audit, Nominating

Thomas J. Garland
Chairman of the Tusculum Institute for Public Leadership and Policy
Greeneville, Tennessee
Board Member since 1997
Committees: Human Resources, Work Session/Annual Meeting

Gene C. Koonce
Formerly Chairman of the Board, President and Chief Executive Officer
United Cities Gas Company
Brentwood, Tennessee
Board member since 1997
Committees: Executive, Nominating, Work Session/Annual Meeting

Honorary Director
Lee E. Schlessman
President, Dolo Investment Company
Denver, Colorado
Retired from Board in 1998

Vincent J. Lewis
Senior Vice President
Legg Mason Wood Walker Inc.
Rutherford, New Jersey
Board member since 1997
Committees: Audit, Nominating

Dr. Thomas C. Meredith
Chancellor of the University of Alabama System
Tuscaloosa, Alabama
Board member since 1995
Committees: Audit, Nominating

Phillip E. Nichol
Senior Vice President and Divisional Hiring Officer for Central Division
PaineWebber Incorporated
Fort Worth, Texas
Board member since 1985
Committees: Nominating (Chairman), Human Resources, Work Session/Annual Meeting

Carl S. Quinn
General Partner, Quinn Oil Company, Ltd.
East Hampton, New York
Board member since 1994
Committees: Human Resources (Chairman), Executive

Charles K. Vaughan
Formerly Chairman of the Board
Atmos Energy Corporation
Dallas, Texas
Board member since 1983
Committees: Executive (Chairman)

Richard Ware II
President, Amarillo National Bank
Amarillo, Texas
Board member since 1994
Committees: Audit, Work Session/Annual Meeting

Gene C. Koonce retired from active service with United Cities Gas Company in December, 1997 with 20 years of service. He remains a member of our Board of Directors, and his counsel and industry expertise will continue to be of great value to Atmos.

Common Stock Listing

New York Stock Exchange

Trading Symbol

ATO

Stock Transfer Agent and Registrar

Shareholder inquiries on stock transfers may be directed to Boston EquiServe, L.P., Mail Stop 45-02-64, P.O. Box 644, Boston, MA 02102-0644. You may call the Interactive Voice Response System 24 hours a day at 1-800-543-3038, or to speak to a customer service representative, call between 9 a.m. and 6 p.m. EST, Monday through Friday.

Independent Auditors

Ernst & Young LLP
2121 San Jacinto, Suite 1500
Dallas, Texas 75201
(214) 969-8000

Form 10-K

The Atmos Energy Corporation Annual Report on Form 10-K is available upon request from Investor Relations, Atmos Energy Corporation, P.O. Box 650205, Dallas, Texas 75265-0205, or by calling 1-800-38-ATMOS (382-8667) 7:30 a.m. – 4:30 p.m. CST. Form 10-K may also be viewed on Atmos' website: http://www.atmosenergy.com.

Annual Meeting of Shareholders

The Annual Meeting of Shareholders will be held at The Westin Hermitage, 231 Sixth Ave. North, Nashville, Tennessee, at 11 a.m. CST on Feb. 10, 1999.

Direct Stock Purchase Plan

Atmos Energy Corporation has a Direct Stock Purchase Plan that is available to all investors.

For an initial Investment Form or Enrollment Authorization Form and a Plan Prospectus, please call Atmos Shareholder Relations at 1-800-38-ATMOS (382-8667) 7:30 a.m. – 4:30 p.m. CST; or Boston EquiServe, L.P., at 1-800-543-3038. The Prospectus is also available on the Internet at http://www.atmosenergy.com. You may also obtain information by writing to Shareholder Relations, Atmos Energy Corporation, P.O. Box 650205, Dallas, Texas 75265-0205.

This is not an offer to sell nor a solicitation to buy any securities of Atmos. Shares of Atmos common stock purchased through the Direct Stock Purchase Plan will be offered only by Prospectus.

Atmos Information by Phone

Atmos Energy Corporation shareholder information is available by phone seven days a week, 24 hours a day through Boston EquiServe, L.P.'s interactive voice response system. To perform stock transfers, listen to current company information and access daily stock quotes without the assistance of a customer service representative, call 1-800-543-3038 and have your Atmos Energy shareholder account number and Social Security or taxpayer ID number ready.

Atmos on the Internet

Information about Atmos and its business units may be accessed over the Internet. The Atmos home page, located at http://www.atmosenergy.com, includes current and historical financial reports and other investor information, management biographies, employment opportunities and information about the company's operations and service areas. Each business unit has its own home page, with details about products and services. You can reach the business units directly at the following web addresses:

Please visit us on the worldwide web.

Atmos Energy Corporation Contacts:

Shareholder and Direct Stock Purchase Plan Information:
1-800-38-ATMOS (382-8667), 7:30 a.m. – 4:30 p.m. CST

Financial Information for Securities Analysts,
Investment Managers and General Information:
Lynn Hord
Vice President of Investor Relations
and Corporate Communications
(972) 855-3729

ATMOS

Atmos Energy Corporation
P.O. Box 650205
Dallas, Texas 75265-0205
(972) 934-9227

3100-AR-98

Based in Dallas, Texas, Atmos is known for rapid growth and geographical diversity. Atmos distributes natural gas and propane to more than 1 million customers in Texas, Colorado, Kansas, Missouri, Louisiana, Tennessee, Illinois, Georgia, North Carolina, South Carolina, Virginia, Iowa and Kentucky through its operating companies — Energas Company, Greeley Gas Company, Trans Louisiana Gas Company, United Cities Gas Company, Western Kentucky Gas Company and United Cities Propane Gas.

HEADQUARTERS
Dallas, Texas

MILES OF PIPE
30,902

NUMBER OF EMPLOYEES
2,679

SIZE OF UTILITY SERVICE AREA
173,754 square miles

POPULATION IN UTILITY SERVICE AREA
8.8 million

UTILITY CUSTOMERS SERVED
985,448

PROPANE CUSTOMERS SERVED
29,097

TOTAL COMMUNITIES SERVED (UTILITY AND PROPANE)
1,042

UTILITY DEGREE DAYS, 1997
3,909 (normal 3,990)

PROPANE DEGREE DAYS, 1997
3,930 (normal 4,229)

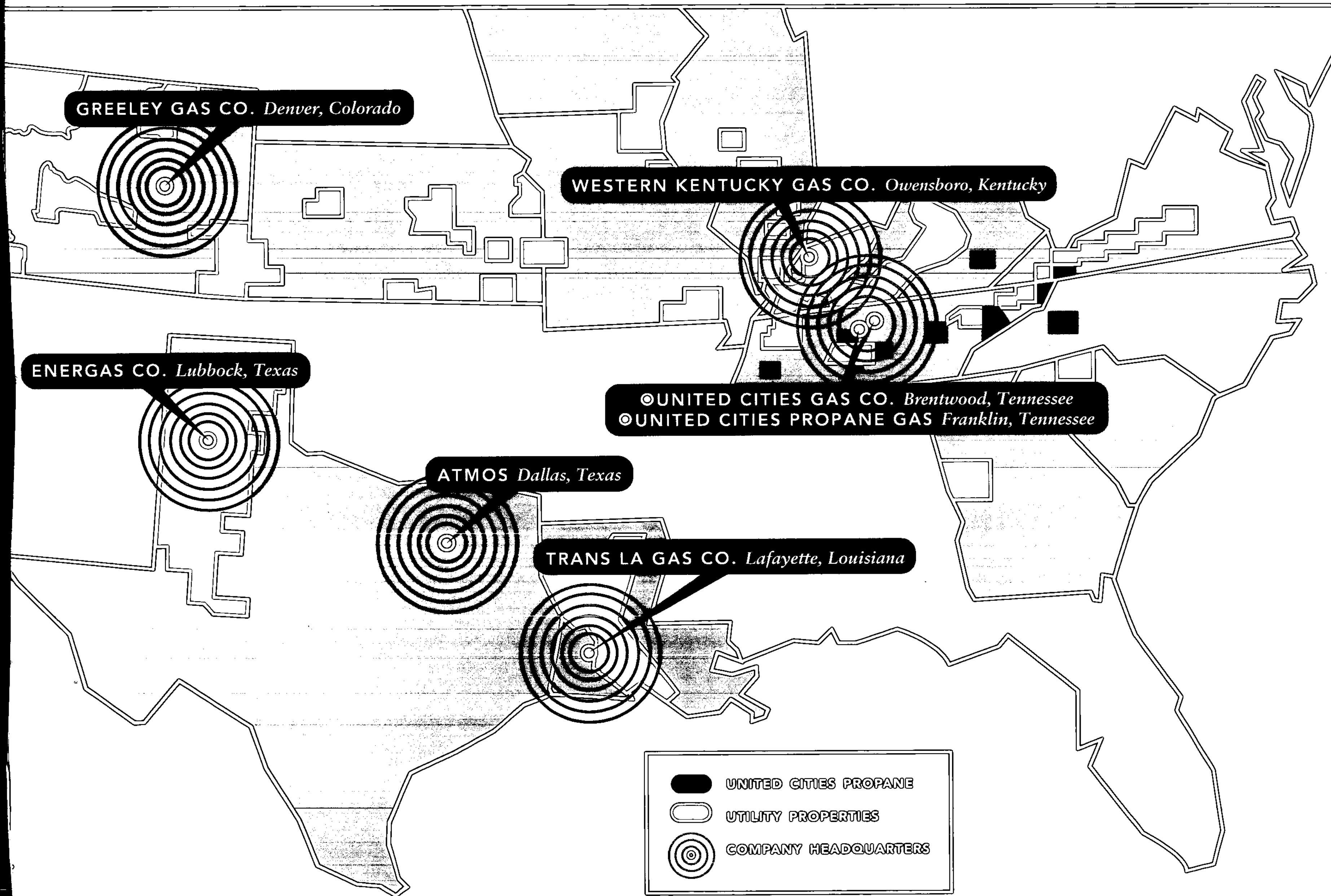
CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER
Robert W. Best

Table of Contents:

Financial Highlights

	YEAR ENDED SEPTEMBER 30,		
	1997	1996	% Change
Operating revenues	906,835	886,691	2.3%
Gross profit	329,654	324,412	1.6%
Net income	23,838	41,151	-42.1%
Utility operations	20,463	36,740	-44.3%
Non-utility operations	3,375	4,411	-23.5%
Assets	1,088,311	1,010,610	7.7%
Total capitalization	630,241	605,744	4.0%
Total volumes handled (MMcf)	213,008	222,439	-4.2%
Heating degree days	3,909	4,043	-3.3%
Percent of normal	98%	101%	-3.0%
Meters in service (average)	984,835	974,767	1.0%
Net income per share	0.81	1.42	-43.0%
Cash dividends per share	1.01	0.98	3.1%
Book value per share at end of year	11.04	11.27	-2.0%
Return on average common shareholders' equity	7.3%	13.0%	-43.8%
Shareholders' equity as a percentage of total capitalization at end of year	40.3%	43.9%	-8.2%
Shareholders of record	29,867	36,472	-18.1%
Average shares outstanding	29,409	28,978	1.5%

Atmos Energy Corporation At A



Glance

As of September 30, 1997	ENERGAS	TRANS LA	WESTERN KENTUCKY	GREELEY GAS	UNITED CITIES	TOTAL UTILITY	PROPANE
CUSTOMERS, at end of year							
Residential	268,518	73,546	154,219	99,472	274,992	870,474	23,278
Commercial	25,234	5,409	17,706	13,328	31,026	92,703	4,073
Industrial (including agricultural)	15,589	120	460	385	663	17,217	873
Public authority and other	2,230	978	1,573	-	-	4,781	873
Total	311,571	80,053	173,958	113,185	306,681	985,448	29,097
HEATING DEGREE DAYS							
Actual	3,553	1,523	4,178	6,195	3,980	3,909	3,930
Normal	3,531	1,771	4,333	6,274	4,070	3,990	4,229
Percent of normal	100.6%	86.0%	96.4%	98.7%	97.8%	98.0%	92.9%
SALES VOLUMES – MMcf, except propane in gallons							
Residential	24,292	3,558	13,543	10,227	23,595	75,215	11,598
Commercial	7,912	1,383	6,070	6,731	15,286	37,382	3,958
Industrial (including agricultural)	19,084	1,872	6,128	1,907	17,425	46,416	872
Public authority and other	2,689	951	1,555	-	-	5,195	717
Total	53,977	7,764	27,296	18,865	56,306	164,208	17,145
TRANSPORTATION VOLUMES – MMcf, except propane in gallons	4,479	624	22,398	3,275	18,024	48,800	15,830
TOTAL VOLUMES DELIVERED – MMcf, except propane in gallons	58,456	8,388	49,694	22,140	74,330	213,008	32,975
OTHER STATISTICS							
Operating revenues (000's)	$234,310	$ 51,866	$144,139	$ 91,341	$343,064	$ 864,720	$33,194
Gross plant (000's)	$252,002	$108,822	$175,793	$137,489	$501,972	$1,176,078	$31,728
Net plant (000's)	$153,977	$ 78,354	$105,393	$ 83,371	$314,591	$ 735,686	$19,526
Miles of pipe	13,214	2,241	3,638	3,864	7,945	30,902	-
Employees	534	154	330	250	1,031	2,299	162
Communities served	92	41	163	123	383	802	240

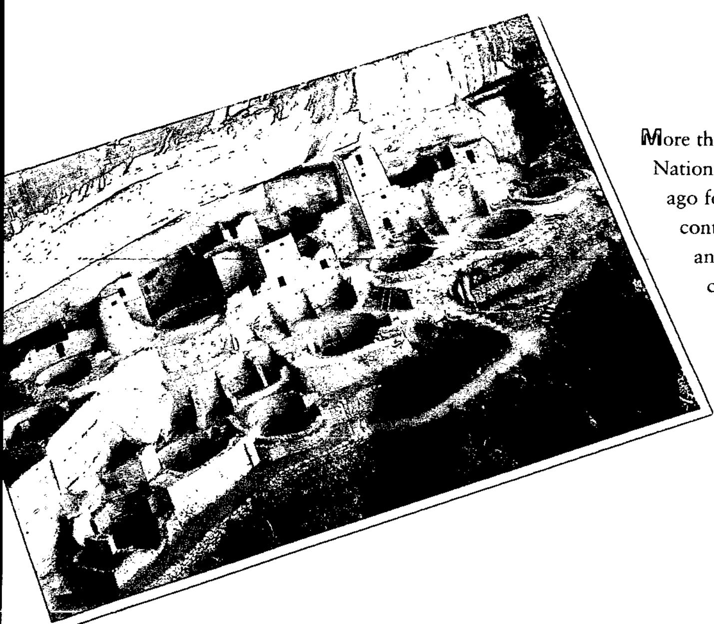
Atmos Energy Corporation

1997 Annual Report

Greeley Gas Co. serves fast-growing Colorado ski and resort areas, including Durango, Steamboat Springs and Crested Butte, and is aggressively converting customers using other energy sources.

CENTER:
Gary Schlessman, President
REAR FROM LEFT:
John Paris, Vice President, Operations, Eastern Region
Roger Nash, Vice President, Operations, Western Region
Joann Mikolajczak, Vice President, Human Resources
Conrad Gruber, Vice President, Technical Services
Jack Mars, Senior Vice President, Operations
Gary Durossette, Vise President, Business Development
David Dupont, Vice President of Accounting

Greeley Gas' service area is home to one of the nation's only operational coal-fired, steam-operated, narrow gauge trains. "The Silverton" makes daily runs from Durango to Silverton. Greeley Gas has been running strong for our customers for more than 50 years.



More than 1,000 archaeological ruins at the Mesa Verde National Park show visitors what life was like 800 years ago for the Anasazi Indians. Today, Greeley Gas contributes to the quality of life in Colorado, Kansas and Missouri by providing our customers with a clean-burning natural fuel source.

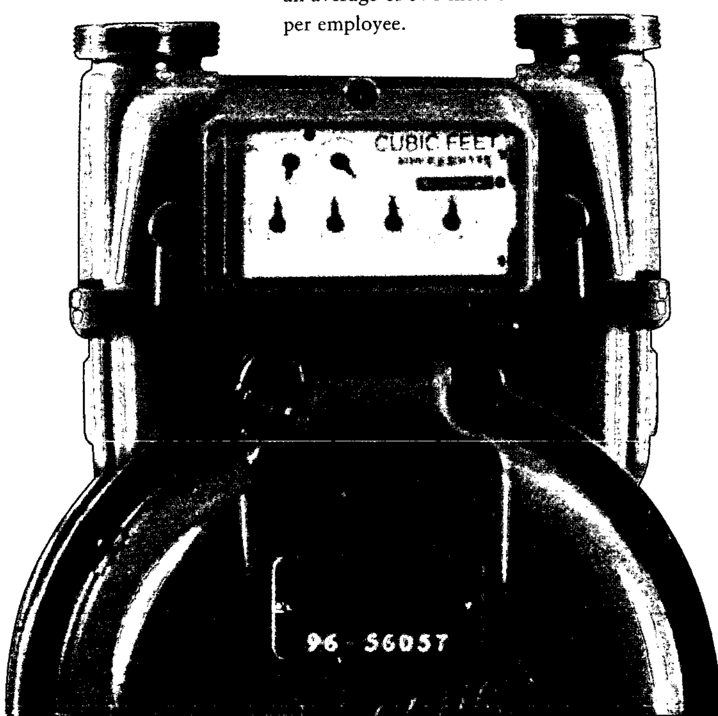
The Neoplan Bus Factory, one of our customers in Lamar, Colo., prides itself on catering to its customers' individual needs — as do we. Neoplan's buses — sold nationwide — vary in design according to the purchaser's specifications.

ABOUT ENERGAS CO.: ENERGAS OPERATIONS ARE HEADQUARTERED IN LUBBOCK, TEXAS, WITH REGIONAL OFFICES IN AMARILLO, LUBBOCK AND MIDLAND, TEXAS. ENERGAS HAS 534 EMPLOYEES AND 13,214 MILES OF PIPE. OUR SERVICE AREA IS 30,000 SQUARE MILES, HOME TO A POPULATION OF 950,000. WE SERVE AN AVERAGE OF 311,571 CUSTOMERS IN 92 COMMUNITIES. WE HAD 3,553 DEGREE DAYS IN 1997; 3,531 DAYS IS NORMAL. AS A PUBLIC UTILITY COMPANY ENERGAS IS REGULATED BY THE MUNICIPALITIES WE SERVE AND THE RAILROAD COMMISSION OF TEXAS.

ENERGAS

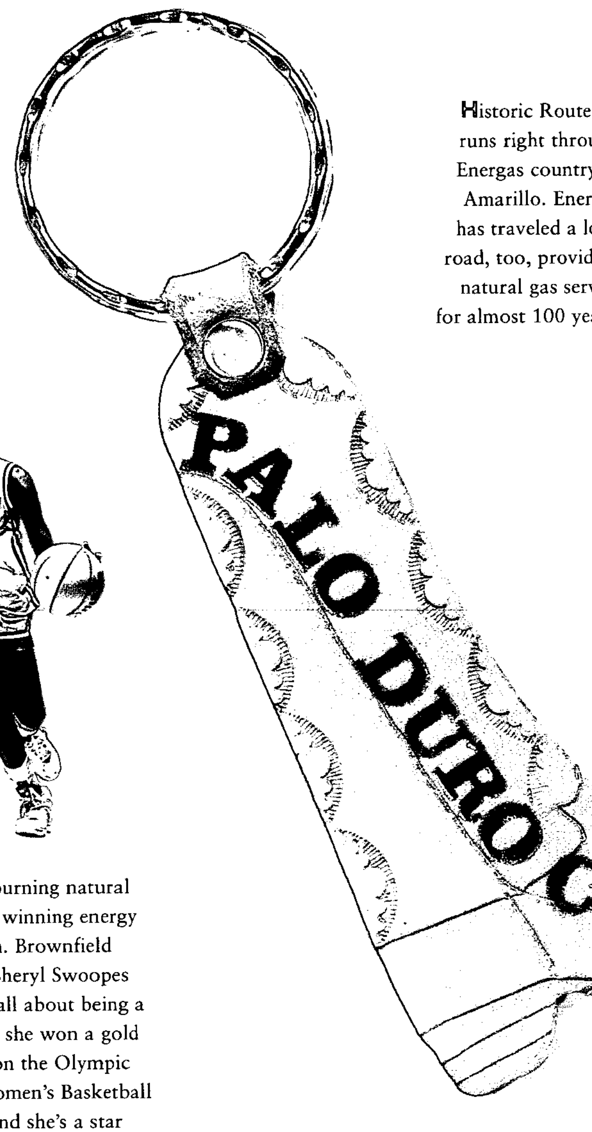
On October 14, 1987, rescue workers and volunteers worked in Midland, Texas, to free 18-month-old Jessica McClure, trapped in an 8-inch pipe for 58 hours. Local Energas employees were instrumental in Jessica's rescue, providing manpower and equipment.

At Energas, we are famous for our efficiency, serving an average of 578 meters per employee.

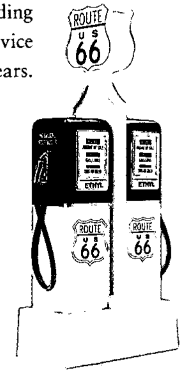


Every summer, for more than 30 years, the outdoor musical "Texas" has been performed on the floor of Palo Duro Canyon, south of Amarillo. At Energas, we too pride ourselves on a reliable performance record.

Clean-burning natural gas is a winning energy solution. Brownfield native Sheryl Swoopes knows all about being a winner; she won a gold medal on the Olympic U.S. Women's Basketball team, and she's a star in the WNBA.



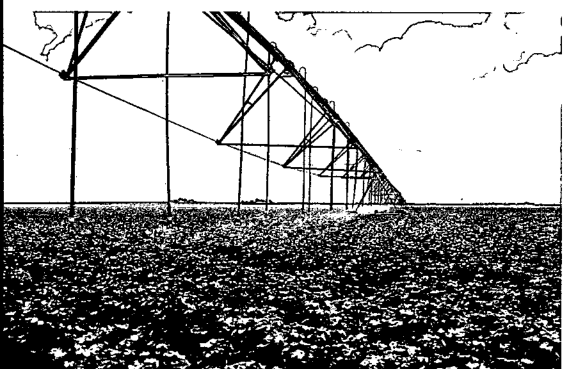
Historic Route 66 runs right through Energas country in Amarillo. Energas has traveled a long road, too, providing natural gas service for almost 100 years.



Energas Co. serves a large agricultural market, which uses natural gas for fueling irrigation engines in the spring and summer, and is pioneering the use of on-site natural gas-powered generators to produce electricity for irrigation pumps.

