BEFORE THE

GEORGIA PUBLIC SERVICE COMMISSION

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PUBLIC SERVICE COMMISSION

IN RE:	**ATMOS ENERGY CORPORATION'S AFFILIATE TRANSACTION AUDIT REVIEW/2005 RATE CASE**	**DOCKET NO. 20298-U**

DIRECT TESTIMONY

AND EXHIBITS

OF

VICTORIA TAYLOR

AND

LANE KOLLEN

ON BEHALF OF THE

GEORGIA PUBLIC SERVICE COMMISSION STAFF

SEPTEMBER 29, 2005

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IN RE:	**ATMOS ENERGY CORPORATION'S**	**)**	
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TABLE OF CONTENTS

DIRECT TESTIMONY OF VICTORIA L. TAYLOR AND LANE KOLLEN

I. QUALIFICATIONS AND SUMMARY

Q. Please state your name and business address.

A. My name is Victoria Taylor. My business address is the Georgia Public Service Commission ("Commission"), 244 Washington Street, S.W., Atlanta, Georgia 30334.

My name is Lane Kollen. My business address is J. Kennedy and Associates, Inc. ("Kennedy and Associates"), 570 Colonial Park Drive, Suite 305, Roswell, Georgia 30075.

Q. Ms. Taylor, what is your occupation and by whom are you employed?

A. I am a Utilities Analyst employed by the Georgia Public Service Commission.

Q. Mr. Kollen, what is your occupation and by whom are you employed?

A. I am a utility rate and planning consultant holding the position of Vice President and Principal with the firm of Kennedy and Associates.

Q. Ms. Taylor, please describe your education and professional experience.

A. I hold a Bachelor of Science in Business Administration in Finance and Marketing from Saint Louis University. My education and professional experience are detailed further in our Exhibit___(TK-1).

Q. Mr. Kollen, please describe your education and professional experience.

A. My education and professional experience are described in my separate Direct Testimony in this proceeding in which I address policy and revenue requirement issues.

Q. On whose behalf are you testifying?

A. We are offering testimony on behalf of the Georgia Public Service Commission Adversary Staff ("Adversary Staff").

Q. What is the purpose of your testimony?

A. The purpose of our testimony is to present the results of the Adversary Staff's audit and review of the Atmos Energy Corporation ("AEC," "Atmos," or "Company") affiliate transaction and cost allocation process and to make recommendations regarding the amounts of such costs allocated to the Georgia jurisdiction for ratemaking purposes.

Q. Please summarize your testimony.

A. A significant portion of the costs included in the Company's jurisdictional revenue requirement in this proceeding are initially incurred at various organizational levels within AEC and then allocated to Georgia. AEC also incurs costs in Georgia (directly assigned) for its operations in the Gainesville and Columbus areas. The costs allocated from other AEC organizational levels are combined with the costs incurred directly by AEC in Georgia to quantify the Company's jurisdictional rate base, operating expenses, and cost of capital. The Georgia jurisdiction is not a separate legal entity.

In our testimony, we describe: 1) the AEC organizational structure, 2) the affiliate transaction and cost allocation process, 3) the effect of costs incurred at other AEC organizational units on the costs allocated to the Georgia jurisdiction, and 4) the AEC budgeting and forecasting process and the effects of that process on the costs allocated to the Georgia jurisdiction and included in the Company's revenue requirement in this proceeding.

We also identify, describe, and quantify certain problems with the actual affiliate transaction and cost allocation process and the budgeting/forecasting process that have resulted in an excessive rate increase request. Our recommendations on these issues are as follows:

- AEC Shared Services expenses and rate base amounts allocated to Georgia should be reduced to reflect the further integration of the TXU Gas acquisition (Mid-Tex and Atmos Pipeline –Texas Operating divisions) in the test year.

- AEC Shared Services expenses and rate base amounts allocated to Georgia should be reduced to reflect the proper allocation of certain costs to non-utility affiliates or retained by AEC.

- Certain AEC ADIT amounts should not be allocated to Georgia. These include 1) an ADIT liability for IRS audit interest assessment, 2) an ADIT asset for AMT (Alternative Minimum Tax) credit carryforward, 3) an ADIT asset for Treasury lock adjustment, and 4) an ADIT asset for state net operating loss carryforward.

- Mid-States Operating division and Eastern Regional Office costs should be allocated to Georgia using a composite allocation factor, which incorporates multiple size based factors rather than the single allocation factors for O&M expense (number of customers) and for depreciation and other taxes expense and rate base components (gross plant).

- Consolidation savings between the Mid-States and Kentucky Operating divisions should be reflected in test year O&M expenses.

- ITC amortization should be allocated to Georgia and not retained by AEC because the plant that generated the ITC is included in Georgia rate base.

- Certain Mid-States Operating division ADIT amounts should not be allocated to Georgia or should be directly