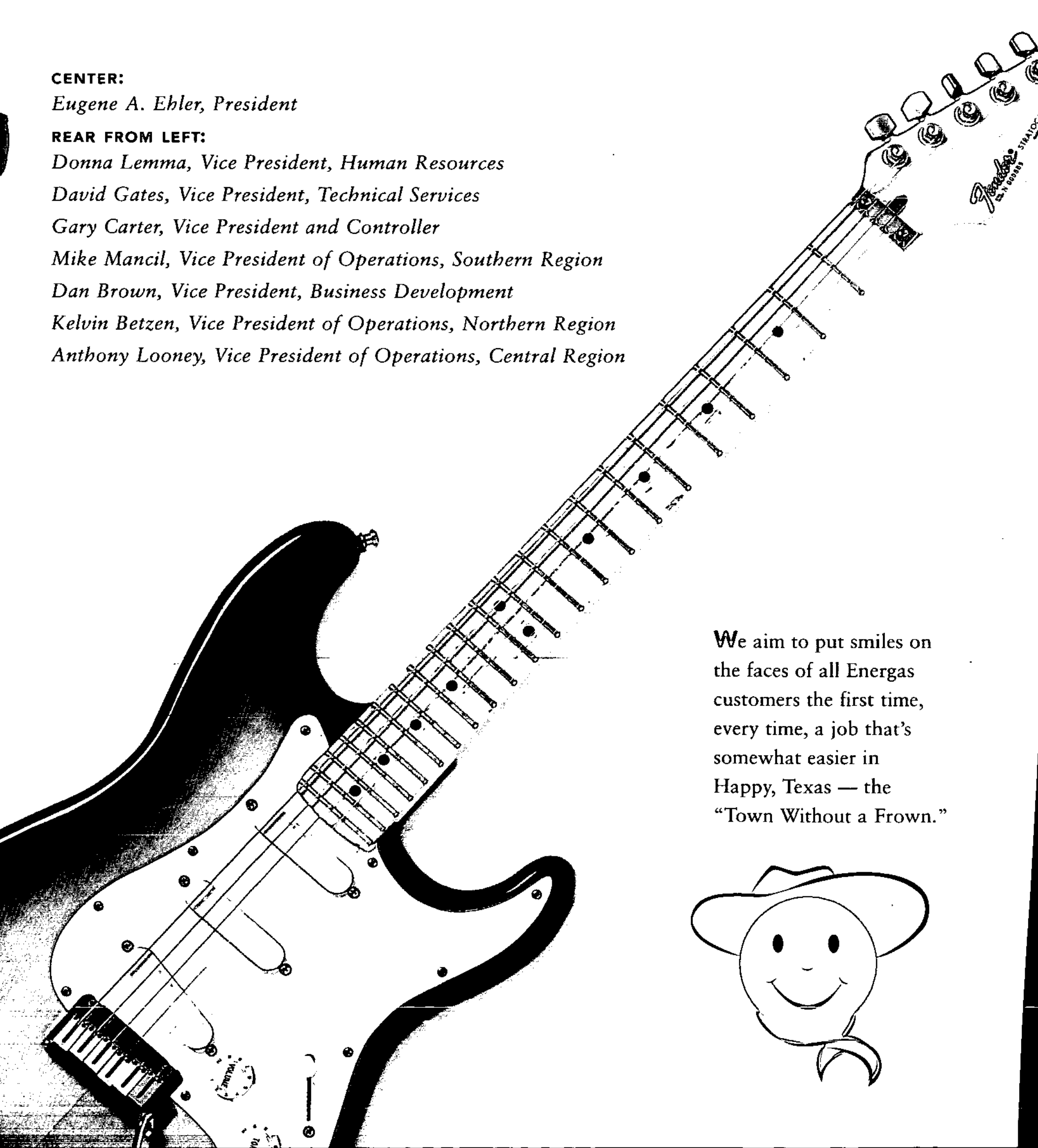
CENTER:
Eugene A. Ehler, President

REAR FROM LEFT:
Donna Lemma, Vice President, Human Resources
David Gates, Vice President, Technical Services
Gary Carter, Vice President and Controller
Mike Mancil, Vice President of Operations, Southern Region
Dan Brown, Vice President, Business Development
Kelvin Betzen, Vice President of Operations, Northern Region
Anthony Looney, Vice President of Operations, Central Region



Energas is known for creating expanded uses for natural gas. For example, 7,000 Energas agricultural customers use natural gas to power their irrigation equipment.

Lubbock is the hometown of rock 'n' roll legend Buddy Holly. It's also home to Energas headquarters.



We aim to put smiles on the faces of all Energas customers the first time, every time, a job that's somewhat easier in Happy, Texas — the "Town Without a Frown."

will support additional acquisitions and enable us to integrate acquisitions in a timely manner.

Atmos will open a central customer call center available to respond to customer questions and service needs 24 hours each day, seven days each week to customers throughout its service areas. This center will be located in Amarillo, Texas, which awarded the company a $1.2 million grant as an incentive to locate there. A new state-of-the-art customer information system will support the call center and allow service orders to be automatically dispatched to service technicians in the field. Field technicians have begun using electronic meter reading devices to improve accuracy and speed. The company also has streamlined business processes to reduce the number of service trips required to start up service for a new customer.

Atmos has set up a network of approximately 300 payment centers in grocery stores, convenience stores and other locations through an outside vendor that offer extended hours and additional payment locations for customers who want to pay their bills in person. The company is closing its business offices to walk-in traffic and consolidating the operations of its field service centers located within 30 miles of each other.

Our Energas employees have adopted a slogan that puts Atmos' service philosophy in a nutshell: **"First Time, Every Time." The company's goal is to consistently receive high marks in customer satisfaction surveys by delivering convenient, reliable service at the lowest possible cost.**

Managing Our Rates

Rate and regulatory initiatives are at the heart of our utility operations and are important to both our shareholders and customers. Our objective is to achieve rates that provide fair returns for our shareholders while having these rates at low, competitive levels for our customers. As the energy environment and our industry change, we recognize that the process for setting rates in the future may also need to change. In that regard, the company is participating in a performance-based rate experimental program in Tennessee, which is designed to reward the company for performing better than certain benchmarks relating to purchased gas cost. A similar program is under way in Georgia. Atmos believes that performance-based rate programs benefit customers and shareholders and reward efficient service providers like Atmos. Atmos intends to seek gas cost incentive arrangements and incentive rates in every jurisdiction possible.

Controlling Our Costs

Atmos is one of the most efficient providers of natural gas service in the country. The customer service initiative and business process improvements will further enhance the company's efficiency. At the end of fiscal year 1997, Atmos' normalized utility operations and maintenance cost per customer was $147 compared with the industry average of $198 per customer. With the integration of United Cities' operations and the completion of the company's customer service initiatives, our target is to serve about 470 customers per employee by the end of 1998. The industry average is 396 customers per employee.

Local Presence

Each of Atmos' operating companies has a significant and well-respected reputation in the communities served. By design, Atmos has retained the local operating company name of the companies it has acquired. Our companies are good citizens in the communities they serve, with employees serving in civic and charitable organizations and on local economic development boards. With the closing of offices to local business traffic and consolidation of some field locations, we have assigned public affairs managers to maintain close relations with local officials and community groups. We believe that our local identity is a major competitive advantage, along with our dedication to customer service and convenience, and competitive rates.

We would now like to introduce you to our utility divisions, some of our leaders in these divisions, and some "famous" things from our service territories about which we are very proud.

Update: Utility Operations

Utility Operations provided about 95 percent of Atmos' total revenues and 86 percent of net income in 1997. Our strategy is to enhance the market position and profitability of each of our five operating companies. We plan to do this by staying focused on our customers, increasing the number of customers served, continuing to provide excellent service, managing our rates and controlling our costs.

Customer Focus

The company has achieved growth in customers served through programs designed to attract residential customers in new development and construction areas and by encouraging commercial and industrial customers to convert to the use of natural gas from other energy sources. The company also promotes the use of efficient new natural gas equipment for commercial cooling, and residential cooling and heating. Following are some examples of our success:

➢ United Cities is a leader in installations of residential gas heating and cooling systems, a new technology introduced in the last five years that provides superior comfort and energy efficiency. The company has sold 174 of these residential systems to date, including 45 units in custom and patio homes in a golf community outside Johnson City, Tennessee. Gas cooling provides increased gas load during the summer months. United Cities also has been selected to assist a large theater company based in Georgia to install commercial natural gas cooling, which will showcase the new technology.

➢ Trans Louisiana Gas also has been a leader in installing commercial natural gas cooling in Louisiana. Trans La is currently working with a hospital in Lafayette, Louisiana, in adding a second natural gas cooling unit and installing dessicant dehumidification equipment in an ice hockey complex.

➢ Energas has successfully promoted the use of on-site natural gas generators to its large agricultural market in West Texas. The farmers use the gas-fired generators to produce electricity to run irrigation pumps at a lower cost than purchasing electricity. Energas provides natural gas to power engines for 22,000 irrigation wells in this agricultural region. Energas also recently won the bid to serve a proposed electric generating station in Lubbock, Texas, in a very competitive bidding process. When completed, the generating facility will be Atmos' largest customer in terms of throughput.

➢ Greeley Gas has significant opportunities for conversion of residential customers to the use of natural gas from other energy sources. The company has successfully targeted subdivisions, such as a 300-home subdivision near Durango, Colorado. The company is also promoting clean-burning natural gas logs and other uses of natural gas to preserve air quality in Colorado.

➢ Western Kentucky Gas skillfully networks with builders and key energy decision-makers on the installation of gas in both residential and commercial new construction. Employees serve on economic development boards throughout the state, and a major emphasis is placed on state-wide industrial development to maintain and further develop our 52 percent throughput to Kentucky industries.

Customer Service Enhancements

In March 1997, Atmos announced a 12-month plan to enhance the service it provides to customers and incorporate business process changes that will make the company even more efficient. The customer service initiative is driven by our goal of providing the best quality service to our customers while remaining a low-cost provider, as well as the need to develop the infrastructure to operate in an increasingly competitive environment. The investments in technology we have made

Second, we want to increase the scope, scale and market share of our non-utility operations. We see many opportunities for extending the use of propane in service areas where it would be difficult to install natural gas distribution systems. We also are going to pursue opportunities to increase the customer base of Woodward Marketing, a wholesale natural gas marketing and gas services limited liability corporation in which we own a 45 percent interest.

Third, we intend to develop a plan to participate in retail energy services behind the meter. We also intend to survey and evaluate customer preferences, now and for the future, and develop specific strategies to deliver those services that we choose to provide. Our strategy is to seek partners to join us in providing retail energy services to customers. These partners, we expect, will be experienced in retail services and marketing and will recognize the value of our connection to over 1 million customers and our brand equity.

Fourth, we are going to continue our acquisition strategy to add new customers and service areas for both our natural gas distribution and propane operations. We have an excellent track record of acquiring LDC operations that provide us with diversity in weather, regulation, economies and markets. We have achieved synergies and benefits quickly, while preserving brand equity.

What paths for growth do not make sense for Atmos?

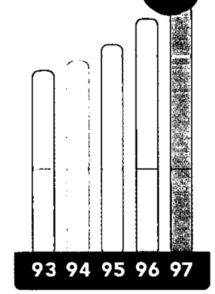
Our management team has invested considerable time this year analyzing our strengths, core competencies and distinctive assets. From these discussions came our focused initiatives I have previously outlined. But it also was important not just to identify initiatives we should pursue, but also areas we should not pursue. We will not be investing to create a national position in retail marketing. We will look, however, for joint venture partners, as I explained earlier. We are not interested in investing in the sector of natural gas production, gathering, processing, or in international distribution projects. We will not pursue electric acquisitions, although we, along with Woodward, will look for an electric partner for the Woodward L.L.C. We believe these kinds of projects would dilute our energy and take away financial resources from our main business focus.

What are the performance targets that the company expects to achieve?

Our objective is to continue to provide total returns to our shareholders that are in the top quartile when compared to other LDCs of comparable size. We expect to do this through growth in our customer base and in earnings annually.

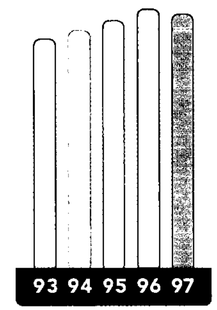
When do you expect to see results of this plan for growth?

We made a number of investments in 1997 from which we expect to see benefits beginning in 1998 and extending into 1999 and beyond. The United Cities integration is in progress and on schedule — their organization has been restructured to match Atmos' operating model. Our customer service initiative will be completed in September 1998, when all our operating divisions are using the central call center. The management reorganization is complete, with a new leadership team in place to build on our successful past with our focus firmly on the future.



Total Assets

- **93** *$786,739*
- **94** *$829,385*
- **95** *$900,948*
- **96** *$1,010,610*
- **97** *$1,088,311*

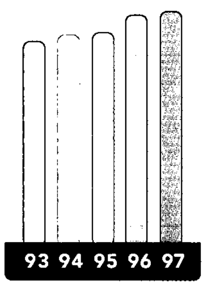


Book Value Per Share

- **93** *$9.98*
- **94** *$10.33*
- **95** *$10.77*
- **96** *$11.27*
- **97** *$11.04*

Strategy: Building on the past... focusing on the future.

Robert W. Best joined Atmos Energy Corporation as chairman of the board, president and chief executive officer on March 8, 1997. Best has more than 23 years of experience in the distribution and transmission industry. Prior to joining Atmos, he was senior vice president – regulated businesses for Consolidated Natural Gas Company of Pittsburgh, Pa., responsible for the transmission and distribution companies.



Gross Profit

- **93** *$289,394*
- **94** *$297,020*
- **95** *$300,158*
- **96** *$324,412*
- **97** *$329,654*

Describe Atmos today.

BEST: Atmos has been an extremely successful company. This is shown in the company's financial performance and its outstanding customer growth. Over the last 10 years, our returns to shareholders have been among the best in the industry, and we believe that investors perceive Atmos as a company with considerable growth opportunity.

Just 15 years ago, Atmos started with 280,000 customers in West Texas. Today, Atmos is a regional distribution company with about 1 million utility customers in 12 states. The company is the 12th largest natural gas utility in the country based on number of customers and the fifth largest pure natural gas utility. We primarily serve small urban and rural areas across a vast geographic area, so we have diversity in economic conditions, regulatory climates, weather patterns and markets. Our five operating divisions have strong identities in the communities they serve. We have some of the lowest rates in the country because we are an extremely efficient provider of service, we have a lower plant investment than many of our peers, and we also capitalize on the economies of scale due to our size and shared services philosophy. We have successfully made acquisitions of other natural gas distribution properties without delays, undue expense or damage to local brand equity. The merger with United Cities this year brought us additional non-utility opportunities with propane and wholesale natural gas marketing.

How do you expect to sustain this track record of performance in the future?

We are going to build upon our past successes and to focus on the best ways to be a winner in the future, in a changing environment. Our senior management team has spent considerable time this year analyzing the company's strengths, what the environment is likely to be in the next few years and the course of action we should pursue to continue to create value for our shareholders. We will focus on four initiatives.

First, we plan to run our utility operations exceptionally well. This means remaining customer focused and delivering high quality, reliable service at a low cost. We also will continue working to increase the number of customers served in our existing service areas, manage our costs and expenses carefully, and work to establish incentive rate structures in every jurisdiction possible.

Wholesale and large industrial and commercial customers already have a choice of energy suppliers in the areas we serve. They can buy from anyone, and we deliver that gas for them. We believe that eventually we will see some form of unbundling of services for residential customers so that they, like our wholesale and large commercial and industrial customers, will have choices. Customers, regulators, legislatures and business leaders in many of the states where Atmos serves are currently discussing unbundling, but have not yet established how that unbundling will take shape. We are participating in these discussions, not as an advocate or as an opponent, but as a company interested in providing the best service to our customers and the best return to our shareholders. We believe that residential unbundling will occur, and when it occurs, we will be ready to serve our customers just as we do today.

We do not fear the changing environment. In fact, we see opportunity. We have already begun customer service enhancements for residential customers. We have been competing with other gas suppliers for large industrial customers for a decade — over 50 percent of our Kentucky throughput is transported for industrial customers. We also compete against some very efficient electric utilities as well as other energy sources for residential and commercial customers. We're putting our experience to work in preparing for further competition for customers. Atmos is physically linked to about 1 million customers through our five operating companies, and each company has a strong local brand identity. We believe our low rates, service geared for customer convenience, and a strong local presence will be difficult for our competitors to match.

Focused on the Future

This was a monumental year for Atmos. We expect our results in 1998 and beyond to reflect the investments made this year. We are confident that we have the right organization and the right people to capitalize on opportunities ahead. As we end this monumental year and look forward, our initiatives are directed in four areas: running our utility operations exceptionally well; increasing the scope, scale and market share of our non-utility operations (gas marketing and propane); developing plans to participate in retail energy services behind the meter; and growing through acquisitions.

We end 1997 and begin 1998 well-positioned to build in the future on our successful past. This is the result of the efforts of many people to whom I would like to express our appreciation. To our employees for their dedication, enthusiasm, tireless efforts and commitment to excellence; to our Board of Directors for their sound counsel, encouragement and support; and to you our shareholders for your confidence in our management, our company and our future.

Robert W. Best

Robert W. Best
Chairman, President and Chief Executive Officer

November 12, 1997

LEFT TO RIGHT

Gene C. Koonce
Vice Chairman of the Board

Robert W. Best
Chairman of the Board, President and Chief Executive Officer

Charles K. Vaughan
Board member and former Chairman of the Board

Charles K. Vaughan retired as chairman of the Board of Atmos Energy Corporation in 1997, although he remains an active member of the Board. Charles established the vision for growth through acquisitions and led the company as chairman, president and chief executive officer from the inception of the company in 1983 with the spinoff of Energas Company from Pioneer Corporation until his retirement. As he ends his distinguished career, we pay tribute to Charles for his foresight and his leadership, and to the success Atmos has enjoyed while he has been at the helm. Charles had a vision, a passion for excellence, a high standard for performance and left a very large footprint to follow.

Redesigning the Organization

Atmos has a long record as one of the most efficient providers of natural gas service in the country, with a dedication to reliable and responsive service to our customers. We regularly monitor our service efficiency by reviewing ratios of employees and costs per natural gas customer served. Atmos, excluding United Cities, served 457 customers per employee in 1997, compared with 396 served on average by our local distribution company peer group. Our normalized operating and maintenance expenses of $147 per customer are also among the lowest in our peer group, which averages $198.

Although we are already among the most efficient LDCs, we are focused on continuing to improve our operations and our service to our customers. In that continuing quest, we began in 1997 to redesign the customer service departments of our company to provide extended service hours and a variety of payment locations to customers, to develop a central customer call center to handle calls from customers in all our service areas around the clock, and through the use of new technology to streamline our work processes to further improve our service and efficiency.

In addition, we realigned our leadership team. As part of that realignment, several new officers have joined the company. Larry J. Dagley, previously with Pacific Enterprises, joined Atmos in May as executive vice president and chief financial officer. Joining Atmos from United Cities are Tom S. Hawkins, Jr., vice president, Planning and Budgeting; Lynn L. Hord, vice president, Investor Relations and Corporate Communications; Ron W. McDowell, vice president, New Business Ventures; Mark G. Thessin, vice president, Regulatory Affairs; and Thomas R. Blose, Jr., president of United Cities.

Organizational change is never easy, and through the realignment a number of Atmos and United Cities officers and employees have left or soon will be leaving the company. These officers and employees made significant contributions that positioned Atmos and United Cities where they are today, and we wish them the best in the future.

Board Expanded

We welcome four new board members to the Atmos Board from the United Cities Board of Directors: Gene C. Koonce, formerly chairman of United Cities' Board and now vice chairman of the Atmos Board, Nashville, Tennessee; Richard W. Cardin, consultant and private investor, Nashville, Tennessee; Thomas J. Garland, executive in residence and a distinguished service professor of the Civic Arts, Tusculum College, Greeneville, Tennessee; and Vincent J. Lewis, senior vice president of Legg Mason Wood Walker, Inc., Rutherford, New Jersey.

Ready to Compete

Our leadership team is in place, enthusiastic and excited about the challenges and opportunities that lie ahead. This is a time of change in the energy industry: unbundling of traditional utility services; customer choice in who provides energy and related services; trends toward relaxation of regulation; convergence of gas and electricity in wholesale and retail markets; increasing competition for customers, including competition from non-utility players; technology enabling change; and consolidation in the industry.

Financial Performance

In terms of performance measures for 1997, our total return to shareholders was 10.4 percent for 1997, assuming reinvestment of dividends. Even more noteworthy, our five-year annual total return to shareholders has been 15.1 percent, and for the 10 years has been 15.8 percent, among the best of our local distribution company peer group. The company's market capitalization increased to almost $737 million at fiscal year-end, up from $481 million at the end of fiscal 1996.

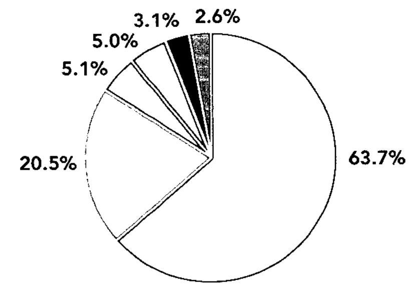
The Board of Directors increased the quarterly dividend to $.255 per share or $1.02 annually in August 1997, as agreed as a part of the United Cities merger. The Board increased the quarterly dividend 4 percent to $.265 per share or $1.06 per year in November 1997, a 6 percent increase since November 1996. This was our 10th consecutive annual dividend increase. The dividend has increased by approximately 5 percent per year in the last five years.

For the fiscal year ended September 30, 1997, net income was $23.8 million or $.81 per share on operating revenues of $906.8 million. The 1997 net income includes the effects of after-tax charges related to certain management changes ($2.8 million or $.10 per share) and reserves related to the United Cities merger and integration ($12.6 million or $.43 per share). Excluding the effect of the charges and reserves, the company's net income would have been $39.3 million or $1.34 per share in 1997, compared to $41.2 million or $1.42 per share for 1996. The 1997 results include United Cities, and prior year results have been restated to reflect the pooling of interests accounting that was used for the merger.

The decline in net income from 1996 to 1997, excluding the charges and reserves, was the result of warmer than normal weather during the winter months, which negatively impacted gas throughput and sales as well as propane sales. In addition, the spring months were wetter than normal, which adversely impacted sales of natural gas to farmers in West Texas for irrigation. These negative effects of weather were partially offset by rate increases implemented in fiscal 1996 and 1997 in Texas, Kentucky, Georgia, Iowa, Virginia, Tennessee, Missouri and Illinois. Normal weather conditions would have added about $.12 per share to the 1997 financial results.

The cost of the merger and integration totaled approximately $17 million for the transaction costs and $32 million for the separation and other costs. The company recorded these costs as regulatory assets in the fourth quarter of fiscal year 1997 when the merger was completed, separation plans were approved by the Board of Directors and announcements were made to employees.

There are substantial longer term benefits to our customers and our shareholders from the merger of the two companies, which the company expects to result in cost savings over the next 10 years totaling about $375 million. The company believes a significant amount of the costs to achieve these benefits will be recovered through rates and future operating efficiencies of the combined operations, and therefore, the company recorded the costs of the merger with and integration of United Cities as regulatory assets. However, the company established a general reserve of approximately $20 million ($12.6 million after-tax) to account for a portion of the costs that may be shared by our shareholders for their portion of the benefits.

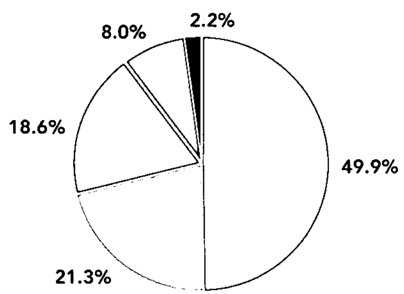


Uses of Revenue

- purchased gas
- operation & maintenance
- taxes
- depreciation & amortization
- interest
- common dividends & retained earnings

Dear Fellow Shareholders:

This year, fiscal 1997, is a milestone in the history of Atmos Energy Corporation. ¶ Atmos has been a successful company in every respect — financial results, total return to shareholders, customer growth and customer service. In 1997, the company took steps to sustain that performance into the future. Some of our key accomplishments in 1997 included: ➢ Completing the merger with United Cities Gas Company, making Atmos the 12th largest natural gas utility in the country, and the fifth largest pure natural gas utility; ➢ Reaching the milestone of serving over 1 million customers; ➢ Redesigning the organization to enhance customer service, integrate United Cities' operations and achieve additional efficiency in Atmos' utility operations, which are already among the most efficient in the industry; ➢ Putting in place a new management team prepared to build on Atmos' successful past but clearly focused on the future; and ➢ Confirming Atmos' vision and strategy for the future, and establishing key initiatives for success. ¶ We ended the year a much larger company, better equipped than ever to be a winner in the evolving and increasingly competitive marketplace.

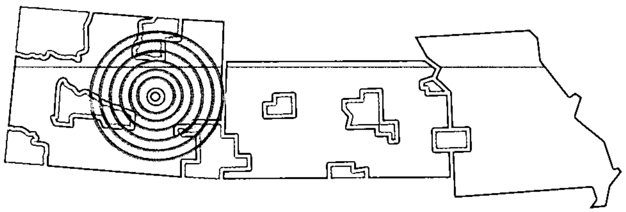


Sources of Revenue
- residential
- commercial
- industrial (including agricultural)
- other sales & miscellaneous
- transportation

Each year in the impressive history of Atmos Energy Corporation has been marked by significant achievements and events. In 1997, the company completed its merger with United Cities Gas Company, becoming the 12th largest U.S. natural gas distribution company, and launched a number of significant customer service initiatives. We are proud of the company's accomplishments to date, and we are poised for even greater achievements in the years ahead. ¶ Atmos' future success depends on the performance of our five distinct operating companies, plus the performance of our non-utility subsidiary companies. In this annual report, we highlight our operating companies, their management, and the notable way each company serves its customers. The fact is, all of the companies of Atmos provide their communities with dependable, efficient service. It's what we're famous for. And the communities we serve also have their own claims to fame, some of which are presented in this report, demonstrating both the pride we have in being part of these communities and our commitment to offering them the best level of service possible. That is our promise to our customers, our shareholders and ourselves.

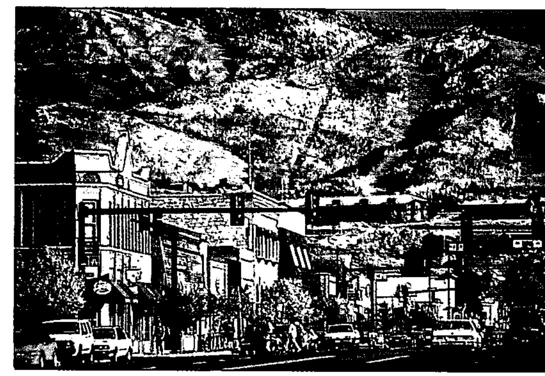
ABOUT GREELEY GAS CO.: GREELEY GAS OPERATIONS ARE HEADQUARTERED IN DENVER, COLO., WITH REGIONAL OFFICES IN GREELEY, COLO., AND BONNER SPRINGS, KAN. GREELEY GAS HAS **250** EMPLOYEES AND **3,864** MILES OF PIPE. OUR SERVICE AREA IS **53,849** SQUARE MILES, HOME TO A POPULATION OF **228,000**. WE SERVE AN AVERAGE OF **113,185** CUSTOMERS IN **123** COMMUNITIES. WE HAD **6,195** DEGREE DAYS IN 1997; **6,274** DAYS IS NORMAL. AS A PUBLIC UTILITY COMPANY GREELEY GAS IS REGULATED BY THE COLORADO PUBLIC UTILITIES COMMISSION, THE KANSAS CORPORATION COMMISSION AND THE MISSOURI PUBLIC SERVICE COMMISSION.

GREELEY GAS COMPANY

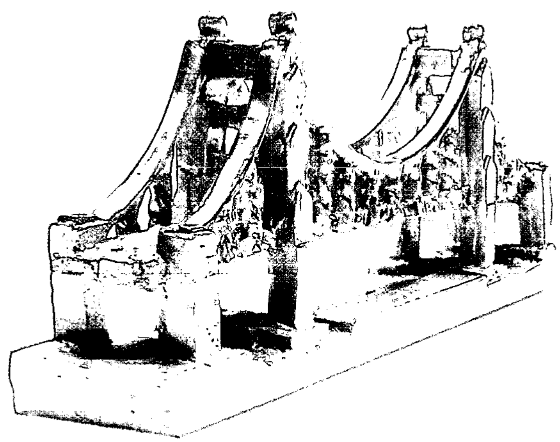


No matter where they live, our customers always come first — even in Last Chance, Colo., 75 miles east of Denver. When the town was founded in 1926 at the crossroads of two highways, it was the "last chance" for travelers to get gas and water for nearly 40 miles in any direction.

From winter sports to summer's glorious wildflowers, Crested Butte, Colo., offers many attractive diversions for residents and visitors in Greeley Gas' service area.



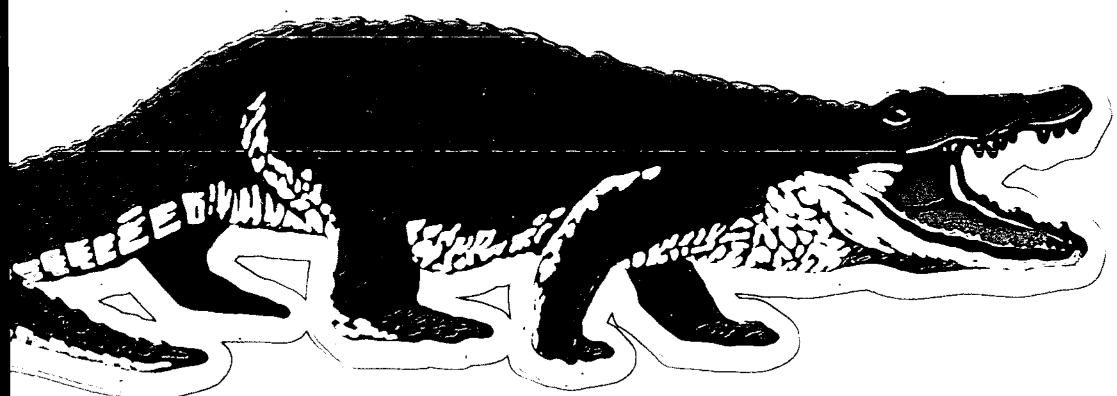
Rapid development of ski resort areas, including Steamboat Springs, Colo., is one factor that is fueling the growth of Greeley Gas.



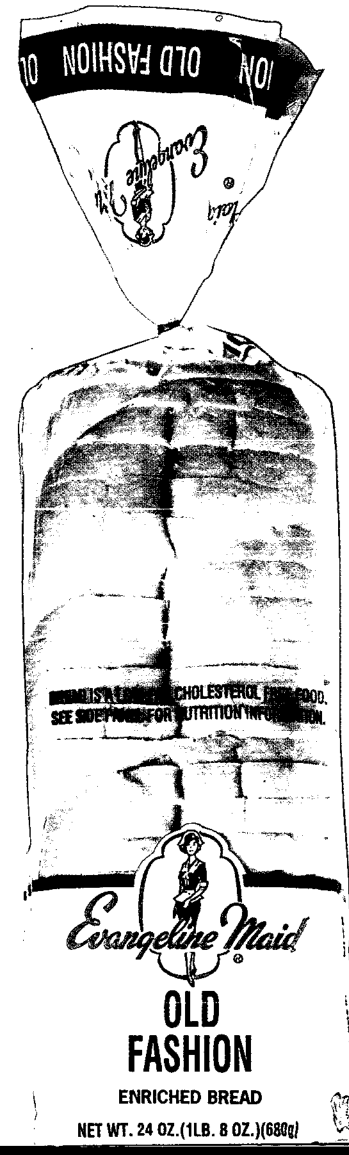
Greeley Gas is committed to providing our customers with the highest level of service possible. Another commitment to great heights resulted in Colorado's Royal Gorge Bridge — the world's highest suspension bridge.

Trans La Gas Co. has promoted natural gas technology for commercial buildings, such as natural gas cooling at a Lafayette hospital that was nominated for a national efficient building award, and dessicant technology at an ice hockey complex.

CENTER:
B. J. Hackler, President
REAR FROM LEFT:
Art Courville, Vice President, Operations
Tom Meyers, Vice President, Technical Services
Frank Marino, Vice President, Business Development
David Hebert, Vice President, Human Resources
Melissa Bowers, Vice President, Accounting



At Trans La, we have our teeth in a number of diverse industries, including alligator farms throughout our service area.



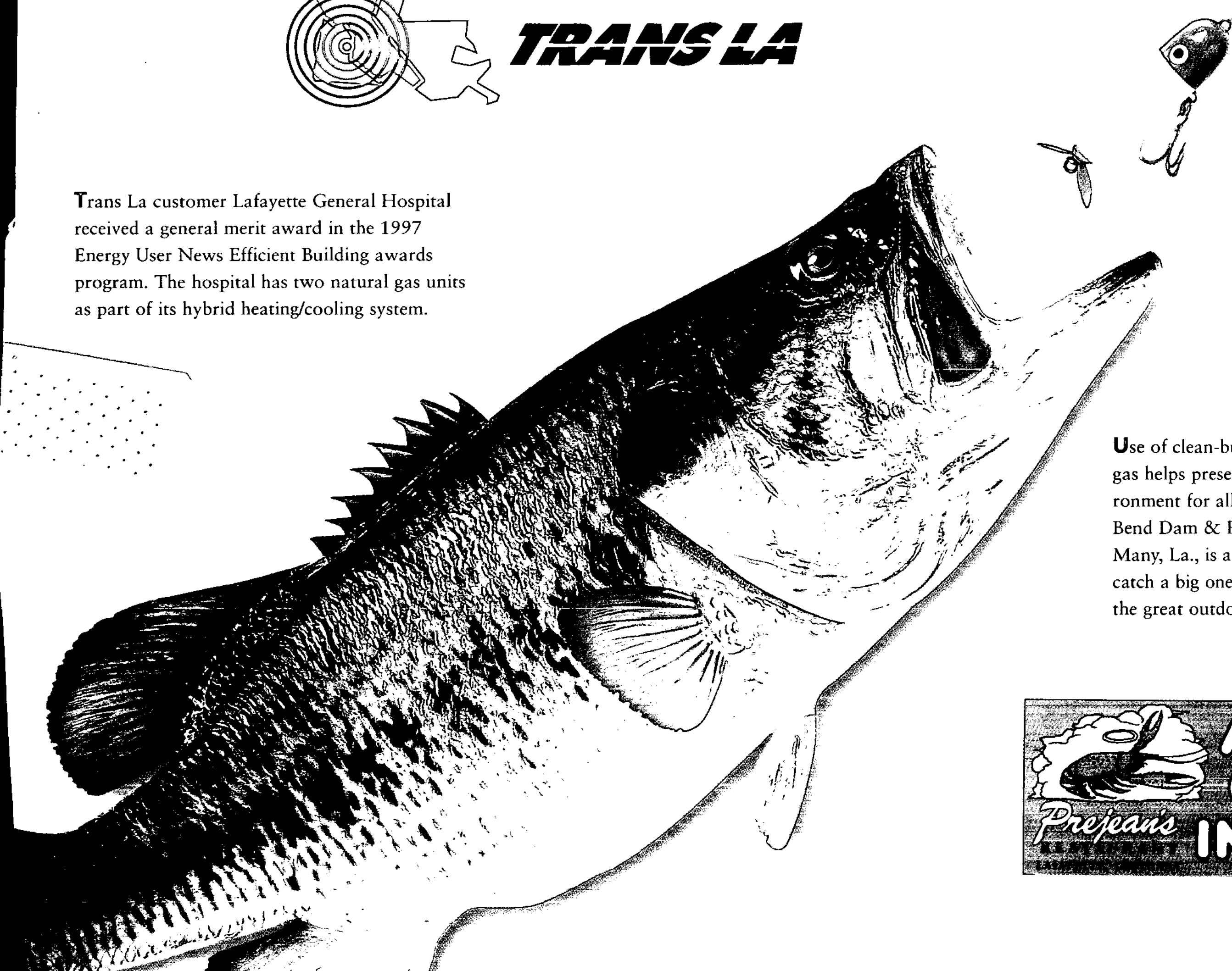
Founded in 1714, Natchitoches, La., is the oldest permanent settlement in the Louisiana Purchase. Customers have purchased their natural gas from Trans La since our founding in 1928.

Trans La is headquartered in Lafayette, which is also home to our customer Huval Bakery. Huval began baking Evangeline Maid bread in 1937, and today distributes its bakery goods to 50 percent of the state.

ABOUT TRANS LOUISIANA GAS CO.: TRANS LA OPERATIONS ARE HEADQUARTERED IN LAFAYETTE, LA., WITH REGIONAL OFFICES IN LAFAYETTE AND NATCHITOCHES, LA. TRANS LA HAS 154 EMPLOYEES AND 2,241 MILES OF PIPE. OUR SERVICE AREA IS 7,000 SQUARE MILES, HOME TO A POPULATION OF 250,000. WE SERVE AN AVERAGE OF 80,053 CUSTOMERS IN 41 COMMUNITIES. WE HAD 1,523 DEGREE DAYS IN 1997; 1,771 DAYS IS NORMAL. AS A PUBLIC UTILITY COMPANY TRANS LA IS REGULATED BY THE LOUISIANA PUBLIC SERVICE COMMISSION.

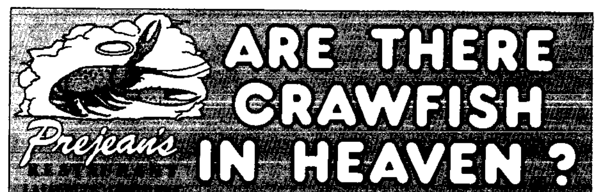
TRANS LA

Trans La customer Lafayette General Hospital received a general merit award in the 1997 Energy User News Efficient Building awards program. The hospital has two natural gas units as part of its hybrid heating/cooling system.



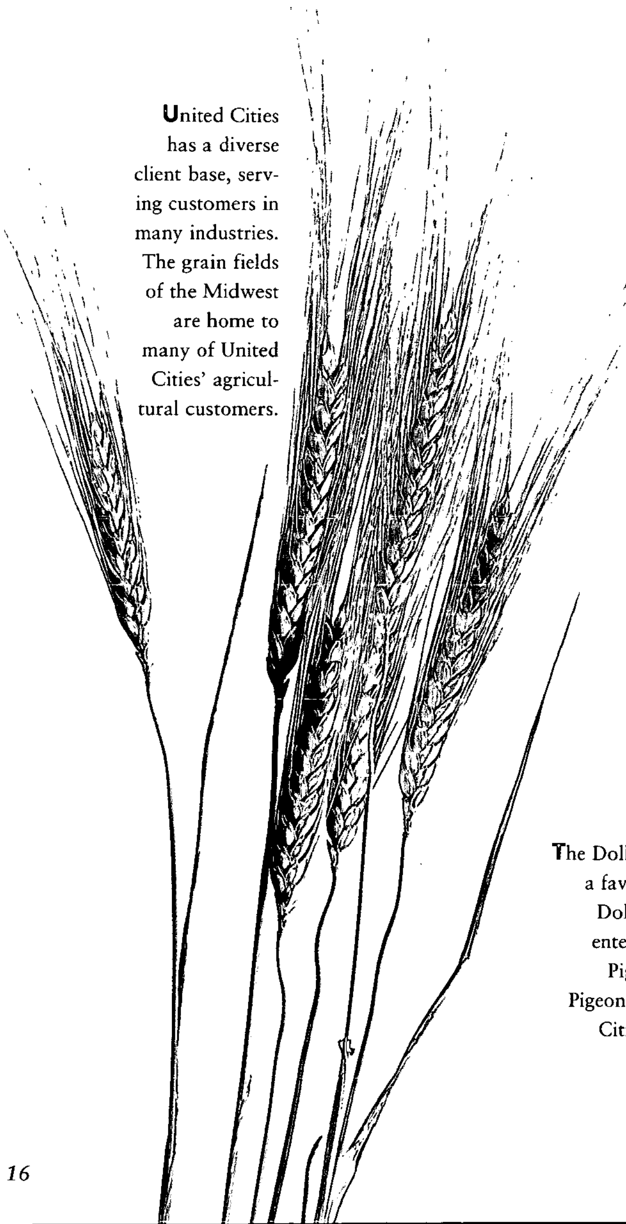
Use of clean-burning natural gas helps preserve the environment for all of us. Toledo Bend Dam & Reservoir in Many, La., is a great place to catch a big one and enjoy the great outdoors.

We believe in partnering with our customers to help them achieve their goals. It's been our pleasure to share in the success of New Iberia customer Bayou Pipe Coating Company — in business for more than 55 years.



Louisiana is famous for good eating. And Prejean's in Lafayette serves up some of the best Cajun cooking in Trans La territory.

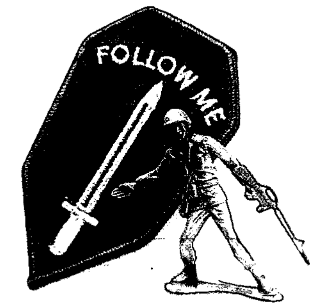
United Cities Gas Co. serves high growth areas surrounding Nashville, Tennessee; East Tennessee and Overland Park, Kansas, and has been a leader in installing residential natural gas heating and cooling units.



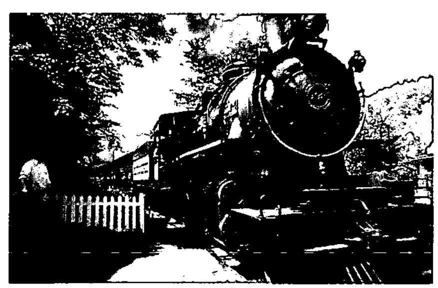
United Cities has a diverse client base, serving customers in many industries. The grain fields of the Midwest are home to many of United Cities' agricultural customers.

CENTER:
Tom Blose, President

REAR FROM LEFT:
David Anglin, Vice President, Operations, Southern Region
Wendy Sadler, Vice President, Human Resources
Gary Price, Vice President, Operations, Central Region
Adrienne Brandon, Vice President and Controller
Bob Elam, Vice President, Operations, Eastern Region
Craig Carmon, Vice President, Business Development
Dan Lindsey, Vice President, Technical Services



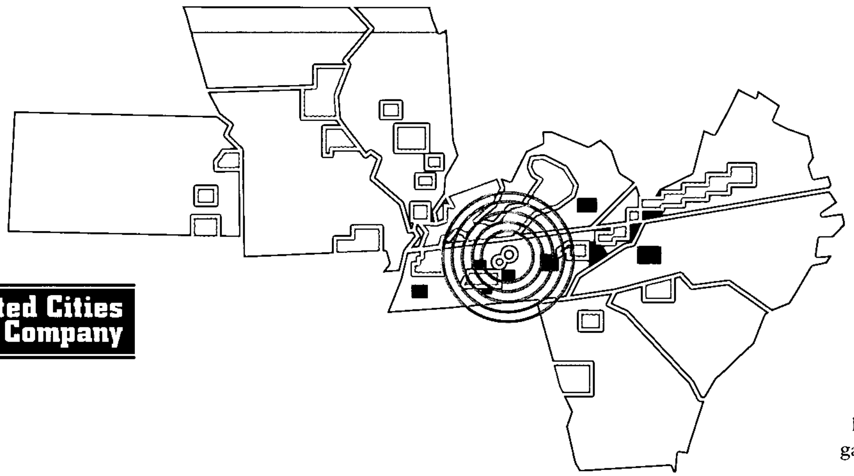
United Cities customer Fort Benning is a three-time winner of the "Best Army Installation in the World" award.



The Dollywood Express is a favorite attraction at Dolly Parton's family entertainment park in Pigeon Forge, Tenn. Pigeon Forge is a United Cities propane town.

At the Cessna Aircraft plant in Independence, Kan., natural gas cures the seal on airplane fuel tanks, dries the paint that covers the planes, and heats three massive buildings.

ABOUT UNITED CITIES GAS CO.: UNITED CITIES OPERATIONS ARE HEADQUARTERED IN BRENTWOOD, TENN., WITH REGIONAL OFFICES IN BRENTWOOD AND JOHNSON CITY, TENN., JOHNSON COUNTY, KAN., AND COLUMBUS, GA. UNITED CITIES HAS **1,193** EMPLOYEES AND **7,945** MILES OF PIPE. OUR SERVICE AREA IS **70,905** SQUARE MILES, HOME TO A POPULATION OF **6.7 MILLION**. WE HAD **3,980** DEGREE DAYS IN 1997; **4,070** DAYS IS NORMAL.WE SERVE AN AVERAGE OF **306,681** CUSTOMERS IN **383** COMMUNITIES. AS A PUBLIC UTILITY COMPANY UNITED CITIES IS REGULATED BY AGENCIES IN EIGHT STATES.

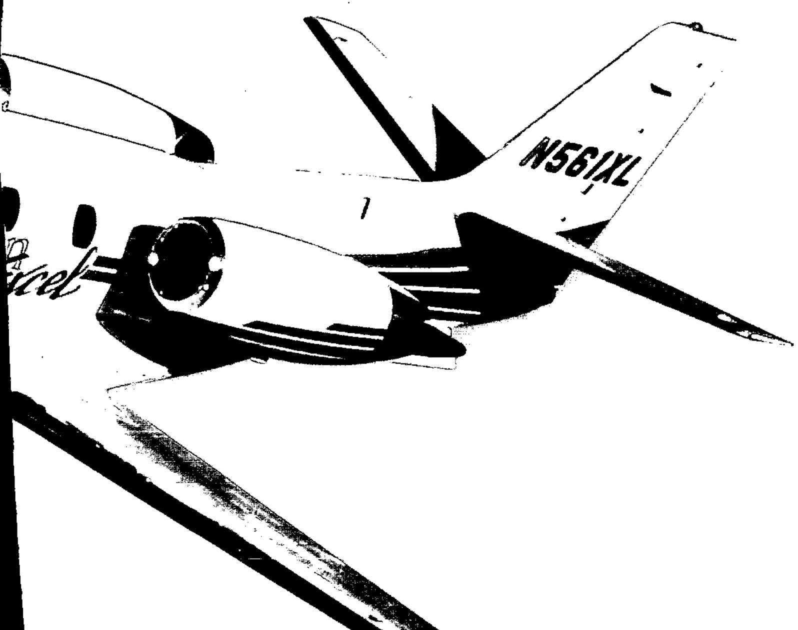


United Cities Gas Company

The only Saturn automobile plant in the world is the pride of Spring Hill, Tenn. — and a United Cities customer. We're proud to play a role in the manufacture of these popular cars.

SATURN®

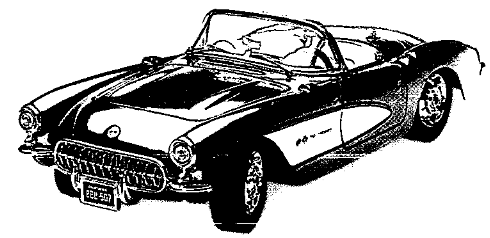
Swift Denim in Columbus, Ga., is the world's largest producer of denim. Natural gas from United Cities keeps Swift's 1,300 employees comfortable as they turn out the fabric used to make the most comfortable of pants.



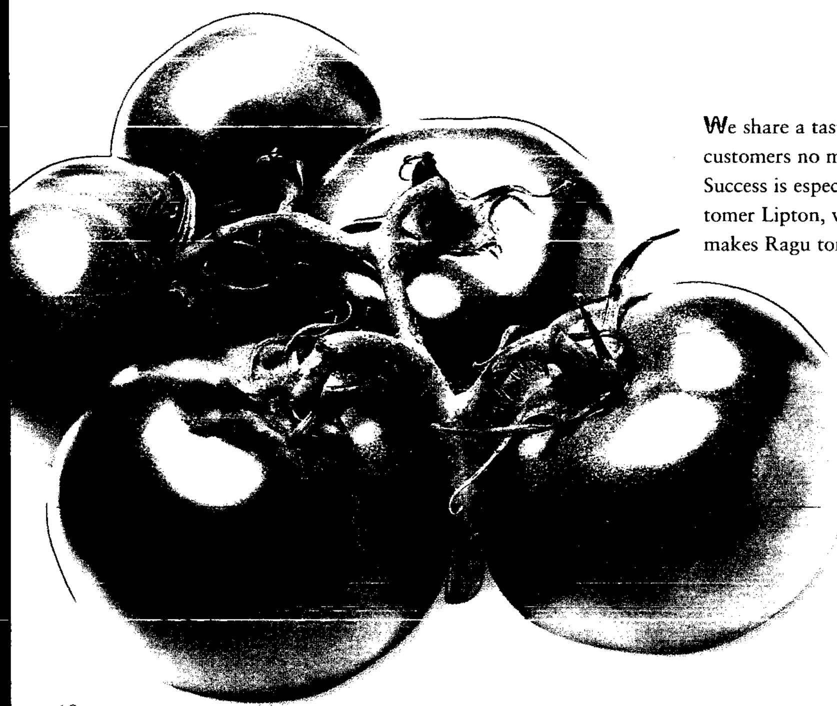
Mark Twain's boyhood home in Hannibal, Mo., is a famous historical landmark. The history of United Cities dates back to 1929.

Western Kentucky Gas Co. serves a large industrial customer base and continues to increase residential and commercial customers through grass-roots networking with homebuilders and serving on local economic development boards.

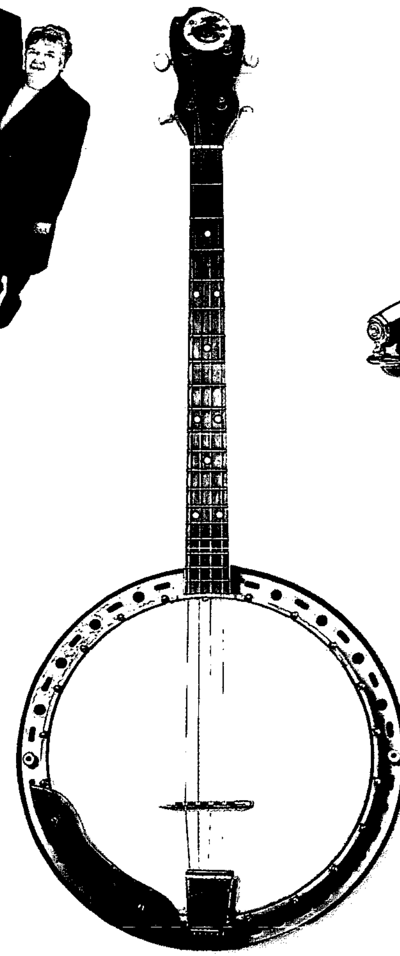
CENTER:
Earl Fischer, President
REAR FROM LEFT:
Kevin Akers, Vice President, Operations, Western Region
Steve Loyal, Vice President, Human Resources
Ric Kissinger, Vice President, Operations, Western Region
Gary Smith, Vice President, Business Development
David Doggette, Vice President, Engineering and Measurement
Betty Adams, Controller



Western Kentucky Gas has a driving ambition to serve the needs of all our customers, including the Bowling Green, Ky., plant that is the world's only manufacturer of Corvettes.

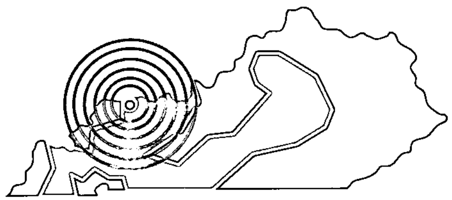


We share a taste for success with all our customers no matter what their business. Success is especially yummy for our customer Lipton, whose Owensboro plant makes Ragu tomato sauce.

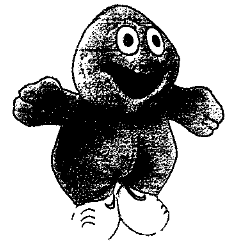


The unmistakable sound of banjo-driven bluegrass music was born in Kentucky's bluegrass region. Western Kentucky Gas was born here too, in 1934.

ABOUT WESTERN KENTUCKY GAS CO.: WESTERN KENTUCKY GAS OPERATIONS ARE HEADQUARTERED IN OWENSBORO, KY., WITH REGIONAL OFFICES IN BOWLING GREEN AND MADISONVILLE, KY. WKG HAS **330** EMPLOYEES AND **3,638** MILES OF PIPE. OUR SERVICE AREA IS **12,000** SQUARE MILES, HOME TO A POPULATION OF **680,000**. WE SERVE AN AVERAGE OF **173,958** CUSTOMERS IN **163** COMMUNITIES. WE HAD **4,178** DEGREE DAYS IN 1997; **4,333** DAYS IS NORMAL. AS A PUBLIC UTILITY COMPANY WESTERN KENTUCKY GAS IS REGULATED BY THE KENTUCKY PUBLIC SERVICE COMMISSION.

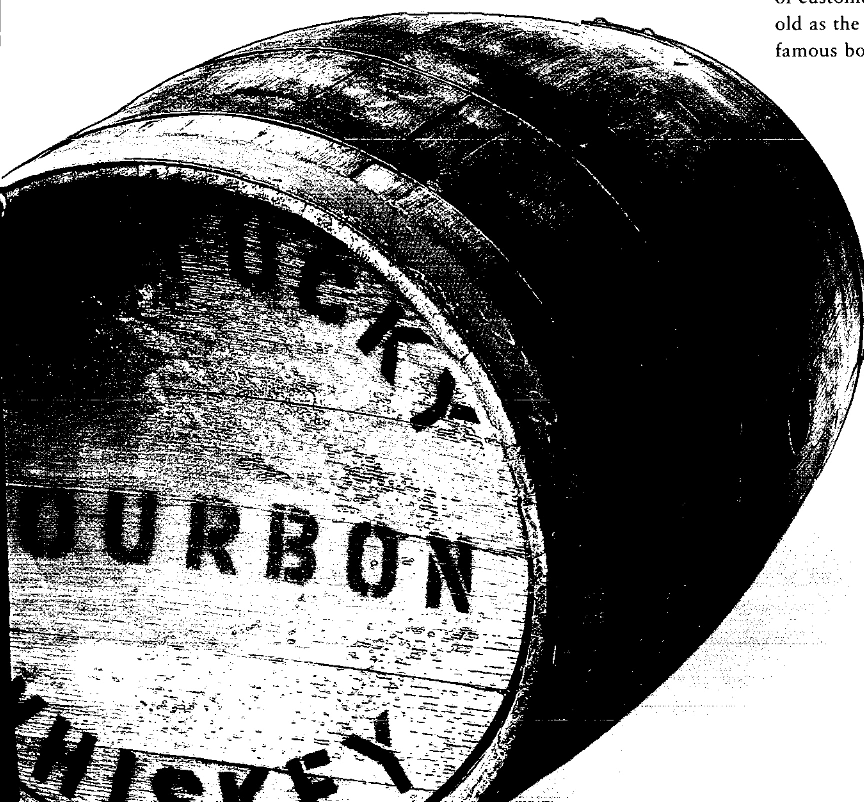


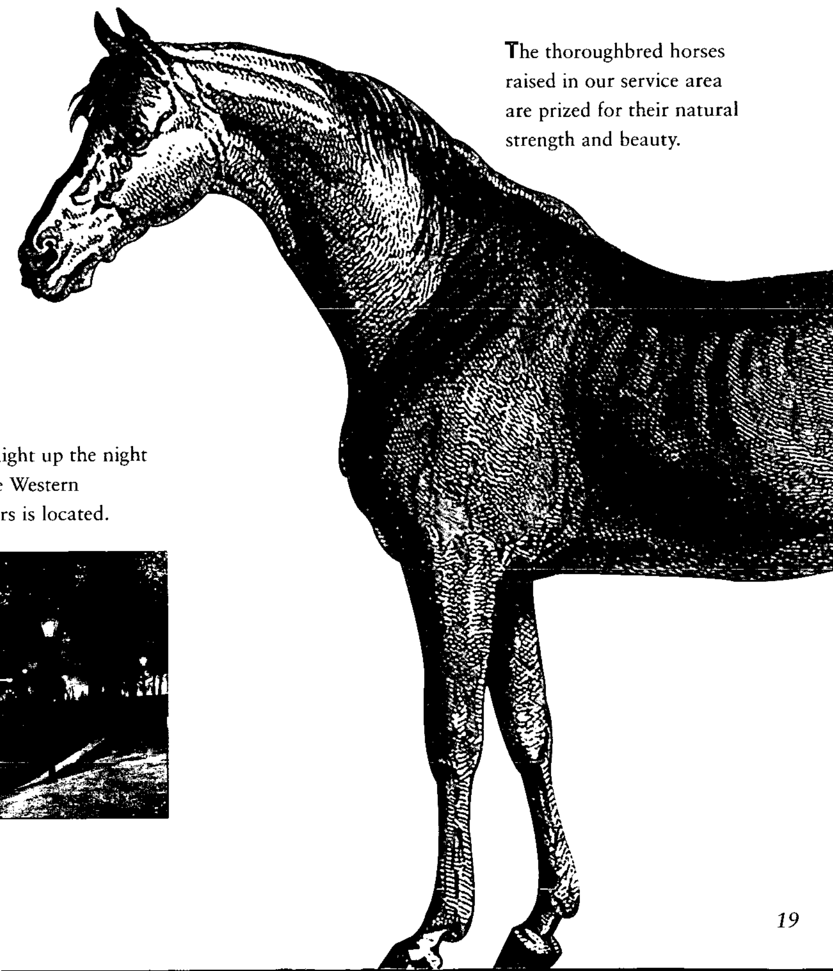
WESTERN KENTUCKY GAS



The benefits of natural gas — it's efficient and environmentally friendly — are worth cheering about. "Big Red" — one of the cutest mascots in the nation — leads the cheering at Western Kentucky University sporting events.

WKG's strong tradition of customer service is as old as the state's world-famous bourbon distillers.





The thoroughbred horses raised in our service area are prized for their natural strength and beauty.

Natural gas street lamps light up the night in Owensboro, Ky., where Western Kentucky Gas headquarters is located.

Update: Non-Utility Operations

accounted for 5 percent of revenues and 14 percent of net income for Atmos in 1997. Our strategy is to expand the non-utility operations, which became a part of the company with the merger of United Cities Gas Company in 1997. These include a propane division and Woodward Marketing, L.L.C., a wholesale natural gas marketing and gas service limited liability corporation in which Atmos owns a 45 percent interest.

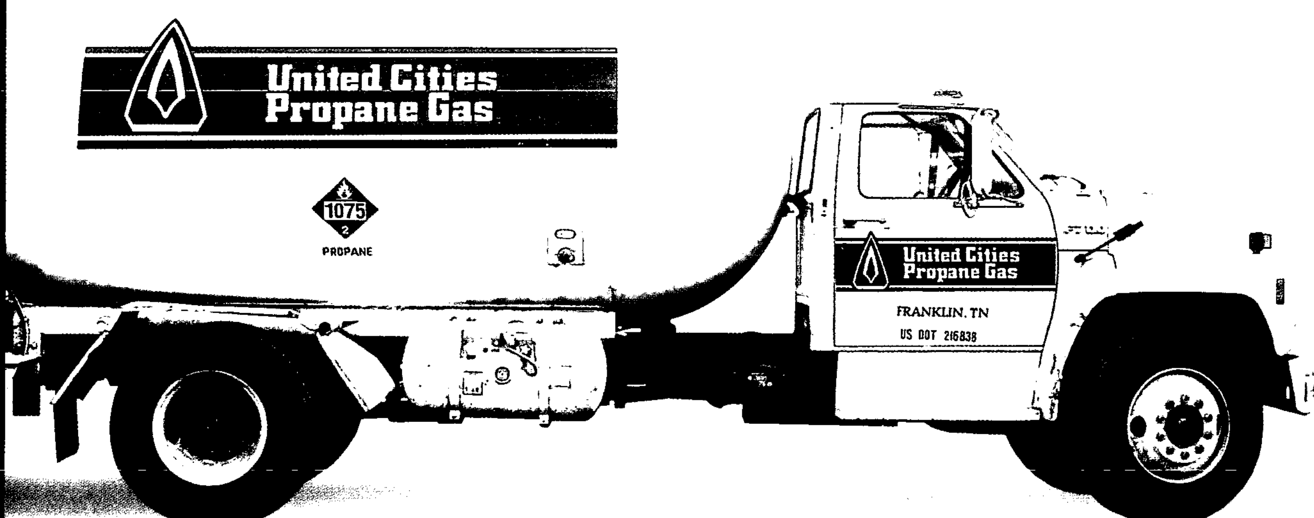
Atmos intends to expand its propane operations through acquisitions and by entering markets in its other territories where propane is an attractive alternative to natural gas.

Propane

The company's Propane Division sells and transports propane to both wholesale and retail customers and is engaged in direct merchandising and repair of propane gas appliances. The 30th largest propane distributor in the nation, the company serves approximately 29,000 propane customers in Tennessee, Kentucky, Virginia and North Carolina. The company has retail storefronts in major operating centers and has approximately 160 employees. The division sold 33 million gallons of propane in 1997, compared with 41 million gallons in 1996. The decrease in volume was the result of warmer than normal winter weather.

United Cities began the propane division in 1976. The propane division has grown through a series of acquisitions, including the addition of 3,100 customers in 1997 from the purchase of Harlan LP Gas Inc. for approximately $2.2 million. United Cities Propane Gas' primary competitors in the propane market are independent operators and co-ops.

The company plans to continue growth through propane acquisitions and to expand in propane markets in Atmos service areas where natural gas distribution systems are difficult or expensive to construct. The division also is continuing a program of reducing operating costs in order to increase its market share by offering the best possible price.



CENTER
Tony Slayden, Vice President and General Manager

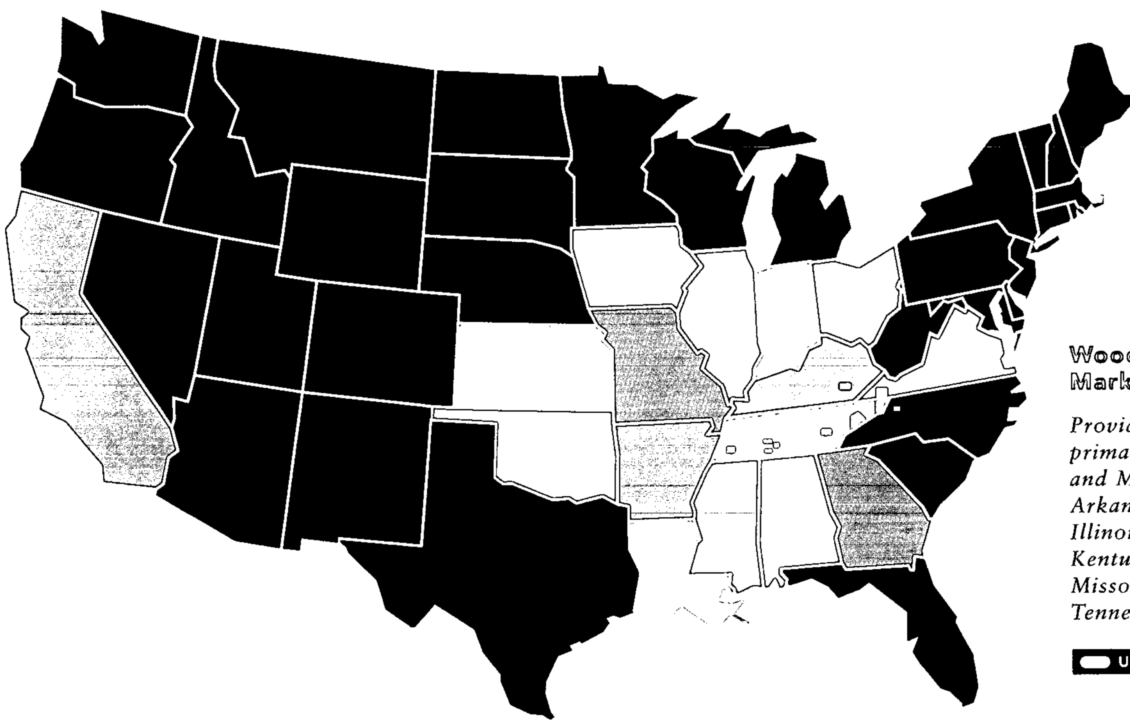
REAR FROM LEFT
Sherry Taylor, Vice President, Accounting
Angie Cundiff, Coordinator, Human Resources

Woodward Marketing

The company owns a 45 percent interest in Woodward Marketing, L.L.C. of Houston, Texas, which it acquired in 1995. Woodward provides natural gas services to the company, industrial customers, municipalities and natural gas utilities primarily in the Southeast and Midwest (see map). With the unbundling of the natural gas industry at the industrial, wholesale and large commercial customer level, the responsibility for management of natural gas supply acquisition, transportation and storage has shifted from the interstate pipeline system to utilities and industrial customers. Woodward Marketing provides cost-competitive, efficient, re-bundled city gate services to customers. Management services include contract negotiation and administration, load forecasting, nominations and scheduling, storage management, capacity utilization and pricing/risk management. Woodward enjoys a high level of customer satisfaction. In a 1997 industry survey, Woodward Marketing was rated the second highest in customer satisfaction.

Established in 1986, Woodward Marketing is headed by President J.D. Woodward III, who has more than 26 years of experience in the energy industry, and Executive Vice President James M. Kifer, who has more than 15 years of experience in the industry. Kifer held various energy-related management positions with a number of large industrial companies before joining Woodward in 1987.

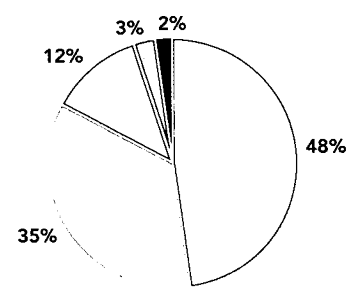
Atmos intends to assist Woodward in increasing its natural gas customer base and in exploring the opportunities for electricity marketing as an added service for its growing customer base.



Woodward Marketing, L.L.C.

Provides services to customers primarily throughout the Southeast and Midwest including: Alabama, Arkansas, California, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Mississippi, Missouri, Ohio, Oklahoma, Tennessee and Virginia.

UNITED CITIES PROPANE



Propane Sales Volumes (Gallons)

- **transportation**
- **residential**
- **commercial**
- **industrial**
- **public authority and other**

Shared Services

Atmos has achieved important economies of scale and efficiencies in its day-to-day operations by providing services to its operating divisions through units with exceptional technical expertise and transaction processing capabilities that benefit every Atmos division. These "shared services" units include important processes such as accounting, customer billing, remittance processing, treasury, purchasing, legal, human resources, marketing, information technology, price, policy and administration, investor relations and corporate communications, and gas supply. Atmos believes there is a competitive advantage in providing these expertise and transaction-based services from one unit rather than replicating them in every division. The shared services structure also has enabled Atmos to quickly and cost effectively integrate the operations of acquired companies. The company is equipped to accommodate future growth without significant shared services staff additions. ¶ Many companies are striving to achieve this structure, which Atmos has used successfully for more than a decade. The shared services concept has worked well at Atmos in the past, and we expect this to continue into the future. As in every area of our business, we are working to further enhance the quality and responsiveness of our shared services to our business units.

Senior Management Team

CENTER:
Robert W. Best, Chairman of the Board, President and Chief Executive Officer

REAR FROM LEFT:
Wynn D. McGregor, Vice President, Human Resources
Larry J. Dagley, Executive Vice President and Chief Financial Officer
J. Charles Goodman, Executive Vice President, Operations
Glen A. Blanscet, Vice President, General Counsel and Corporate Secretary
Mary S. Lovell, Senior Vice President, Utility Services
Donald E. James, Senior Vice President, Public Affairs

Financial Information

Shared Services

GROUP ONE, FROM LEFT

Gordon J. Roy, Vice President, Gas Supply
Lynn L. Hord, Vice President,
Investor Relations and Corporate Communications
Don P. Burman, Treasurer

GROUP TWO FRONT, FROM LEFT

Lee A. Everett, Vice President, Price Policy and Administration
David L. Bickerstaff, Vice President and Controller

REAR FROM LEFT

Gene Mattingly, Vice President, Business Development
Cleaburne H. Fritz, Vice President, Information Technology
Mark G. Thessin, Vice President, Regulatory Affairs
Tom S. Hawkins, Jr., Vice President, Planning and Budgeting
Ron W. McDowell, Vice President, New Business Ventures

Consolidated Balance Sheets

(In thousands, except share data)

	September 30, 1997	September 30, 1996
ASSETS		
Property, plant and equipment	$1,301,004	$1,198,557
Construction in progress	31,668	21,217
	1,332,672	1,219,774
Less accumulated depreciation and amort.	483,545	449,563
Net property, plant and equipment	849,127	770,211
Current assets		
Cash and cash equivalents	6,016	11,134
Accounts receivable, less allowance for doubtful accounts of $2,188 in 1997 and $2,462 in 1996	71,217	103,415
Inventories	12,333	13,895
Gas stored underground	48,122	43,350
Prepayments	6,017	2,809
Total current assets	143,705	174,603
Deferred charges and other assets	95,479	65,796
	$1,088,311	$1,010,610
CAPITALIZATION AND LIABILITIES		
Shareholders' equity		
Common stock, no par value (stated at $.005 per share); authorized 75,000,000 shares; issued and outstanding 1997 – 29,642,437 shares, 1996 – 29,241,859 shares	$ 148	$ 146
Additional paid-in capital	251,174	241,658
Retained earnings	75,938	87,778
Total shareholders' equity	327,260	329,582
Long-term debt	302,981	276,162
Total capitalization	630,241	605,744
Current liabilities		
Current maturities of long-term debt	15,201	16,679
Notes payable to banks	167,300	128,488
Accounts payable	62,626	80,321
Taxes payable	416	11,201
Customers' deposits	15,098	16,812
Other current liabilities	52,582	23,866
Total current liabilities	313,223	277,367
Deferred income taxes	87,828	72,073
Deferred credits and other liabilities	57,019	55,426
	$1,088,311	$1,010,610

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

(In thousands, except per share data)	YEAR ENDED SEPTEMBER 30, 1997	1996	1995
Operating revenues	**$906,835**	$886,691	$749,555
Purchased gas cost	**577,181**	562,279	449,397
Gross profit	**329,654**	324,412	300,158
Operating expenses			
Operation	**173,683**	148,196	146,624
Maintenance	**11,974**	11,719	11,350
Depreciation and amortization	**45,257**	41,666	40,597
Taxes, other than income	**32,131**	30,254	29,626
Income taxes	**14,298**	23,316	16,544
Total operating expenses	**277,343**	255,151	244,741
Operating income	**52,311**	69,261	55,417
Other income (expense)			
Interest and investment income	**5,410**	3,867	3,290
Other, net	**(288)**	(300)	287
Total other income (expense)	**5,122**	3,567	3,577
Interest charges	**33,595**	31,677	30,186
Net income	**$ 23,838**	$ 41,151	$ 28,808
Net income per share	**$ .81**	$ 1.42	$ 1.06
Cash dividends per share	**$ 1.01**	$ .98	$ .96
Average shares outstanding	**29,409**	28,978	27,208

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

(In thousands, except share data)

	COMMON STOCK			
	Number of shares	Stated value	Additional paid-in capital	Retained earnings
Balance, September 30, 1994	25,910,607	$130	$196,487	$ 70,967
Net income	-	-	-	28,808
Cash dividends ($.96 per share)	-	-	-	(26,197)
Common stock issued:				
Restricted stock grant plan	13,000	-	202	-
Direct stock purchase plans	388,484	2	5,832	-
ESOP/401(k) plans	233,789	1	4,173	-
Woodward Marketing acq.	320,512	2	4,998	-
Public offering	1,380,000	6	18,893	-
Other	-	-	45	-
Balance, September 30, 1995	28,246,392	141	230,630	73,578
Net income	-	-	-	41,151
Cash dividends ($.98 per share)	-	-	-	(28,478)
Common stock issued:				
Restricted stock grant plan	41,700	1	733	-
Direct stock purchase plans	268,124	1	4,563	-
Outside directors stock-for-fee plan	3,389	-	76	-
ESOP	161,477	1	3,641	-
Monarch Gas Co. acq.	207,366	1	1,499	933
Oceana Heights acq.	313,411	1	304	594
Other	-	-	212	-
Balance, September 30, 1996	29,241,859	146	241,658	87,778
Net income	-	-	-	23,838
Cash dividends ($1.01 per share)	-	-	-	(26,415)
Common stock issued:				
Restricted stock grant plan	100,000	1	2,443	-
Direct stock purchase plans	85,243	-	1,888	-
Outside directors stock-for-fee plan	3,008	-	72	-
ESOP/401(k) plans	212,327	1	5,113	-
Less: UCGC net income for the quarter ended December 31, 1996	-	-	-	(9,263)
Balance, September 30, 1997	29,642,437	$148	$251,174	$75,938

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(In thousands)	YEAR ENDED SEPTEMBER 30, 1997	1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	**$ 14,575**	$ 41,151	$ 28,808
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization			
Charged to depreciation and amortization	**39,970**	41,666	40,597
Charged to other accounts	**2,237**	3,580	3,601
Deferred income taxes	**5,807**	7,585	4,652
Other	**-**	(1,866)	293
Change in assets and liabilities			
(Increase) decrease in accounts receivable	**32,198**	(12,697)	(9,199)
(Increase) decrease in inventories	**1,562**	(1,238)	(827)
(Increase) decrease in gas stored underground	**(4,772)**	(15,949)	11,707
(Increase) decrease in prepayments	**(3,208)**	1,966	(419)
Increase in deferred charges and other assets	**(29,683)**	(4,623)	(10,832)
Increase (decrease) in accounts payable	**(17,695)**	23,796	3,415
Increase (decrease) in taxes payable	**(837)**	7,099	162
Increase (decrease) in customers' deposits	**(1,714)**	592	1,235
Increase (decrease) in other current liabilities	**28,716**	(4,165)	5,096
Increase in deferred credits and other liabilities	**1,593**	4,836	854
Net cash provided by operating activities	**68,749**	91,733	79,143
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	**(122,312)**	(117,589)	(103,904)
Retirements of property, plant and equipment	**1,189**	5,708	2,456
Net cash used in investing activities	**(121,123)**	(111,881)	(101,448)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase (decrease) in notes payable	**38,812**	62,675	(38,475)
Proceeds from issuance of long-term debt	**40,000**	-	67,000
Repayment of long-term debt	**(14,659)**	(20,734)	(10,347)
Cash dividends paid	**(26,415)**	(28,478)	(26,197)
Issuance of common stock	**9,518**	8,523	34,109
Net cash provided by financing activities	**47,256**	21,986	26,090
Net increase (decrease) in cash and cash equivalents	**(5,118)**	1,838	3,785
Cash and cash equivalents at beginning of year	**11,134**	9,296	5,511
Cash and cash equivalents at end of year	**$ 6,016**	$ 11,134	$ 9,296

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

ONE Summary of significant accounting policies

Description of business Atmos Energy Corporation and its subsidiaries ("Atmos" or the "Company") are in the business of distributing natural gas to residential, commercial, industrial and agricultural customers within service areas located in Texas, Louisiana, Kentucky, Colorado, Kansas, Illinois, Tennessee, Iowa, Virginia, Georgia, South Carolina and Missouri. Such business is subject to federal and state regulation and/or regulation by local authorities in each of the twelve states in which the Company operates. In connection with the acquisition of United Cities Gas Company (See Note 2), the Company also acquired non-utility businesses operated through UCG Energy Corporation ("UCG Energy") and United Cities Gas Storage Company ("UCG Storage"). They are involved in propane sales and distribution, gas marketing, rental of real estate, equipment and appliances, and natural gas storage services. None of the non-utility operations constitute a material business segment.

Principles of consolidation The accompanying consolidated financial statements include the accounts of Atmos Energy Corporation and its subsidiaries. Each subsidiary is wholly owned and all material intercompany items have been eliminated. Investments in 50%-or-less owned joint ventures or partnerships are accounted for by the equity method or the cost method, as appropriate.

Restatement for pooling of interests The consolidated financial statements for all prior periods presented have been restated for the pooling of interests of the Company with United Cities Gas Company in July 1997. Certain changes in account classifications have been made to conform United Cities Gas Company's classifications to Atmos' presentation.

Regulation The Company's utility operations are subject to regulation with respect to rates, service, maintenance of accounting records and various other matters by the respective regulatory authorities in the states in which it operates. The consolidated financial statements are based on generally accepted accounting principles. Atmos' accounting policies recognize the financial effects of the ratemaking and accounting practices and policies of the various regulatory commissions.

Revenue recognition Sales of natural gas are billed on a monthly cycle basis; however, the billing cycle periods for certain classes of customers do not necessarily coincide with accounting periods used for financial reporting purposes. The Company follows the revenue accrual method of accounting for natural gas revenues whereby revenues applicable to gas delivered to customers but not yet billed under the cycle billing method are estimated and accrued and the related costs are charged to expense. Estimated losses due to credit risk are reserved at the time revenue is recognized.

Property, plant and equipment Property, plant and equipment is stated at original cost net of contributions in aid of construction. The cost of additions includes an allowance for funds used during construction and applicable overhead charges. Major renewals and betterments are capitalized, while the costs of maintenance and repairs are charged to expense as incurred. Property, plant and equipment is depreciated at various rates on a straight-line basis over the estimated useful lives of the assets. The composite rates were 3.9% and 3.7% for the years ended September 30, 1997 and 1996, respectively. At the time property, plant and equipment is retired, the cost, plus removal expenses and less salvage, is charged to accumulated depreciation.

Inventories Inventories consist of materials and supplies and merchandise held for resale. Inventories are stated at the lower of average cost or market.

Gas stored underground Net additions of inventory gas to underground storage and withdrawals of inventory gas from storage are priced using the average cost method for Atmos, except for the United Cities Division, where it is priced on the first-in first-out method. Propane is priced at average cost. Gas stored underground and owned by UCG Storage is priced on the last-in first-out ("LIFO") method. In accordance with the United Cities Division's PGA clause, the liquidation of a LIFO layer would be reflected in subsequent gas adjustments in customer rates and does not affect the results of operations. Non-current gas in storage is classified as property, plant and equipment and is priced at cost.

Income taxes The Company provides deferred income taxes for significant temporary differences in the recognition of revenues and expenses for tax and financial reporting purposes.

Cash and cash equivalents The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Deferred charges and other assets Deferred charges and other assets at September 30, 1997 and 1996 include assets of the Company's qualified defined benefit retirement plans in excess of the plans' obligations in the amounts of $11,557,000 and $11,810,000, respectively, and Company assets related to the nonqualified retirement plans at September 30, 1997 and 1996 of $21,210,000 and $17,808,000, respectively.

Deferred credits and other liabilities Deferred credits and other liabilities include customer advances for construction of $10,072,000 and $9,753,000 at September 30, 1997 and 1996, respectively; obligations under capital leases of $3,047,000 and $2,769,000 at September 30, 1997 and 1996, respectively; and obligations under the Company's nonqualified retirement plans of $22,167,000 and $20,313,000 at September 30, 1997 and 1996, respectively.

Earnings per share The calculation of primary earnings per share is based on reported net income divided by weighted average common shares outstanding. The Company does not have other classes of stock or dilutive common stock equivalents.

Use of estimates The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recently issued accounting standards not yet adopted The Company has not yet adopted Statement of Financial Accounting Standards No. 128 "Earnings per Share." The Statement is effective for Atmos' fiscal year 1998 and earlier adoption is not permitted. The Statement requires restatement of all prior-period EPS data presented.

The Company has not yet adopted Statement of Financial Accounting Standards No. 130 "Reporting Comprehensive Income." The Statement will be effective for Atmos' fiscal year 1999. It establishes standards for reporting and display of comprehensive income and its components (revenues, expenses, gains, and losses) in a full set of general-purpose financial statements. Reclassification of financial statements for earlier periods provided for comparative purposes is required.

The Company has not yet adopted Statement of Financial Accounting Standards No. 131 "Disclosures about Segments of an Enterprise and Related Information." The Statement will be effective for Atmos' fiscal year 1999. It establishes standards for the way that public business enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports issued to shareholders. In the initial year of application, comparative information for earlier years is to be restated.

The Company believes that adoption of these Statements will not have a material impact on its financial condition, results of operations, or cash flows.

TWO Business combinations

On July 31, 1997 Atmos acquired by means of a merger all of the assets and liabilities of United Cities Gas Company ("UCGC") in accordance with the terms and provisions of an Agreement and Plan of Reorganization dated July 19, 1996 and amended October 3, 1996. A total of 13,320,221 shares of Atmos common stock were issued in a one-for-one exchange for all outstanding shares of UCGC common stock. UCGC was a natural gas utility company engaged in the distribution and sale of natural gas to approximately 306,000 customers in Georgia, Illinois, Iowa, Kansas, Missouri, South Carolina, Tennessee, and Virginia, and in the sale of propane to approximately 29,000 customers in Kentucky, North Carolina, Tennessee, and Virginia. Its assets consisted of the property, plant and equipment used in its natural gas and propane sales and distribution businesses. With the completion of the merger, Atmos serves over 1,000,000 customers in 13 states.

UCGC was merged with and into Atmos by means of a tax-free reorganization. The transaction was accounted for as a pooling of interests; therefore, all historical financial statements and notes thereto have been restated. UCGC prepared its financial statements on a December 31 fiscal year end. UCGC's fiscal year has been changed to September 30 to conform to the Company's year end. The restated September 30, 1996 balance sheet, as presented, is the combined balance sheets of Atmos as of September 30, 1996 and UCGC as of December 31, 1996. The restated consolidated statements of income and cash flows for the years ended September 30, 1996 and 1995 include Atmos operations for the years then ended and UCGC operations for the years ended December 31, 1996 and 1995. The consolidated statement of income for the year ended September 30, 1997 includes Atmos and UCGC operations for the twelve months then ended. As a result, UCGC's operations for the three months ended December 31, 1996 (operating revenues of $122,971,000 and net income of $9,263,000) are included in both the 1997 and 1996 consolidated statements of income, the UCGC net income for this period has been deducted in calculating the shareholders' equity balances at September 30, 1997 and cash flows for the year then ended. Certain account reclassifications were made to conform UCGC's classifications to Atmos' presentation.

Following the merger, UCGC's business has been operated as United Cities Gas Company, a division of Atmos ("United Cities Division") and integration of the companies has begun. The United Cities Division will be structured like other divisions of Atmos. To achieve this structure, approximately 560 utility positions in the United Cities Division will be eliminated by September 1998. An additional 75 Atmos positions will be eliminated as part of the integration, resulting in approximately 635 total position reductions in the combined company by September 1998. Atmos also has initiated plans to enhance its customer service in Texas, Louisiana, Kentucky, Colorado, Kansas and Missouri through business process changes which will result in a net reduction of approximately 240 positions. These changes include restructuring business office operations, establishing a network of payment centers and creating a customer support call center.

Atmos estimates the cost of the merger and integration will total approximately $17,000,000 for the transaction costs and $32,000,000 for the separation and other costs. The Company believes there are substantial longer term benefits to its customers and shareholders from the merger of the two companies, which are expected to result in operating cost savings over the next 10 years totaling approximately $375,000,000. The Company believes a significant amount of the costs to achieve these benefits will be recovered through rates and future operating efficiencies of the combined operations.

The Company recorded as regulatory assets the costs of the merger and integration of the United Cities Division as discussed above, along with the costs of the customer service initiative, which are primarily separation costs and are estimated to be approximately $12,000,000 through September 30, 1997. However, the Company established a general reserve of approximately $20,340,000 ($12,630,000 after-tax), to account for costs that may not be recovered through rates. Since the substantial portion of the costs are related to position eliminations between July 31, 1997 and July 31, 1998 and fees payable at the close of the merger, the Company recorded these costs in the fourth quarter of fiscal year 1997 when the merger was completed, separation plans were approved by the Board of Directors, and announcements were made to employees.

Results of operations and net income for the previously separate companies for the periods prior to the merger are as follows:

(In thousands)	10 MONTHS ENDED JULY 31, 1997	YEAR ENDED SEPTEMBER 30, 1996	1995
	(Unaudited)		
Operating revenues:			
Atmos	$ 474,069	$483,744	$435,820
UCGC	356,325	402,947	313,735
	$ 830,394	$886,691	$749,555
Net income:			
Atmos	$ 23,079	$ 23,949	$ 18,873
UCGC	19,434	17,202	9,935
	$ 42,513	$ 41,151	$ 28,808
Dividends per share:			
Atmos	$ .75	$ .96	$ .92
UCGC	$ .76	$ 1.02	$ 1.02

THREE Rates

As of September 30, 1997, the Company did not have any rate cases currently pending except for a "show cause" hearing scheduled to review rates in Colorado before the Colorado Public Utility Commission in December 1997. Rate cases completed during the three years ended September 30, 1997 are summarized below.

In November 1996, UCGC filed to increase rates on an annual basis by $1,234,000 to approximately 23,000 customers in the state of Illinois. Effective July 9, 1997, the Illinois Commerce Commission granted a rate increase of $428,000 in annual revenues. The increase will be followed by a rate moratorium until June 2000. Effective December 2, 1996, UCGC received an annual rate increase of $3,160,000 for approximately 70,000 customers in the state of Georgia. UCGC had filed in May 1996 to increase rates by $5,003,000 on an annual basis. Effective May 17, 1996, UCGC received an annual rate increase of $410,000 in the state of Iowa. UCGC had filed to increase rates by $750,000 on an annual basis. Included in the rate increase in Iowa was the recovery of $1,787,000 over a ten-year period related to UCGC's agreement with Union Electric Company ("Union Electric") whereby Union Electric agreed to assume responsibility for UCGC's continuing investigation and environmental response action obligations as outlined in the feasibility study pertaining to a manufactured gas plant site in Keokuk, Iowa.

Effective November 15, 1995, UCGC received an annual rate increase of $2,227,000 in the state of Tennessee. UCGC had filed to increase rates by $3,951,000 on an annual basis. Effective October 14, 1995, UCGC received an annual rate increase of $903,000 in the state of Missouri. UCGC had filed to increase rates by $1,100,000 on an annual basis. Effective September 1, 1995, UCGC received an annual rate increase of $2,700,000 in the state of Kansas. UCGC had filed to increase rates by $4,230,000 on an annual basis. Effective February 7, 1995, UCGC received an annual rate increase of $253,000 in the state of South Carolina. UCGC had filed to increase rates by $341,000 on an annual basis.

The Georgia Public Service Commission and the Tennessee Regulatory Authority have approved Weather Normalization Adjustments ("WNAs"). The WNAs, effective October through May each year in Georgia and November through April each year in Tennessee, allow the United Cities Division to increase the base rate portion of customers' bills when weather is warmer than normal and decrease the base rate when weather is colder than normal. The net effect of the WNAs was an increase/(decrease) in revenues of $2,643,000, ($2,612,000) and $1,030,000 in 1997, 1996 and 1995, respectively.

In April 1995, UCGC filed to increase rates on an annual basis by $810,000 to approximately 18,000 customers in the state of Virginia. UCGC was granted permission by the Virginia State Corporation Commission ("Virginia Commission") to implement the proposed 3% rate increase, subject to refund, effective September 29, 1995. In May 1997, the Virginia Commission issued an order approving a rate increase of .4%, effective September 29, 1995, which is expected to generate additional annual revenues of $103,000. Money over-collected from customers under the interim rates was credited to customer accounts with interest.

Effective April 1, 1995, and for an experimental two-year period, the PGA clause in Tennessee was modified by an incentive rate program which compares UCGC purchased gas prices to market prices. The gains or losses recognized by UCGC as a result of the incentive program were limited to a maximum of $25,000 per month in the plan year ended March 31, 1996, and limited to a maximum of $600,000 per year in the plan year ended March 31, 1997. UCGC recognized gains related to the incentive programs in Tennessee of $675,000 and $213,000 for fiscal 1996 and 1995, respectively. On March 5, 1997, the Tennessee Court of Appeals (the "Court") issued a decision reversing and remanding the Tennessee Regulatory Authority's order which approved the incentive rate program for the plan year ending March 31, 1997. UCGC has filed to make the program permanent, effective April 1, 1997 and a hearing has not been held as of this date. An experimental incentive rate program similar to the Tennessee program has also been approved in Georgia for a two-year period that began April 1, 1997.

In May 1996, the Company filed to increase revenues by approximately $7.7 million for a portion of its Energas Division service area, which includes approximately 200,000 customers inside the city limits of 67 cities in West Texas. All cities either approved, or took no action to reject, a settlement allowing a $5.3 million increase in annual revenues to be effective for bills rendered on or after November 1, 1996. In October 1996, the Company filed a rate request with the Railroad Commission of Texas to increase revenues by approximately $.5 million for the remaining 22,000 rural customers in West Texas. The rate request was approved and became effective in April 1997.

In February 1995, the Company filed with the Kentucky Public Service Commission (the "Kentucky Commission") for a rate increase for its Western Kentucky Division, which includes approximately 171,000 customers. In October 1995, the Kentucky Commission issued an order authorizing the Company to increase its rates by $2.3 million annually effective November 1, 1995, and by an additional $1.0 million annually beginning in March 1996. The settlement included a decrease in depreciation rates, recovery of expenses related to adoption of Statement of Financial Accounting Standards No. 106 and included a provision for the Company to begin a three-year demand-side management pilot program for the 1996-97 heating season, which could cost up to $450,000 annually, resulting in a total annual operating income increase of approximately $4.0 million. In fiscal 1997 the Company incurred costs of approximately $218,000 on the demand-side management pilot program.

FOUR Income taxes

The components of income tax expense for 1997, 1996 and 1995 are as follows:

(In thousands)	1997	1996	1995
Current	**$ 8,917**	$16,156	$12,319
Deferred	**5,807**	7,585	4,652
Investment tax credits	**(426)**	(425)	(427)
	$14,298	$23,316	$16,544

Included in the provision for income taxes are state income taxes of $2,000,000, $2,801,000, and $1,552,000 for 1997, 1996, and 1995, respectively.

Deferred income taxes reflect the tax effect of differences between the basis of assets and liabilities for book and tax purposes. The tax effect of temporary differences that give rise to significant components of the deferred tax liabilities and deferred tax assets at September 30, 1997 and 1996 are presented below:

(In thousands)	1997	1996
Deferred tax assets		
Costs expensed for book purposes and capitalized for tax purposes	**$ 641**	$ 1,087
Accruals not currently deductible for tax purposes	**12,398**	3,460
Customer advances	**3,160**	2,629
Nonqualified benefit plans	**9,118**	8,238
Postretirement benefits	**5,757**	3,819
Unamortized investment tax credit	**1,723**	1,593
Regulatory liabilities	**3,117**	3,035
Other, net	**3,758**	1,776
Total deferred tax assets	**39,672**	25,637
Deferred tax liabilities		
Difference in net book value and net tax value of assets	**(102,038)**	(87,604)
Pension funding	**(4,190)**	(4,734)
Gas cost adjustment	**(6,568)**	(655)
Regulatory assets	**(8,673)**	(1,529)
Other, net	**(6,031)**	(3,188)
Total deferred tax liabilities	**(127,500)**	(97,710)
Net deferred tax liabilities	**$ (87,828)**	$(72,073)
SFAS No. 109 deferred accounts for rate regulated entities (included in other deferred credits)	**$ 15,072**	$ (3,904)

Reconciliations of the provisions for income taxes computed at the statutory rate to the reported provisions for income taxes for 1997, 1996 and 1995 are set forth below:

(In thousands)	Liability Method 1997	1996	1995
Tax at statutory rate of 35%	**$13,348**	$22,564	$15,873
Common stock dividends deductible for tax reporting	**(706)**	(684)	(619)
State taxes	**1,300**	2,000	951
Other, net	**356**	(564)	339
Provision for income taxes	**$14,298**	$23,316	$16,544

FIVE Contingencies

Litigation On March 15, 1991, suit was filed in the 15th Judicial District Court of Lafayette Parish, Louisiana, by the "Lafayette Daily Advertiser" and others against the Trans Louisiana Gas Company ("Trans La Division"), Trans Louisiana Industrial Gas Company, Inc. ("TLIG"), a wholly owned subsidiary of the Company, and Louisiana Intrastate Gas Corporation and certain of its affiliates ("LIG"). LIG is the Company's primary supplier of natural gas in Louisiana and is not otherwise affiliated with the Company.

The plaintiffs purported to represent a class consisting of all residential and commercial gas customers in the Trans La Division's service area. Among other things, the lawsuit alleged that the defendants violated antitrust laws of the state of Louisiana by manipulating the cost-of-gas component of the Trans La Division's gas rate to the purported customer class, thereby causing such purported class members to pay a higher rate. The plaintiffs made no specific allegation of an amount of damages.

On July 14, 1995, the Louisiana Commission entered an order approving a settlement with the Company and TLIG in connection with its investigation of the costs included in the Trans La Division's purchased gas adjustment component in its rates. The order exonerated the Company of any wrongdoing with respect to the manipulation of the cost of gas component of its gas rate to residential and commercial customers. In the settlement, the Company agreed to refund approximately $541,000 plus interest to the Trans La Division's customers over a two-year period due to certain issues related to the calculation of the weighted average cost of gas. The refund totaling approximately $1,016,000, which includes interest calculated through October 1, 1995, began in September 1995 and was credited to customer bills along with interest that accrued after October 1, 1995. The Company completed the refunds, refunding $533,000 under the settlement for the twelve months ended September 30, 1997. Most of the issues that generated the refunds arose before Trans Louisiana Gas Company was acquired by the Company in 1986.

On April 18, 1997, the Louisiana Commission entered its Order approving a settlement between LIG and the Louisiana Commission pursuant to which LIG will make a payment of $10,275,000 to the Trans La Division for the benefit of its ratepayers. This settlement resolves all remaining issues in the Louisiana proceeding discussed above. Pursuant to the Order, the Trans La Division has been ordered to flow through a total of $9,725,000 of the LIG settlement, plus accrued interest, to its customers in the form of credits to customers bills for the months November 1997 through March 1998. The remaining $550,000 will be credited one half to TLIG with the other half credited to the Trans La Division for legal fees. The Order became final on June 2, 1997 when no appeals had been filed during the appeal period which ended June 1, 1997.

As a result of the settlements reached in the Louisiana proceedings, a Joint Motion was filed in the Court on July 29, 1997, requesting the Court to lift the stay of the proceedings entered by the Court on January 19, 1993 to permit the consummation of the proposed settlement, certify a class for purposes of settlement and to preliminarily approve the settlement between the plaintiff class and all defendants. On July 30, 1997, the Court entered its order lifting the stay of the proceedings, certifying a class of current Trans La Division ratepayers for purposes of settlement and receipt of proceeds of settlement, preliminarily approving the proposed settlement between the plaintiff class and the defendants, approving the form of notice to potential class members, and setting a fairness hearing regarding the proposed settlement and disbursement of proceeds. At the fairness hearing, which is set for December 15, 1997, final approval of the settlement by the Court will be sought. If final approval of the Court is granted, the suit will be dismissed.

In Colorado, Greeley Gas Company ("Greeley Gas Division") is a defendant in several lawsuits filed as a result of a fire in a building in Steamboat Springs, Colorado on February 3, 1994. The plaintiffs claim that the fire resulted from a leak in a severed gas service line owned by the Greeley Gas Division. On January 12, 1996, the jury awarded the plaintiffs approximately $2.5 million in compensatory damages and approximately $2.5 million in punitive damages. The jury assessed the Company with liability for all of the damages awarded. The Company has appealed the judgement to the Colorado Court of Appeals. The Company believes it has meritorious issues for such appeal but cannot assess, at this time, the likelihood of success in the appeal. The Company has adequate insurance to cover the compensatory damages awarded. The Company's insurance carrier has also recently informed the Company that any punitive damages which may be awarded against the Company would be covered by the Company's insurance policy.

In March 1997, Western Kentucky Gas Company ("Western Kentucky Division") was named as a defendant in a lawsuit in the District Court in Danville, Kentucky, as a result of an explosion and fire at a residence in Danville, Kentucky on March 4, 1997. The plaintiffs, Lisa Benedict, et al, who were leasing the residence, suffered serious burns in the accident and have alleged that Western Kentucky Division was negligent in installing and servicing gas lines at the residence. The plaintiffs, who are also suing the landlord/owner of the house, have asked for punitive damages and compensatory damages in the case. Discovery has just begun; accordingly, the Company cannot assess, at this time, the likelihood of success in this case. However, the Company has adequate insurance and reserves to cover any damages that may be awarded.

In November 1997, a jury in Plaquemine, Louisiana awarded Brian L. Heard General Contractor, Inc., ("Heard") a total of $177,929 in actual damages and $15 million in punitive damages resulting from a lawsuit by Heard against the Trans La Division, the successor in interest to Oceana Heights Gas Company, which the Company acquired in November 1995. The trial judge also awarded interest on the total judgment amount. The claims are for events that occurred prior to the time Atmos acquired Oceana Heights Gas Company. Heard claimed damages associated with delays he allegedly incurred in constructing a sewer system in Iberville Parish, Louisiana. Heard filed the suit against the Trans La Division and two other defendants, alleging that gas leaks had caused delays in Heard's completion of a sewer project, resulting in lost business opportunities for the contractor during 1994. The Company believes that the gas leaks claimed in the lawsuit were minor leaks, common in normal operations of gas systems, and were repaired in accordance with standard industry practices and did not cause the damages claimed.

The jury awarded punitive damages under a prior Louisiana statute that allowed punitive damages to be awarded in cases involving hazardous substances, which, as defined in the statute, included natural gas. Although not retroactive, the Louisiana legislature repealed the statute in 1996. The Company does not believe that punitive damages are applicable in the case and should not be awarded because there were no direct damages caused by natural gas. The Company plans to immediately appeal the verdict and to aggressively pursue obtaining reversal of the judgment. However, the Company cannot assess, at this time, the likelihood of the judgment being reversed on appeal. The Company is in the process of reviewing its insurance coverage with respect to this case. Although Oceana Heights Gas Company was insured, it appears that a claim of this nature will not be covered by such insurance. However, the Company does not expect the final outcome of this case to have a material adverse effect on the financial condition, the results of operations or the net cash flows of the Company.

From time to time, other claims are made and lawsuits are filed against the Company arising out of the ordinary business of the Company. In the opinion of the Company's management, liabilities, if any, arising from these other claims and lawsuits are either covered by insurance, adequately reserved for by the Company or would not have a material adverse effect on the financial condition, results of operations, or cash flows of the Company.

Environmental matters UCGC is the owner or previous owner of manufactured gas plant sites which were used to supply gas prior to the availability of natural gas. Manufactured gas was an inexpensive source of fuel for lighting and heating nationwide. As a result of the gas manufacturing process, certain by-products and residual materials, including coal-tar, were produced and may have been accumulated at the plant sites. This was an acceptable and satisfactory process at the time such operations were being conducted. Under current environmental protection laws and regulations, the Company may be responsible for response actions with respect to such materials, if response actions are necessary.

In June 1995, UCGC entered into an agreement to pay $1,787,000 to Union Electric whereby Union Electric agreed to assume responsibility for UCGC's continuing investigation and environmental response action obligations as outlined in the feasibility study related to a former manufactured gas plant site in Keokuk, Iowa. At September 30, 1997, the Company had $714,600 accrued for its remaining liability related to the agreement. This amount is to be paid in equal annual payments over each of the next two years. UCGC deferred the agreement amount of $1,787,000 and was granted recovery over a ten-year period in the May 1996 Iowa rate increase.

The United Cities Division owns or owned former manufactured gas plant sites in Johnson City and Bristol, Tennessee; Hannibal, Missouri; and Americus, Georgia. UCGC and the Tennessee Department of Environment and Conservation entered into a consent order effective January 23, 1997, for the purpose of facilitating the investigation, removal and remediation of the Johnson City site. UCGC began the implementation of the consent order in the first quarter of 1997. The Company is unaware of any information which suggests that the Bristol site gives rise to a present health or environmental risk as a result of the manufactured gas process or that any response action will be necessary. The Missouri Department of Natural Resources ("MDNR") conducted a site reconnaissance and sampling at the Hannibal site. In its most recent report the MDNR concludes that hazardous substances and hazardous wastes are present on site, and that a release of hazardous substances to soils has occurred; however, the risk of human exposure appears to be minimal. Additional site work is likely. As of September 30, 1997, the Company had incurred and deferred for recovery $352,000, including $258,000 related to an insurance recoverability study, and accrued and deferred for recovery an additional $750,000 associated with the preliminary survey and invasive study of these three sites. The Tennessee Regulatory Authority granted UCGC permission to defer, until its next rate case, all costs incurred in Tennessee in connection with state and federally mandated environmental control requirements. On May 14, 1997, the Georgia Environmental Protection Division requested that UCGC enter into a proposed voluntary consent order for the remediation of the Americus site. Subsequently, the other responsible parties at the site advised UCGC that they would be willing to enter into a "cashout" settlement for a one-time payment by the Company of $250,000. The Company is willing to pay $250,000 for a "cashout" settlement. The Company has provided its comments to the proposed settlement agreement and expects to conclude those discussions shortly. As of September 30, 1997, the Company had accrued and deferred for recovery amounts related to this site.

Pursuant to the Tennessee Petroleum Underground Storage Tank Act, the Company is required to upgrade or remove certain underground storage tanks ("USTs") situated in Tennessee. As of September 30, 1997, the Company had identified a small number of USTs in this category in Tennessee and had incurred and deferred for recovery $98,000 and, based on available current information, accrued and deferred for recovery an additional $70,000 for the upgrade or removal of these USTs. The Tennessee Regulatory Authority granted UCGC permission to defer, until its next rate case, all costs incurred in connection with state and federally mandated environmental control requirements. In addition, the Company may be able to recover a portion of any corrective action costs from the Tennessee Underground Storage Tank Fund for certain of the UST sites in Tennessee.

In October 1995, UCGC received two Notices of Violation ("NOVs") from the Tennessee Department of Environment and Conservation ("TDEC") concerning historic releases from a UST in Kingsport, Tennessee. This UST was formerly owned by Holston Oil Co., Inc. ("Holston"), which at one time was a wholly-owned subsidiary of Tennessee-Virginia Energy Corporation ("TVEC"). Prior to TVEC's merger with UCGC in 1986, TVEC sold the common stock of Holston to an unrelated party. UCGC responded to the NOVs advising the TDEC that UCGC was not a responsible party for any environmental contamination at the site. The Company does not anticipate incurring any response action costs at this site.

The Kansas Department of Health and Environment ("KDHE") identified the need to investigate gas industry activities which utilize mercury equipment in Kansas. The Company and KDHE have signed a Consent Order for the investigation and possible response action for mercury contamination at any gas pipeline site which is identified as exceeding the KDHE's established acceptable concentration levels. As of September 30, 1997, the Company had identified approximately 720 meter sites where mercury may have been used and had incurred and deferred for recovery $100,000 and, based on available current information, accrued and deferred for recovery an additional $280,000 for the investigation of these sites. UCGC has received an order from the Kansas Corporation Commission ("KCC") allowing UCGC to defer and seek recovery in future rate proceedings the reasonable and prudent costs and expenses associated with the Consent Order. In the order, the Commission approved a Stipulation and Agreement which provides a cap of $1,500,000 on amounts deferred with the ability to exceed this cap if reasonable costs of response action are incurred. Based on a decision by the KCC concerning the recovery of environmental response action costs incurred by another company, the Company expects recovery of the costs involved in the investigation and response action associated with the mercury meter sites in Kansas.

The Company addresses other environmental matters from time to time in the regular and ordinary course of its business. Management expects that future expenditures related to response action at any site will be recovered through rates or insurance, or shared among other potentially responsible parties. Therefore, the costs of responding to these sites are not expected to materially affect the results of operations, financial condition or cash flows of the Company.

SIX Leases

The Company has entered into noncancelable leases involving office space and warehouse space. The remaining lease terms range from one to 20 years and generally provide for the payment of taxes, insurance and maintenance by the lessee. Net property, plant and equipment included amounts for capital leases of $2,327,000 and $2,511,000 at September 30, 1997 and 1996, respectively.

The related future minimum lease payments at September 30, 1997 were as follows:

(In thousands)	Capital leases	Operating leases
1998	$ 699	$ 9,841
1999	699	9,583
2000	760	9,187
2001	568	8,607
2002	568	8,344
Thereafter	2,279	61,044
Total minimum lease payments	5,573	$106,606
Less amount representing interest	(2,526)	
Present value of net minimum lease payments	$ 3,047	

Consolidated rent expense amounted to $10,522,000, $9,710,000 and $9,175,000 for fiscal 1997, 1996 and 1995, respectively. Rents for the regulated business are expensed and the Company receives rate treatment as a cost of service on a pay-as-you-go basis.

SEVEN Long-term debt and notes payable

Long-term debt at September 30, 1997 and 1996 consisted of the following:

(In thousands)	1997	1996
Unsecured 7.95% Senior Notes, due 2006, payable in annual installments of $1,000	**$ 9,000**	$ 10,000
Unsecured 9.57% Senior Notes, due 2006, payable in annual installments of $2,000	**18,000**	20,000
Unsecured 9.76% Senior Notes, due 2004, payable in annual installments of $3,000	**24,000**	27,000
Unsecured 11.2% Senior Notes, due 2002, payable in annual installments of $2,000	**12,000**	14,000
Unsecured 10% Notes, due 2011	**2,303**	2,303
Unsecured 6.09% Note, due 1998	**40,000**	-
Unsecured 8.07% Senior Notes, due 2006, payable in annual installments of $4,000 beginning 2002	**20,000**	20,000
Unsecured 8.26% Senior Notes, due 2014, payable in annual installments of $1,818 beginning 2004	**20,000**	20,000
Unsecured 9.75% Senior Notes, due 1996	**-**	1,000
First Mortgage Bonds		
Series J, 9.40% due 2021	**17,000**	17,000
Series N, 8.69% due 2002	**5,000**	7,000
Series P, 10.43% due 2017	**25,000**	25,000
Series Q, 9.75% due 2020	**20,000**	20,000
Series R, 11.32% due 2004	**15,000**	15,000
Series T, 9.32% due 2021	**18,000**	18,000
Series U, 8.77% due 2022	**20,000**	20,000
Series V, 7.50% due 2007	**10,000**	10,000
Medium term notes		
Series A, 1995-1, 6.67%, due 2025	**10,000**	10,000
Series A, 1995-2, 6.27%, due 2020	**10,000**	10,000
Series A, 1995-3, 6.20%, due 2000	**2,000**	2,000
Rental property, propane and other term notes due in installments through 2013	**20,879**	24,538
Total long-term debt	**318,182**	292,841
Less current maturities	**(15,201)**	(16,679)
	$302,981	$276,162

The Company may prepay most of the Senior Notes or First Mortgage Bonds in whole at any time, subject to a prepayment premium. The note agreements provide for certain cash flow requirements and restrictions on additional indebtedness, sale of assets and payment of dividends. Under the most restrictive of such covenants, cumulative cash dividends paid after December 31, 1988 may not exceed the sum of accumulated net income for periods after December 31, 1988 plus $15,038,000. At September 30, 1997, approximately $37,489,000 of retained earnings was not so restricted.

As of September 30, 1997, all of the Greeley Gas Division utility plant assets with a net book value of approximately $83,371,000 are subject to a lien under the 9.4% Series J First Mortgage Bonds assumed by the Company in the acquisition of Greeley Gas Company. Also, substantially all of the United Cities Division utility plant assets, totaling approximately $314,591,000 are subject to a lien under the Indenture of Mortgage of the Series N through V First Mortgage Bonds.

UCG Energy and Woodward Marketing, Inc. ("WMI"), sole shareholders of Woodward Marketing, L.L.C. ("WMLLC"), act as guarantors of a $12,500,000 credit facility for WMLLC with a bank. No balance was outstanding on this credit facility at September 30, 1997. UCG Energy and WMI also act as joint and several guarantors on certain purchases of natural gas and transportation services from suppliers by WMLLC. These outstanding obligations amounted to $12,200,000 at September 30, 1997.

Based on the borrowing rates currently available to the Company for debt with similar terms and remaining average maturities, the fair value of long-term debt at September 30, 1997 and 1996 is estimated using discounted cash flow analysis to be $348,261,000 and $329,811,000, respectively. It is not currently advantageous for the Company to refinance its long-term debt because of prepayment costs set forth in the various debt agreements.

Maturities of long-term debt are as follows (in thousands):

1998	$ 15,201
1999	56,578
2000	14,790
2001	14,141
2002	14,205
Thereafter	203,267
	$318,182

Notes payable to banks The Company has committed short-term, unsecured bank credit facilities totaling $187,000,000, $35,000,000 of which was unused at September 30, 1997. One facility of $175,000,000 requires a commitment fee of .06% on the unused portion. A second facility for $12,000,000 requires a commitment fee of 5/32 of 1% on the unused portion. The committed lines are renewed or renegotiated at least annually.

The Company also had aggregate uncommitted credit lines of $170,000,000, of which $159,900,000 was unused as of September 30, 1997. The uncommitted lines have varying terms and the Company pays no fee for the availability of the lines. Borrowings under these lines are made on a when and as-available basis at the discretion of the banks.

The weighted average interest rates on short-term borrowings outstanding at September 30, 1997 and 1996 were 6.1% and 6.3%, respectively.

EIGHT Statement of cash flows supplemental disclosures

Supplemental disclosures of cash flow information for 1997, 1996 and 1995 are presented below:

(In thousands)	1997	1996	1995
Cash paid for			
Interest	**$25,216**	$32,778	$27,667
Income taxes	**$ 9,736**	14,562	18,746

NINE Common stock and stock options

The Company issued 100,000 shares of its common stock in fiscal 1997 in connection with its Restricted Stock Grant Plan.

Atmos has an Employee Stock Ownership Plan ("ESOP") and the United Cities Division has a 401(k) savings plan, as discussed in Note 10. Atmos issued 200,482 shares under its ESOP in 1997. The Company has registered 1,600,000 shares for issuance under the ESOP, of which 512,871 shares were available for future issuance on September 30, 1997.

The Company also has a Direct Stock Purchase Plan ("DSPP"). Participants in the DSPP may have all or part of their dividends reinvested at a 3% discount from market prices. DSPP participants may purchase additional shares of Company common stock as often as weekly with voluntary cash payments of at least $25, up to an annual maximum of $100,000. At September 30, 1997, 712,596 shares were available for future issuance under the plan.

On April 27, 1988, the Company adopted a Shareholders' Rights Plan and declared a dividend of one right (a "Right") for each outstanding pre-split share of common stock of the Company, payable to shareholders of record as of May 10, 1988. Each Right will entitle the holder thereof, until the earlier of May 10, 1998 or the date of redemption of the Rights, to buy one share of common stock of the Company at an exercise price of $30 per share, subject to adjustment by the Board of Directors upon the occurrence of certain events. The Rights will be represented by the common stock certificates and are not exercisable or transferable apart from the common stock until a "Distribution Date" (which is defined in the Rights Agreement between the Company and the Rights Agent as the date upon which the Rights become separate from the common stock).

At no time will the Rights have any voting rights. The exercise price payable and the number of shares of common stock or other securities or property issuable upon exercise of the Rights are subject to adjustment from time to time to prevent dilution. Until the Distribution Date, the Company will issue one Right with each share of common stock that becomes outstanding so that all shares of common stock will have attached Rights. After a Distribution Date, the Company may issue Rights when it issues common stock if the Board deems such issuance to be necessary or appropriate.

The Rights have certain anti-takeover effects and may cause substantial dilution to a person or entity that attempts to acquire the Company on terms not approved by the Board of Directors except pursuant to an offer conditioned upon a substantial number of Rights being acquired. The Rights should not interfere with any merger or other business combination approved by the Board of Directors because, prior to the time the Rights become exercisable or transferable, the Rights may be redeemed by the Company at $.05 per Right.

In November 1997, the Board of Directors approved the adoption of a new shareholders' rights plan that will go into effect upon the expiration of the existing shareholders' rights plan on May 10, 1998. The provisions of the new rights plan are similar to those of the existing rights plan. However, the new rights plan does differ from the existing plan in certain respects, including, but not limited to the following: (i) the exercise price under the new plan will be $80 per share vs. $30 per share under the existing plan; (ii) the rights under the new plan may be redeemed by the Company prior to the time they become exercisable or transferable at $.01 per right vs. $.05 per right under the existing plan; and (iii) the nature of the events that will make the rights exercisable has been modified to reflect new developments in the securities markets since 1988.

The Company's Restricted Stock Grant Plan for management and key employees of the Company, which became effective October 1, 1987 and was amended and restated in November 1997, provides for awards of common stock that are subject to certain restrictions. The plan is administered by the Board of Directors. The members of the Board who are not employees of the Company make the final determinations regarding participation in the plan, awards under the plan, and restrictions on the restricted stock awarded. The restricted stock may consist of previously issued shares purchased on the open market or shares issued directly from the Company. The Company has registered 900,000 shares for issuance under the plan. Compensation expense of $437,000, $795,000 and $1,015,000 was recognized in 1997, 1996 and 1995, respectively, in connection with the issuance of shares under the plan. At September 30, 1997, 252,500 shares were available for future award under the plan.

In November 1994, the Board adopted the Outside Directors Stock-for-Fee Plan, which plan was approved by the shareholders of the Company in February 1995 and was amended and restated in November 1997. The plan permits non-employee directors to receive all or part of their annual retainer and meeting fees in stock rather than in cash. The Company has registered 50,000 shares, 44,685 of which were available for future issuance under the plan as of September 30, 1997.

In October 1995, the Financial Accounting Standards Board issued Statement No. 123 ("SFAS 123"), "Accounting for Stock-Based Compensation." This statement establishes a fair-value-based method of accounting for employee stock options or similar equity instruments and encourages, but does not require, all companies to adopt that method of accounting for all of their employee stock compensation plans. SFAS 123 allows companies to continue to measure compensation cost for employee stock options or similar equity instruments using the intrinsic value method of accounting described in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." The Company has elected to remain with this method. Because of the limited nature of the Company's stock-based compensation plans, the adoption of SFAS 123 was immaterial.

TEN Employee retirement and stock ownership plans

At September 30, 1997, the Company had four defined benefit pension plans, covering the Western Kentucky Division employees, the Greeley Gas Division employees, and the United Cities Division employees, while the fourth covers all other Atmos employees. The plans provide essentially the same benefits to all employees. Except for the United Cities Division, the plans' benefits are based on years of service and the employee's compensation during the highest paid five consecutive calendar years within the last 10 years of employment. The United Cities Division plan provides benefits based on years of service and final average salary. The Company's funding policy is to contribute annually an amount in accordance with the requirements of the Employee Retirement Income Security Act of 1974. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future.

The following table sets forth the Atmos plan's funded status at September 30, 1997 and 1996:

(In thousands)	1997	1996
Actuarial present value of benefit obligations:		
Accumulated benefit obligation, including vested benefits of $75,027 and $77,089 in 1997 and 1996, respectively	**$(78,591)**	$(77,513)
Projected benefit obligation	**$(87,999)**	$(86,571)
Plan assets at fair value	**102,865**	90,157
Funded status	**14,866**	3,586
Unrecognized net asset being recognized over 15 years	**-**	(198)
Unrecognized prior service cost	**(1,217)**	(1,359)
Unrecognized net (gain) loss	**(15,273)**	(3,086)
Accrued pension cost	**$ (1,624)**	$ (1,057)

Net periodic pension cost for the Atmos plan for 1997, 1996 and 1995 included the following components:

(In thousands)	1997	1996	1995
Service cost	**$ 2,263**	$ 2,235	$ 1,862
Interest cost on projected benefit obligation	**6,356**	6,434	6,060
Actual return on plan assets	**(16,588)**	(11,342)	(12,200)
Net amortization and deferral	**8,322**	3,298	5,007
Net periodic pension cost	**$ 353**	$ 625	$ 729

The following table sets forth the Western Kentucky Division plan's funded status at September 30, 1997 and 1996:

(In thousands)	1997	1996
Actuarial present value of benefit obligations:		
Accumulated benefit obligation, including vested benefits of $31,877 and $30,984 in 1997 and 1996, respectively	**$(32,752)**	$(30,983)
Projected benefit obligation	**$(36,293)**	$(35,673)
Plan assets at fair value	**53,289**	46,478
Funded status	**16,996**	10,805
Unrecognized prior service cost	**3,976**	4,829
Unrecognized net (gain) loss	**(10,065)**	(4,361)
Prepaid pension cost	**$ 10,907**	$ 11,273

Net periodic pension cost for 1997, 1996 and 1995 included the following components:

(In thousands)	1997	1996	1995
Service cost	**$ 734**	$ 672	$ 706
Interest cost	**2,619**	2,431	2,306
Actual return on plan assets	**(8,456)**	(5,771)	(6,355)
Net amortization and deferral	**5,081**	2,356	3,399
Net periodic pension cost (benefit)	**$ (22)**	$ (312)	$ 56

The weighted-average discount rates used in determining the actuarial present value of the projected benefit obligations of the Atmos and Western Kentucky Division retirement plans was 7.5% at June 30, 1997 and 1996. The rate of increase in future compensation levels reflected in such determination was 4.0% for the years ended September 30, 1997 and 1996. The expected long-term rate of return on plan assets was 9.0%, 9.5% and 10.0% for the years ended September 30, 1997, 1996 and 1995, respectively. The plan assets consist primarily of investments in common stocks, interest bearing securities and interests in commingled pension trust funds. Prepaid pension cost is included in deferred charges and other assets.

The following table sets forth the Greeley Gas Division plan's funded status at September 30, 1997 and 1996:

(In thousands)	1997	1996
Actuarial present value of benefit obligations:		
Accumulated benefit obligation, including vested benefits of $15,361 and $15,110 in 1997 and 1996, respectively	**$(16,033)**	$(15,252)
Projected benefit obligation	**$(17,700)**	$(17,666)
Plan assets at fair value	**17,535**	16,086
Funded status	**(165)**	(1,580)
Unrecognized net asset being recognized over 15 years	**(1,231)**	(1,521)
Unrecognized prior service cost	**1,344**	1,480
Unrecognized net (gain) loss	**(372)**	1,375
Accrued pension cost	**$ (424)**	$ (246)

Net periodic pension cost (credit) for the Greeley Gas Division plan for 1997, 1996 and 1995 included the following components:

(In thousands)	1997	1996	1995
Service cost	**$ 485**	$ 453	$ 328
Interest cost on projected benefit obligation	**1,277**	1,185	1,208
Actual return on plan assets	**(2,724)**	(2,390)	(2,530)
Net amortization and deferral	**1,167**	810	1,217
Net periodic pension cost	**$ 205**	$ 58	$ 223

Accumulated plan benefits were computed using the Projected Unit Credit funding method. The discount rate and rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligations were 7.5% and 4.0% in both 1997 and 1996. The expected long-term rate of return on plan assets was 9.0%, 9.5% and 10.0% in 1997, 1996 and 1995, respectively. Plan assets consist primarily of corporate bonds, equity securities, mutual funds, partnership interests, and other miscellaneous investments.

The following table sets forth the United Cities Division plan's funded status at September 30, 1997 and 1996:

(In thousands)	1997	1996
Actuarial present value of benefit obligations:		
Accumulated benefit obligation,including vested benefits of $60,086 and $45,528 in 1997 and 1996, respectively	**$(66,873)**	$(54,130)
Projected benefit obligation	**(75,159)**	(69,652)
Plan assets at fair value	**86,162**	71,978
Funded status	**11,003**	2,326
Unrecognized net asset being recognized over 15 years	**142**	191
Unrecognized prior service cost	**1,750**	1,143
Unrecognized net (gain) loss	**(15,785)**	(1,819)
Prepaid (accrued) pension cost	**$ (2,890)**	$ 1,841

Net periodic pension cost (credit) for the United Cities Division plan for 1997, 1996 and 1995 included the following components:

(In thousands)	1997	1996	1995
Service cost	**$ 3,157**	$ 3,116	$ 3,451
Interest cost on projected benefit obligation	**5,050**	4,720	4,296
Actual return on plan assets	**(17,461)**	(7,936)	(10,365)
Net amortization and deferral	**11,420**	2,372	5,772
Net periodic pension cost	**$ 2,166**	$ 2,272	$ 3,154

The weighted-average discount rates used in determining the actuarial present value of the projected benefit obligations of the United Cities Division retirement plan was 7.5% at September 30, 1997 and December 31, 1996. The rate of increase in future compensation levels reflected in such determination was 5.5% for the years ended September 30, 1997 and December 31, 1996. The expected long-term rate of return on plan assets was 9.0% for the years ended September 30, 1997, and December 31, 1996 and 1995. The plan assets consist primarily of marketable equity securities, corporate and government debt securities, and deposits with insurance companies. Prepaid pension cost is included in deferred charges and other assets.

Effective October 1, 1987, the Company adopted a nonqualified Supplemental Executive Benefits Plan ("Supplemental Plan") which provides additional pension, disability and death benefits to the officers and certain other employees of the Company. Expense recognized in connection with the Supplemental Plan during fiscal 1997, 1996, and 1995 was $3,491,000, $2,708,000 and $2,158,000, respectively. The Supplemental Plan was amended and restated in May 1997 and amended again in August 1997 and November 1997.

Atmos sponsors an Employee Stock Ownership Plan ("ESOP") for employees other than those in the United Cities Division. Full time employees who have completed one year of service, as defined in the plan, are eligible to participate. Each participant enters into a salary reduction agreement with the Company pursuant to which the participant's salary is reduced by an amount not less than 2% nor more than 10%. Taxes on the amount by which the participant's salary is reduced are deferred pursuant to Section 401(k) of the Internal Revenue Code. The amount of the salary reduction is contributed by the Company to the ESOP for the account of the participant. The Company may make a matching contribution for the account of the participant in an amount determined each year by the Board of Directors, which amount must be at least equal to 25% of all or a portion of the participant's salary reduction. For the 1997 plan year, the Board of Directors elected to match 100% of each participant's salary reduction contribution up to 4% of the participant's salary. Matching contributions to the ESOP amounted to $2,077,000, $1,944,000, and $1,977,000 for 1997, 1996 and 1995, respectively. The Directors may also approve discretionary contributions, subject to the provisions of the Internal Revenue Code of 1986 and applicable regulations of the Internal Revenue Service. The Company recorded a charge of $1,500,000 for a discretionary contribution in the year ended September 30, 1996. Company contributions to the plan are expensed as incurred.

The Company sponsors a 401(k) savings plan for the United Cities Division employees. The plan allows participants to make contributions toward retirement savings. Each participant may contribute up to 15% of qualified compensation. For employee contributions up to 6% of the participant's qualified compensation, the Company will contribute 30% of the employee's contribution. The Company may also contribute up to an additional 20% of the employee's contribution based on certain criteria specified in the plan. Effective January 1, 1995, any additional contribution made by the Company will be through the issuance of the Company's common stock. The Company contributed $694,000 for the nine months ended September 30, 1997, and $826,000 and $478,000 for the years ended December 31, 1996 and 1995, respectively.

ELEVEN Other postretirement benefits

Atmos sponsors two defined benefit postretirement plans other than pensions. Each provides health care benefits to retired employees. One provides benefits to the United Cities Division. The other Atmos plan offers medical benefits to all other retired Atmos employees.

Effective October 1, 1993, the Company adopted Statement of Financial Accounting Standards No. 106 ("SFAS No. 106"), "Employers' Accounting for Postretirement Benefits Other Than Pensions." SFAS No. 106 focuses principally on postretirement health care benefits and significantly changed the practice of accounting for postretirement benefits on a pay-as-you-go basis by requiring accrual of such benefit costs on an actuarial basis from the date each employee reaches age 45 until the date of full eligibility for such benefits. The Company is amortizing on a straight line basis its initial transition obligations over 20 years. The initial transition obligation of the United Cities Division was $8,894,000. The initial transition obligation for all other Divisions was $33,354,000.

Substantially all of the Company's employees other than the United Cities Division become eligible for these benefits if they reach retirement age while working for the Company and attain 10 consecutive years of service after age 45. Participant contributions are required under these plans. Prior to June 1994, the plans were not funded. In June 1994, the Company made its first quarterly payment to the external trust set up to fund SFAS No. 106 costs in excess of the pay-as-you-go cost in Kansas in accordance with an order of the Kansas Corporation Commission. In April, 1995 it began external funding in Colorado in accordance with an order of the Colorado Public Utility Commission. The amount of funding will ultimately depend upon the ratemaking treatment allowed in the Company's various rate jurisdictions.

The components of net periodic postretirement benefits cost for the Atmos plans for each of the years ended September 30, 1997, 1996 and 1995 are as follows:

(In thousands)	1997	1996	1995
Service cost	**$1,599**	$1,469	$1,497
Interest cost	**2,371**	2,224	2,322
Actual return on plan assets	**(28)**	(39)	(18)
Amortization of transition obligation	**1,550**	1,550	1,549
Prior service cost	**202**	-	-
Net amortization and deferral	**(217)**	(80)	(150)
Net periodic postretirement benefits cost	**$5,477**	$5,124	$5,200

The following is a reconciliation of the funded status of the Atmos plans to the net postretirement benefits liability on the balance sheet as of September 30, 1997 and 1996:

(In thousands)	1997	1996
Accumulated postretirement benefits obligation		
Retirees	**$(22,575)**	$(19,849)
Fully eligible employees	**(721)**	(6,426)
Other employees	**(10,328)**	(4,644)
	(33,624)	(30,919)
Plan assets	**1,278**	927
Accumulated postretirement benefits obligation in excess of plan assets	**(32,346)**	(29,992)
Unrecognized net gain	**(6,602)**	(4,775)
Unrecognized transition obligation	**25,802**	26,342
Accrued postretirement benefits liability	**$(13,146)**	$ (8,425)

In the latest actuarial calculation of the accrued postretirement benefits liability, the assumed health care cost trend rate used to estimate the cost of postretirement benefits was 7.5% for 1997 and 1998 and is assumed to decrease gradually to 5.0% by 2001 and remain at that level thereafter. The trend for vision benefits is assumed to remain level for all years at 4.5%. The effect of a 1% increase in the assumed health care cost trend rate for each future year is $376,000 and $344,000 on the annual aggregate of the service and interest cost components of net periodic postretirement benefit costs and $2,760,000 and $2,377,000 on the accumulated postretirement benefits obligation as of September 30, 1998 and 1997, respectively. The assumed discount rate, the rate at which liabilities could be settled, was 7.5% as of September 30, 1997 and 1996. The expected long-term rate of return on plan assets was 5.3% for 1997 and 1996.

The Company maintains a separate postretirement health care benefits plan for the United Cities Division. Substantially all of its employees will become eligible for these benefits if they reach the normal retirement age while working for the Company.

The components of net periodic postretirement benefits cost for the United Cities Division for each of the years ended September 30, 1997, 1996 and 1995 are as follows:

(In thousands)	1997	1996	1995
Service cost	**$ 86**	$ 89	$ 120
Interest cost	**926**	897	1,051
Actual return on plan assets	**(274)**	(212)	(107)
Amortization of transition obligation	**364**	364	445
Net amortization and deferral	**298**	232	182
Net periodic postretirement benefits cost	**$1,400**	$1,370	$1,691

The following is a reconciliation of the funded status of the United Cities Division plan to the net postretirement benefits liability on the balance sheet as of September 30, 1997 and 1996:

(In thousands)	1997	1996
Accumulated postretirement benefits obligation		
Retirees	**$(16,331)**	$(11,546)
Fully eligible employees	**(213)**	(1,007)
Other employees	**(750)**	(816)
	(17,294)	(13,369)
Plan assets	**4,336**	3,715
Accumulated postretirement benefits obligation in excess of plan assets	**(12,958)**	(9,654)
Unrecognized net gain	**7,837**	5,186
Unrecognized transition obligation	**5,280**	5,821
Accrued postretirement benefits liability	**$ 159**	$ 1,353

In the latest actuarial calculation of the accrued postretirement benefits liability for the United Cities Division, the assumed health care cost trend rate used to estimate the cost of postretirement benefits was 7.5% for 1997 and 1998, and is assumed to decrease gradually to 5.0% by 2001 and remain at that level thereafter. The effect of a 1% increase in the assumed health care cost trend rate for each future year is $88,000 and $79,000 on the annual aggregate of the service and interest cost components of net periodic postretirement benefit costs and $1,732,000 and $1,099,000 on the accumulated postretirement benefits obligation as of September 30, 1997 and December 31, 1996, respectively. The assumed discount rate, the rate at which liabilities could be settled, was 7.5% as of September 30, 1997 and December 31, 1996, respectively. The expected long-term rate of return on plan assets was 4.3% for 1997 and 1996.

The Company is currently recovering other postretirement benefits ("OPEB") costs through its regulated rates under SFAS No. 106 accrual accounting in Colorado, Kansas, the majority of its Texas service area and in Kentucky (effective November 1, 1995). It receives rate treatment as a cost of service item for OPEB costs on the pay-as-you-go basis in Louisiana. OPEB costs have been specifically addressed in rate orders in each jurisdiction served by the United Cities Division or have been included in a rate case and not disallowed. However, the Company was required to recover the portion of the UCGC transition obligation applicable to Virginia operations over 40 years, rather than 20 years, as in other states. Management believes that accrual accounting in accordance with SFAS No. 106 is appropriate and will continue to seek rate recovery of accrual based expenses in its ratemaking jurisdictions that have not yet approved the recovery of these expenses.

Management's Responsibility for Financial Statements

Management is responsible for the preparation, presentation and integrity of the financial statements and other financial information in this report. The accompanying financial statements have been prepared in accordance with generally accepted accounting principles, and include estimates and judgments made by management that were necessary to prepare the statements in accordance with such accounting principles.

The Company maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded from loss and that transactions are executed and recorded in accordance with established procedures. The concept of reasonable assurance is based on the recognition that the cost of maintaining a system of internal accounting controls should not exceed related benefits. The system of internal accounting controls is supported by written policies and guidelines, internal auditing and the careful selection and training of qualified personnel.

The financial statements have been audited by the Company's independent auditors. Their audit was made in accordance with generally accepted auditing standards, as indicated in the Report of Independent Auditors, and included a review of the system of internal accounting controls and tests of transactions to the extent they considered necessary to carry out their responsibilities for the audit.

Management has considered the internal auditors' and the independent auditors' recommendations concerning the Company's system of internal control and has taken actions that we believe are cost-effective in the circumstances to respond appropriately to these recommendations. The Audit Committee of the Board of Directors meets periodically with the internal auditors and the independent auditors to discuss the Company's internal accounting controls, auditing and financial reporting matters.

Report of Ernst & Young LLP, Independent Auditors

Board of Directors
Atmos Energy Corporation

We have audited the accompanying consolidated balance sheets of Atmos Energy Corporation at September 30, 1997 and 1996, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended September 30, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of United Cities Gas Company, wholly owned by Atmos Energy Corporation (see Note 2), which statements reflect total assets of $513,649,000 as of December 31, 1996, and total revenues of $402,947,000 and $313,735,000 for the years ended December 31, 1996 and 1995. Those statements were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to data included for United Cities Gas Company is based solely on the report of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Atmos Energy Corporation at September 30, 1997 and 1996, and its consolidated results of operations and its cash flows for each of the three years in the period ended September 30, 1997 in conformity with generally accepted accounting principles.

Ernst & Young LLP

Dallas, Texas
November 11, 1997

Management's Discussion and Analysis of Financial Condition and Results of Operations

Introduction

This section provides management's discussion of Atmos Energy Corporation's ("the Company" or "Atmos") financial condition, cash flows and results of operations with specific information on liquidity, capital resources and results of operations. It includes management's interpretation of such financial results, the major factors expected to affect future operating results, and future investment and financing plans. This discussion should be read in conjunction with the Company's consolidated financial statements and notes thereto. For financial and operating statistics, please see the tables of restated and pooled data included herein.

Cautionary Statement under the Private Securities Litigation Reform Act of 1995

The matters discussed or incorporated by reference in this Annual Report contain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 or Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical facts included in this Report including, but not limited to, those contained in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" regarding the Company's financial position, business strategy and plans and objectives of management of the Company for future operations, are forward-looking statements made in good faith by the Company. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. Such forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the statements relating to the Company's operations, markets, services, rates, recovery of costs, availability of gas supply and other factors. These risks and uncertainties include, but are not limited to, economic, competitive, governmental, weather, technological and other factors.

Organization

The Company distributes, sells and transports natural gas and propane to residential, commercial, industrial and agricultural customers in thirteen states. The natural gas distribution business is operated through its five utility divisions, rather than as a holding company. Such utility business is subject to regulation by state and/or local authorities in each of the states in which the Company operates. In addition, the Company's business is affected by seasonal weather patterns, competition within the energy industry, and economic conditions in the areas that the Company serves.

With the completion of the merger with United Cities Gas Company this year, Atmos is the 12th largest natural gas distribution utility company in terms of total customers in the country, and the fifth largest pure natural gas utility. Since its organization in 1983, the Company has sought to expand its customer base and to diversify the weather patterns, local economic conditions, and regulatory environments in which it operates. As part of this strategy, the Company has completed major acquisitions in 1986, 1987, 1993 and 1997. In addition to growing through acquisitions, the Company's strategy includes building the Atmos team, running the utility operations exceptionally well, increasing the size and market share of the non-utility operations (gas marketing and propane), and developing plans to participate in retail energy services behind the meter.

In connection with its merger with United Cities Gas Company, as discussed in Note 2 of notes to consolidated financial statements, the Company acquired certain non-utility subsidiaries which contributed approximately 14% of 1997 net income and offer potential growth opportunities.

One non-utility subsidiary, UCG Storage, was formed in 1989 to provide natural gas storage services. In 1989, a natural gas storage field was purchased in Kentucky to supplement natural gas used by customers in Tennessee. In addition, natural gas storage fields located in Kansas were sold to UCG Storage and are used to supplement natural gas requirements of Kansas customers.

The other non-utility subsidiary, UCG Energy, incorporated in 1965, leases appliances, real estate and equipment, and vehicles to the United Cities Division and others. UCG Energy also owns a 45% interest in WMLLC of Houston, Texas, which provides natural gas services to industrial customers, municipalities and local distribution companies in the Southeast and Midwest, including the United Cities Division. Management services include contract negotiation and administration, load forecasting, nominations and scheduling, storage acquisition, capacity utilization and pricing/risk management. WMLLC was formed in 1995.

UCG Energy has two wholly-owned subsidiaries, United Cities Propane Gas of Tennessee, Inc. and UCG Leasing, Inc. United Cities Propane Gas of Tennessee, Inc. is engaged in the retail and wholesale distribution and transportation of propane (LP) gas. As of September 30, 1997, the propane operation served 29,097 customers in Kentucky, North Carolina, Tennessee and Virginia. UCG Leasing, Inc. was incorporated under the laws of Georgia in 1987 and leases vehicles, equipment and real estate to the United Cities Division.

Acquisitions and Mergers

The Company has expanded its customer base and sought to diversify the regulations, weather patterns and local economic conditions to which it is subject through acquisitions in fiscal years 1997, 1994, 1987, and 1986. The Company plans to continue its acquisition strategy to add new customers and service areas for both natural gas and propane. It has an excellent track record of acquiring LDC operations that provide diversity in weather, regulatory patterns, economies and markets. It has achieved synergies and benefits quickly, while preserving brand equity.

Ratemaking Activity

Rates and regulatory initiatives are at the heart of Atmos' utility operations and are important to both shareholders and customers. Atmos' objective is to achieve rates that provide fair returns for its shareholders while having these rates at low, competitive levels for its customers. As the energy environment and industry change, the process for setting rates in the future may also need to change. In that regard, the Company is participating in a performance-based rates experimental program in Tennessee, which is designed to reward the Company for performing better than certain benchmarks relating to purchased gas cost. A similar program is under way in Georgia. Atmos believes that performance-based rate programs benefit customers and reward efficient service providers like Atmos, and Atmos intends to seek gas cost incentive arrangements and incentive rates in every jurisdiction possible.

The Company received rate increases totaling $9.4 million, $6.8 million, and $5.8 million effective in fiscal 1997, 1996 and 1995, respectively. For further information regarding these rate increases please see Note 3 "Rates" in notes to consolidated financial statements.

Weather and Seasonality

The Company's natural gas and propane distribution businesses are seasonal due to weather conditions in the Company's service areas. Sales are affected by winter heating season requirements. Sales to agricultural customers (who use natural gas as fuel in the operation of irrigation pumps) during the period from April through September are affected by rainfall amounts. These factors generally result in higher operating revenues and net income during the period from October through March of each year and lower operating revenues and either net losses or lower net income during the period from April through September of each year. For further seasonality information, please see the Supplementary Quarterly Financial Data following the notes to consolidated financial statements herein.

The Georgia Public Service Commission and the Tennessee Regulatory Authority have approved Weather Normalization Adjustments ("WNAs"). The WNAs, effective October through May each year in Georgia and November through April each year in Tennessee, allow the United Cities Division to increase the base rate portion of customers' bills when weather is warmer than normal and decrease the base rate when weather is colder than normal. The net effect of the WNAs was an increase/(decrease) in revenues of $2,643,000, ($2,612,000) and $1,030,000 in 1997, 1996 and 1995, respectively.

The Company has not sought weather normalization clauses in its other rate jurisdictions because of the effect of its geographical diversification strategy and the potential for increased profits in unusually cold years.

Environmental Matters

The Company is involved in certain environmental matters as discussed in Note 5 "Contingencies" of notes to consolidated financial statements.

Results of Operations

Year ended September 30, 1997 compared with year ended September 30, 1996
To assist in management's discussion of results of operations, the following table presents the effects for fiscal years 1997, 1996 and 1995 of certain non-recurring charges as well as weather which affected reported results.

(In thousands, except per share data)	1997		1996		1995	
	Amount	Per Share	Amount	Per Share	Amount	Per Share
Net income as reported	**$23,838**	**$ .81**	$41,151	$1.42	$28,808	$1.06
Non-recurring charges:						
Management reorganization	**2,800**	**.10**	-	-	-	-
Reserve for potential sharing of merger and integration costs	**12,630**	**.43**	-	-	-	-
Normalized net income except for effects of weather	**39,268**	**1.34**	41,151	1.42	28,808	1.06
Effects of weather	**3,571**	**.12**	(1,838)	(.06)	5,000	.18
Normalized net income	**$42,839**	**$1.46**	$39,313	$1.36	$33,808	$1.24

Net Income As Reported

The Company reported net income of $23.8 million, or $.81 per share, on operating revenues of $906.8 million for the fiscal year ended September 30, 1997. The 1997 net income includes the effects of non-recurring after-tax charges related to management reorganization ($2.8 million or $.10 per share) and reserves related to the UCGC merger and integration ($12.6 million or $.43 per share). Excluding the effect of these charges, the Company's net income would have been $39.3 million or $1.34 per share in 1997, compared with $41.2 million, or $1.42 per share for 1996. The 1997 results include United Cities Gas Company, which merged with Atmos effective July 31, 1997, and prior year operating results have been restated to reflect the pooling of interests accounting which was used for the merger.

Non-recurring Charges

The Company completed a management reorganization in 1997 and recorded a charge of $4.4 million ($2.8 million after-tax) in related costs.

The cost of the UCGC merger and integration totaled approximately $17 million for the transaction costs and $32 million for the separation and other costs. There are substantial longer term benefits to the Company's customers and shareholders from the merger of the two companies, which the Company expects to result in cost savings over the next 10 years totaling about $375 million. The Company believes a significant amount of the costs to achieve these benefits will be recovered through rates and future operating efficiencies of the combined operations. Therefore, the Company recorded as regulatory assets the costs of the merger and integration of UCGC. However, the Company has established a reserve of approximately $20 million ($12.6 million after-tax), to account for costs that may not be recovered. The Company recorded these costs in the fourth quarter of fiscal year 1997 when the merger was completed, separation plans were approved by the Board of Directors and announcements were made to employees. For further information regarding the merger please see Note 2 of notes to consolidated financial statements.

Effects of Weather

Annual sales volumes and revenues vary in relation to winter heating degree days and summer irrigation demand. The Company has weather normalization adjustments in its rates in Georgia and Tennessee, but not in the other 10 states in which it has natural gas distribution operations. The estimated effect on net income of weather different from 30-year normals is included in the previous table. The decline in net income, excluding the charges and reserves, was the result of the effects of warmer than normal weather during the winter months, which negatively impacted gas throughput and sales as well as propane sales. In addition, the spring months were wetter than normal, which adversely impacted irrigation gas utilization. Normal weather conditions would have added $.12 per share to net income.

Rates

The negative effects of weather were partially offset by rate increases implemented in fiscal 1996 and 1997 in jurisdictions in Texas, Kentucky, Illinois, Georgia, Iowa, Tennessee, Missouri and Virginia. Rate increases contributed approximately $8 million to gross profit in 1997.

The following table summarizes heating degree days and volumes delivered for 1997, 1996 and 1995.

	YEAR ENDED SEPTEMBER 30,		
	1997	1996	1995
Heating degree days,			
Actual	**3,909**	4,043	3,706
Percent of normal	**98%**	101%	93%
Sales volumes – MMcf			
Residential	**75,214**	77,001	69,666
Commercial	**37,382**	38,247	34,921
Industrial (including agricultural)	**46,417**	57,863	57,290
Public authority and other	**5,195**	5,182	4,779
Total	**164,208**	178,293	166,656
Transportation volumes – MMcf	**48,800**	44,146	47,647
Total volumes delivered – MMcf	**213,008**	222,439	214,303
Propane – Gallons (000's)	**32,975**	40,723	28,854
Total operating revenues (000's)	**$906,835**	$886,691	$749,555

Operating revenues increased approximately 2% to $906.8 million in 1997 from $886.7 million in 1996 due to an increase of 13% in the average sales price per thousand cubic feet ("Mcf") of gas sold, which more than offset a 4% decrease in total volumes delivered. The increase in sales price reflects an increase in the commodity cost of gas which is passed through to end users and rate increases implemented in 1996 and 1997. Average gas sales revenues per Mcf increased by $.60 to $5.11 in 1997, while the average cost of gas per Mcf sold increased $.36 to $3.51 in 1997. The number of meters in service increased to 985,448 at September 30, 1997 compared with 976,308 at September 30, 1996. Sales to weather sensitive residential, commercial and public authority customers decreased approximately 2.6 billion cubic feet ("Bcf") in 1997 while sales and transportation volumes delivered to industrial and agricultural customers decreased approximately 6.8 Bcf. Total sales and transportation volumes delivered decreased 4.2% to 213.0 Bcf in 1997, as compared with 222.4 Bcf in 1996. The decrease was primarily due to lower irrigation demand as a result of cooler, wetter summer weather in West Texas.

Gross profit increased by approximately 2% to $329.7 million in 1997 from $324.4 million in 1996. The primary factor contributing to the higher gross profit was annual rate increases totalling approximately $16.3 million implemented in fiscal 1997 and 1996 in Texas, Kentucky, Tennessee, Iowa, Missouri, Georgia, and Illinois. This was partially offset by a decrease of 9.4 Bcf or 4.2% due to the effect of warmer than normal weather and decreased irrigation demand as a result of cooler, wetter summer weather in 1997. Operating expenses, excluding income taxes, increased $31.2 million or 13% to $263.0 million in 1997. The $25.5 million increase in operation expense was due primarily to the non-recurring $20.0 million reserve for potential sharing of merger and integration costs, and the $4.4 million charge for management reorganization. The $3.6 million increase in depreciation was due to utility plant additions placed in service in 1996 and 1997. Income taxes decreased to $14.3 million for 1997 from $23.3 million for 1996. The primary reason for the decrease was lower pre-tax profits. The effective tax rate increased slightly to 37.5% in 1997 from 36.2% in 1996. This was primarily due to increased state income tax rates in 1997. Also, prior to the merger in 1997, UCGC's income was subject to a slightly lower federal tax rate because of the graduated rate structure. Operating income decreased in 1997 by approximately $17.0 million or 24% to $52.3 million. The decrease in operating income resulted primarily from the non-recurring charges included in 1997 operating expenses as discussed above.

Net income decreased in 1997 by approximately 42% to $23.8 million from $41.2 million in the prior year. This $17.3 million decrease in net income resulted from the $17.0 million decrease in operating income and a $1.9 million increase in interest expense, which were partially offset by a $1.6 million increase in other income. The increase in interest expense was due to higher average debt outstanding in 1997 than in 1996. The $1.6 million increase in other income for 1997 was primarily due to a $1.1 million increase in income from the Company's investment in Woodward Marketing L.L.C., a Houston gas marketing company. Net income per share decreased to $.81 for 1997 from $1.42 for 1996. Average shares outstanding increased 1% to 29,409,000 shares in 1997 from 1996.

Year ended September 30, 1996 compared with year ended September 30, 1995
Operating revenues increased 18% to $886.7 million in 1996 from $749.6 million in 1995 due to weather that was 9% colder than in 1995 and an 11% increase in the aver-

age sales price per Mcf sold. Average gas sales revenues per Mcf increased from 1995 by $.44 to $4.51 in 1996, while the average cost of gas per Mcf sold increased $.45 to $3.15 in 1996. The total number of natural gas and propane customers increased to 1,002,416 at September 30, 1996 compared with 972,572 at September 30, 1995. Sales to weather sensitive residential, commercial and public authority customers increased approximately 11.0 Bcf in 1996 while sales and transportation volumes delivered to industrial and agricultural customers decreased 2.9 Bcf. Total volumes delivered increased 4% to 222.4 Bcf in 1996, as compared with 214.3 Bcf in 1995. Revenues from gas sales to weather sensitive customers increased $109.9 million to $616.8 million in fiscal 1996 due to an 11% increase in average sales price and a 10% increase in volumes sold in 1996. The increase in volumes sold was due to weather 1% colder than normal in 1996, as compared with 7% warmer than normal weather in 1995. Revenues from gas sold and transported to industrial and agricultural customers increased $15.2 million due to a $.24 per Mcf or 8% increase in sales price, despite a slight decrease in volumes delivered.

Gross profit increased by approximately 8% to $324.4 million in 1996 from $300.2 million in 1995. The primary factor contributing to the higher gross profit in 1996 was higher volumes sold to weather-sensitive customers due to colder weather. The companywide average margin (sales price per Mcf less cost of gas per Mcf) did not change significantly in 1996. Operating expenses, excluding income taxes, increased only slightly to $231.8 million in 1996 from $228.2 million in 1995. Income taxes increased to $23.3 million in 1996 from $16.5 million in 1995. The primary reason for the increase was higher pre-tax profits. The effective tax rate decreased slightly to 36.2% in 1996 from 36.5% in 1995. Operating income increased in 1996 by approximately 25% to $69.3 million from $55.4 million in 1995. The increase in operating income resulted primarily from the increase in 1996 gross profit, partially offset by increases in operating expenses, primarily income taxes, as discussed above.

Net income increased in 1996 from 1995 by approximately 43% to $41.2 million from $28.8 million in the prior year. This increase in net income resulted primarily from the increase in operating income, which was partially offset by a $1.5 million increase in interest expense. This increase in interest expense was caused by an increase in weighted average short-term debt outstanding in 1996. Net income per share increased to $1.42 for 1996 from $1.06 for 1995. Average shares outstanding increased 7% to 28,978,000 in 1996.

Capital Resources and Liquidity
(See "Consolidated Statements of Cash Flows")

Because of the pooling of interests of Atmos, which has a September 30 fiscal year end, with UCGC, which had a December 31 year end, the activities of UCGC for the quarter ended December 31, 1996 are included in the restated 1996 consolidated statement of cash flows and not the 1997 consolidated statement of cash flows. As a result, amounts in the 1997 consolidated statement of cash flows as reported are different than they would have been, had they included a full 12 month's activity for UCGC.

The following pro forma condensed consolidated statement of cash flows [obscured]cts activities of both Atmos and UCGC for the full 12 months ended September 30, 1997.

(In thousands)	
Cash flows from operating activities:	
Net income	$ 23,838
Depreciation	47,494
Other	(11,054)
Net cash provided by operating activities	60,278
Net cash used in investing activities	(131,286)
Cash flows from financing activities:	
Increase in notes payable, net	63,600
Issuance of long-term debt	40,000
Repayment of long-term debt	(16,037)
Issuance of common stock	10,482
Cash dividends paid	(29,778)
Net cash provided by financing activities	68,267
Decrease in cash	(2,741)
Cash at beginning of year	8,757
Cash at end of year	$ 6,016

Cash Flows from Operating Activities

Cash flows from operating activities as reported in the consolidated statement of cash flows totaled $68.7 million for 1997 compared with $91.7 million for 1996 and $79.1 million for 1995. Due to non-recurring charges recorded in 1997 and deducting UCGC's net income for the quarter ended December 31, 1996, the Company reported lower net income for the 1997 Statement of Cash Flows as compared with 1996 and 1995. Depreciation for the full 12 months of fiscal 1997 was $2.2 million higher than for 1996 because of increasing utility plant in service. Using 1997 beginning balances for UCGC as of December 31, 1996 resulted in large swings in certain seasonal asset and liability accounts like accounts receivable and accounts payable. Gas stored underground increased in 1996 because of higher gas cost, but was lower in 1997 and 1995 because of substantially lower gas prices during the summers of 1997 and 1995 when the storage reservoirs were being refilled. The changes in deferred charges and other assets and other current liabilities in 1997 were related to merger and integration costs accrued and the related regulatory assets recorded in the fourth quarter of 1997. See "Consolidated Statements of Cash Flows" for other changes in assets and liabilities.

Cash Flows from Investing Activities

A substantial portion of the Company's cash resources is used to fund its ongoing construction program in order to provide natural gas services to a growing customer base. Net cash used in investing activities totaled $121.1 million in 1997 compared with $111.9 million in 1996 and $101.4 million in 1995. During 1995, UCGC completed construction of a twenty-eight mile main which connects two of its fastest growing distribution systems located i[illegible]dle Tennessee and is designed to provide the Company's current customers with the lowest possible priced gas through increased gas supply flexibility. Included in the 1995 capital expenditures stated above is $5.7 million related to this project. Capital expenditures in fiscal 1997 amounted to $122.3 million (including $26.0 million for the Customer Service Initiative ("CSI")) compared with $117.6 million in 1996 and $103.9 million in 1995. Currently budgeted capital expenditures for 1998 total $109.1 million and include approximately $41.5 million for completing the CSI, as well as funds for additional mains, services, meters, and vehicles. The CSI project includes application software, related technology infrastructure and business process changes. Benefits related to the CSI project include enabling the Company's ability to deliver its vision by positioning for the future, using best practices in the industry, timely integration of new acquisitions and resolution of Year 2000 issues. Capital expenditures for fiscal 1998 are planned to be financed from internally generated funds and financing activities, as discussed below.

The following table reflects the Company's capitalization, including short-term debt except for the portion related to current storage gas.

(In thousands)	1997		1996	
Working capital				
Short-term debt(1)	**$ 48,122**		$ 43,350	
Short-term debt	**119,178**	**15.6%**	85,138	12.0%
Long-term debt	**318,182**	**41.6%**	292,841	41.4%
Shareholders' equity	**327,260**	**42.8%**	329,582	46.6%
Total capitalization	**$764,620**	**100%**	$707,561	100%

(1) Includes short-term borrowings associated with working gas inventories.

As of the end of fiscal 1997, the debt to capitalization ratio had increased to 57.2% from 53.4% in 1996. The increase was primarily due to increased cash requirements related to merger and integration costs and CSI investments in 1997, as well as the effects of the charges and reserves previously discussed. The Company plans to decrease the debt to capitalization ratio to nearer its target of 50% over the next three years through cash flow generated from operations, issuance of new common stock under its Direct Stock Purchase Plan and ESOP, recovery of CSI and merger/integration costs and possibly from the sale of certain real estate assets.

Future Capital Requirements

Short-term borrowings are expected to continue to increase somewhat in fiscal 1998 due to budgeted capital expenditures discussed above and scheduled maturities of long-term debt of $15.2 million. The Company has access to $35.0 million available under its committed lines of credit and $159.9 million available under its uncommitted lines.

Forward looking cash requirements beyond fiscal 1998 include capital expenditures and possible contingencies and environmental matters as discussed in the notes to consolidated financial statements. The Company plans to fund future requirements through internally generated cash flows, credit facilities and its access to the public debt and equity capital markets.

Cash Flows from Financing Activities

Net cash provided by financing activities totaled $47.3 million for 1997 compared with $22.0 million for 1996 and $26.1 million for 1995. Financing activities during these periods included issuance of common stock, dividend payments, short-term borrowings from banks under the Company's credit lines, and issuance and repayments of long-term debt.

Cash dividends paid The Company paid $26.4 million in cash dividends during 1997 (excluding dividends of $3.4 million paid by UCGC in the quarter ended December 31, 1996) compared with $28.5 million in 1996 and $26.2 million in 1995. Prior to the UCGC merger in July 1997, Atmos increased its actual annual dividend rate by $.04 in each of the three years presented. Including fiscal 1998, the Company has increased its dividend rate for ten consecutive years.

Short-term financing activities At September 30, 1997, the Company had committed lines of credit totaling $187.0 million, $35.0 million of which was unused, in order to provide for short-term cash requirements. These credit facilities are negotiated at least annually. At September 30, 1997, the Company also had uncommitted short-term credit lines of $170.0 million, of which $159.9 million was unused. During 1997, notes payable increased $38.8 million after the application of $40.0 million proceeds from the issuance of long-term debt to reduce notes payable, compared with an increase of $62.7 million during 1996 and a decrease of $38.5 million in 1995. The decrease in fiscal 1995 was primarily due to repayment of short-term debt with most of the proceeds from the issuance of $67.0 million of long-term debt.

Long-term financing activities In November 1996, the Company issued $40.0 million of 6.09% unsecured notes due in November 1998 to a bank. The proceeds were used to refinance short-term debt. Long-term debt payments totaled $14.7 million, $20.7 million, and $10.3 million for the years ended September 30, 1997, 1996 and 1995, respectively. The amount for 1997 excludes repayments of $1.4 million by UCGC in the quarter ended December 31, 1996. Payments of long-term debt in 1997 consisted of $9.0 million of installments on the Company's various unsecured Senior Notes, a $2.0 million installment on the 8.69% Series N First Mortgage Bonds, and installments on various term notes and other long-term obligations totaling $3.7 million. Payments of long-term debt in 1996 and 1995 likewise consisted of annual installments under the various loan documents. No long-term debt was issued in 1996. In the first quarter of 1995, the Company entered into note purchase agreements totaling $40.0 million with two insurance companies and issued $20.0 million of unsecured Senior Notes at 8.07% payable in annual installments of $4.0 million beginning October 31, 2002 through October 31, 2006 with semiannual interest payments and $20.0 million of unsecured Senior Notes at 8.26% payable in annual installments of $1,818,182 beginning October 31, 2004 through October 31, 2014 with semiannual interest payments. In 1995 UCGC issued $22.0 million of medium-term notes under a shelf registration statement and a $5.0 million term note for its propane company. The $27.0 million proceeds of these notes were used by UCGC to repay short-term borrowings, retire long-term debt, finance the Company's construction program and for other corporate purposes.

The loan agreements pursuant to which the Company's Senior Notes and First Mortgage Bonds have been issued contain covenants by the Company with respect to the maintenance of certain debt-to-equity ratios and cash flows, and restrictions on the payment of dividends. Also see Note 7 of the accompanying notes to consolidated financial statements.

UCG Energy and Woodward Marketing, Inc. ("WMI"), sole shareholders of WMLLC, act as guarantors of a $12,500,000 credit facility for WMLLC with a bank. No balance was outstanding on this credit facility at September 30, 1997. UCG Energy and WMI also act as joint and several guarantors on certain purchases of natural gas and transportation services from suppliers by WMLLC. These outstanding obligations amounted to $12.2 million at September 30, 1997.

Issuance of common stock The Company issued 400,578, 995,467 and 2,335,785 shares of common stock in 1997, 1996 and 1995, respectively, for its Direct Stock Purchase Plan, Employee Stock Ownership Plans, Restricted Stock Grant Plan, Outside Directors Stock-for-Fee Plan, a public offering in 1995, acquisitions of Oceana Heights and Monarch Gas Company and an interest in Woodward Marketing L.L.C. See the Consolidated Statements of Shareholders' Equity for the number of shares issued under each of the plans and for other transactions. Please see Note 9 of the accompanying notes to consolidated financial statements for the number of shares registered and available for future issuance under each of the Company's plans.

In November 1995 the Company exchanged 313,411 shares of its common stock valued at approximately $6.4 million in exchange for privately held Oceana Heights Gas Company of Thibodaux, Louisiana.

In June 1996, in connection with the acquisition of Monarch Gas Company ("Monarch"), 207,366 shares of UCGC's common stock were exchanged for the common stock of Monarch. The merger added approximately 2,900 natural gas customers in the Vandalia, Illinois area. In May 1995, 320,512 shares of UCGC's common stock valued at $5,000,000 were issued in connection with the purchase of a 45% interest in Woodward Marketing, L.L.C. ("WMLLC") by UCG Energy. In June 1995 UCGC issued 1,380,000 shares of common stock under a shelf registration statement in an underwritten public offering with net proceeds from the sale amounting to approximately $18.9 million.

The Company believes that internally generated funds, its credit facilities and access to the public debt and equity capital markets will provide necessary working capital and liquidity for capital expenditures and other cash needs for 1998.

Inflation

The Company believes that inflation has caused and will continue to cause increases in certain operating expenses and has required and will continue to require assets to be replaced at higher costs. The Company continually reviews the adequacy of its gas rates in relation to the increasing cost of providing service and the inherent regulatory lag in adjusting those gas rates.

Quarterly Financial Data (Unaudited)

Summarized unaudited quarterly financial data are presented below. The sum of net income per share by quarter may not equal the net income per share for the year due to variations in the weighted average shares outstanding used in computing such amounts. The Company's natural gas and propane distribution businesses are seasonal due to weather conditions in the Company's service areas. For further information on its effects on quarterly results, please see the "Seasonality" discussion included in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section herein.

(In thousands, except per share data)	QUARTER ENDED December 31, 1996	December 31, 1995	March 31, 1997	March 31, 1996	June 30, 1997	June 30, 1996	September 30, 1997	September 30, 1996
Operating revenues	$280,624	$253,439	$362,636	$341,867	$143,714	$175,240	$119,861	$116,145
Gross profit	97,269	89,707	124,249	120,231	59,546	68,220	48,590	46,254
Operating income (loss)	25,968	24,365	37,075	41,216	4,599	6,853	(15,331)	(3,173)
Net income (loss)	18,155	18,496	30,625	35,906	(3,018)	(2,795)	(21,924)	(10,456)
Net income (loss) per share	.62	.64	1.04	1.26	(.10)	(.10)	(.74)	(.36)

Market Information

The Company's stock trades on the New York Stock Exchange under the trading symbol "ATO." The high and low sale prices and dividends paid per share of the Company's common stock for fiscal 1997 and 1996 are listed below. Dividends paid for 1997 and 1996 have been restated to reflect the merger of Atmos and UCGC accounted for as a pooling of interests. Atmos' actual dividends paid in fiscal 1997 were $.25 for each of the first three quarters and $.255 for the fourth quarter, and $.24 per quarter for each quarter of fiscal 1996. The high and low prices listed are the actual closing NYSE quotes for Atmos shares.

Quarter ended	1997 High	1997 Low	1997 Dividends paid	1996 High	1996 Low	1996 Dividends paid
December 31	$24 ¾	$22 ⅝	$ .251	$ 23	$ 18	$.245
March 31	26 ¼	22 ⅛	.252	23	21	.245
June 30	25 ½	22 ½	.252	31	22 ¾	.245
September 30	27 ⅞	24 ½	.255	30 ⅝	20 ⅞	.245
			$1.01			$ .98

See Note 7 of notes to consolidated financial statements for restriction on payment of dividends. The number of record holders of the Company's common stock on September 30, 1997 was 29,867.

Selected Financial Data

The following table sets forth selected financial data of the Company and should be read in conjunction with the consolidated financial statements included herein. Amounts for 1997 reflect the pooled operations of Atmos and the United Cities Division. Prior year amounts have been restated for the pooling.

(In thousands, except per share data)	YEAR ENDED SEPTEMBER 30, 1997	1996	1995	1994	1993
Operating revenues	$ 906,835	$ 886,691	$749,555	$826,302	$794,893
Net income	$ 23,838	$ 41,151	$ 28,808	$ 26,772	$ 29,694
Net income per share	$ .81	$ 1.42	$ 1.06	$ 1.05	$ 1.21
Cash dividends per share	$ 1.01	$ .98	$ .96	$ .91	$ .82
Total assets at end of year	$1,088,311	$1,010,610	$900,948	$829,385	$786,739
Long-term debt at end of year	$ 302,981	$ 276,162	$294,463	$282,647	$257,696

Consolidated Five-Year Financial and Statistical Summary (1)

	YEAR ENDED SEPTEMBER 30, 1997	1996	1995	1994	1993
BALANCE SHEET DATA AT SEPTEMBER 30 (In thousands)					
Capital expenditures	**$ 122,312**	$117,589	$103,904	$ 85,471	$ 74,110
Net property, plant and equipment	**849,127**	770,211	697,287	638,787	592,886
Working capital	**(169,518)**	(102,764)	(41,980)	(32,340)	(31,830)
Total assets	**1,088,311**	1,010,610	900,948	829,385	786,739
Shareholders' equity	**327,260**	329,582	304,349	267,584	251,317
Long-term debt, excluding current maturities	**302,981**	276,162	294,463	282,647	257,696
Total capitalization	**630,241**	605,744	598,812	550,231	509,013
INCOME STATEMENT DATA (In thousands, except per share data)					
Operating revenues	**$ 906,835**	$886,691	$749,555	$826,302	$794,893
Gross profit	**329,654**	324,412	300,158	297,020	289,393
Net income	**23,838**	41,151	28,808	26,772	29,694
Net income per share	**0.81**	1.42	1.06	1.05	1.21
COMMON STOCK DATA					
Shares outstanding (In thousands)					
End of year	**29,642**	29,242	28,246	25,911	25,183
Average	**29,409**	28,978	27,208	25,604	24,535
Cash dividends per share	**$ 1.01**	$ 0.98	$ 0.96	$ 0.91	$ 0.82
Shareholders of record	**29,867**	36,472	31,782	27,005	24,649
Market price – high	**$ 27 7/8**	$ 31	$ 20 5/8	$ 21 1/8	$ 20 5/8
low	**$ 22 1/8**	$ 18	$ 15 7/8	$ 16 3/8	$ 13 1/2
end of year	**$ 24 7/8**	$ 23 3/8	$ 19 3/8	$ 17 3/4	$ 20 1/4
Book value per share at end of year	**$ 11.04**	$ 11.27	$ 10.77	$ 10.33	$ 9.98
Price/Earnings ratio at end of year	**30.71**	16.46	18.28	16.90	16.74
Market/Book ratio at end of year	**2.25**	2.07	1.80	1.72	2.03
Annualized dividend yield at end of year	**4.1%**	4.2%	5.0%	5.1%	4.1%
CUSTOMERS AND VOLUMES (as metered)					
Gas sales volumes (MMcf)	**164,208**	178,293	166,656	170,691	166,065
Gas transportation volumes (MMcf)	**48,800**	44,146	47,647	47,882	51,665
Total volumes handled (MMcf)	**213,008**	222,439	214,303	218,573	217,730
Meters in service at end of year	**985,448**	976,308	949,213	943,728	888,315
Average meters in service	**984,835**	974,767	947,358	940,574	917,614
Heating degree days (Atmos only before '96)	**3,909**	3,925	3,579	3,953	4,046
Degree days as a % of normal	**98%**	99%	90%	99%	102%
Average gas sales price per Mcf sold	**$ 5.11**	$ 4.51	$ 4.07	$ 4.41	$ 4.32
Average purchased gas cost per Mcf sold	**$ 3.51**	$ 3.15	$ 2.70	$ 3.10	$ 3.04
Average transportation fee per Mcf	**$ 0.41**	$ 0.43	$ 0.42	$ 0.45	$ 0.42
STATISTICS					
Return on average shareholders' equity	**7.3%**	13.0%	10.1%	10.3%	12.5%
Number of employees	**2,679**	2,863	2,944	3,052	3,105
Net plant per meter	**$ 862**	$ 789	$ 735	$ 677	$ 645
Utility operating, maintenance and administrative expense per meter	**$ 147**	$ 194	$ 201	$ 214	$ 201
Utility customers per employee	**392**	341	322	309	296
Times interest earned before income taxes	**2.04**	3.00	2.44	2.45	2.47

(1) Amounts have been restated for pooling of interests with UCGC in July 1997 and Greeley Gas Company in December 1993, and share data have been adjusted for a 3-for-2 stock split in May 1994.

FRONT, FROM LEFT
Travis Bain, Phillip Nichol
REAR, FROM LEFT
Gene Koonce, Charles Vaughan, Dan Busbee, Robert Best

FRONT, FROM LEFT
Thomas Meredith, Lee Schlessman
REAR, FROM LEFT
Thomas Garland, Richard Cardin, Vincent Lewis, Richard Ware, Carl Quinn

Board of Directors

Travis W. Bain
President, Bain Enterprises Inc.
Plano, Texas
Board member since 1988
Committees: Work Session/Annual Meeting (Chairman), Audit, Human Resources

Robert W. Best
Chairman of the Board, President and Chief Executive Officer,
Atmos Energy Corporation
Dallas, Texas
Board member since 1997
Committees: Executive

Dan Busbee
Attorney and Shareholder, Locke Purnell Rain Harrell (A Professional Corporation)
Dallas, Texas
Board member since 1988
Committees: Audit (Chairman), Human Resources

Richard W. Cardin
Consultant and Private Investor
Nashville, Tenn.
Board member since 1997
Committees: Audit

Thomas J. Garland
Executive in Residence and a Distinguished Service Professor of the Civic Arts, Tusculum College
Greeneville, Tenn.
Board member since 1997
Committees: Human Resources

Gene C. Koonce
Vice Chairman of the Board,
Atmos Energy Corporation
Brentwood, Tenn.
Board member since 1997
Committees: Executive, Work Session/Annual Meeting

Vincent J. Lewis
Senior Vice President,
Legg Mason Wood Walker Inc.
Rutherford, N.J.
Board member since 1997
Committees: Nominating

Dr. Thomas C. Meredith
Chancellor of the University of Alabama System
Tuscaloosa, Ala.
Board member since 1995
Committees: Audit, Nominating

Phillip E. Nichol
Senior Vice President and Branch Manager
PaineWebber Incorporated
Fort Worth, Texas
Board member since 1985
Committees: Nominating (Chairman), Human Resources, Work Session/Annual Meeting

Carl S. Quinn
General Partner, Quinn Oil Company, Ltd.
New York, New York
Board member since 1994
Committees: Human Resources (Chairman)

Lee E. Schlessman
President, Dolo Investment Company
Denver, Colo.
Board member since 1994
Committees: Nominating, Executive

Charles K. Vaughan
Formerly Chairman of the Board,
Atmos Energy Corporation
Dallas, Texas
Board member since 1983
Committees: Executive (Chairman)

Richard Ware II
President, Amarillo National Bank
Amarillo, Texas
Board member since 1994
Committees: Audit, Work Session/Annual Meeting

Corporate Information

Common Stock Listing

New York Stock Exchange

Trading Symbol

ATO

ATO Listed NYSE

Stock Transfer Agent and Registrar

Shareholder inquiries on stock transfers may be directed to Boston EquiServe, L.P., Mail Stop 45-02-64, P.O. Box 644, Boston, MA 02102-0644. You may call the Interactive Voice Response System 24 hours a day at 1-800-543-3038, or to speak to a customer service representative, call between 9 a.m. and 6 p.m. EST Monday through Friday.

Independent Auditors

Ernst & Young LLP
2121 San Jacinto, Suite 1500
Dallas, Texas 75201
(214) 969-8000

Form 10-K

The Atmos Energy Corporation Annual Report on Form 10-K is available on request from Investor Relations, Atmos Energy Corporation, P.O. Box 650205, Dallas, Texas 75265-0205, 1-800-38-ATMOS (382-8667) 7:30 a.m. - 4:30 p.m. CST.

Annual Meeting

The Annual Meeting of Shareholders will be held at the Ambassador Hotel, 3100 I-40 West, Amarillo, Texas, at 11 a.m. CST on Feb. 11, 1998.

Direct Stock Purchase Plan

Atmos Energy Corporation has a Direct Stock Purchase Plan, which is open to all investors.

For an Initial Investment Form or Enrollment Authorization Form and Plan Prospectus, please call Atmos Shareholder Relations at 1-800-38-ATMOS (382-8667) 7:30 a.m. – 4:30 p.m. CST; Boston EquiServe, L.P. at 1-800-543-3038. The Prospectus is also available on the Internet, at the address listed. You may also obtain such information by writing to Shareholder Relations, Atmos Energy Corporation, P.O. Box 650205, Dallas, Texas 75265-0205.

This is not an offer to sell nor a solicitation to buy any securities of Atmos. Shares of Atmos common stock purchased through the Direct Stock Purchase Plan will be offered only by Prospectus.

Atmos Information by Phone or Internet

Atmos Energy Corporation shareholder information is available by phone seven days a week, 24 hours a day through the Boston EquiServe, L.P. Interactive Voice Response System. To perform stock transfer inquiries, listen to current company information and access daily stock quotes without the assistance of a customer service representative, call 1-800-543-3038, and have your Atmos Energy shareholder account number and Social Security or taxpayer ID number ready.

Atmos financial information also may be obtained free of charge over the Internet and from a fax on demand service. The World Wide Web address on the Internet is http://www.atmosenergy.com. For fax on demand, call (614) 844-3860.

Atmos Energy Corporation Contacts

Shareholder and Direct Stock Purchase Plan Information:
Amber Mullins
1-800-38-ATMOS (382-8667), 7:30 a.m. - 4:30 p.m. CST

Financial Information for Securities Analysts, Investment Managers, and General Information:
Lynn Hord
(972) 855-3729

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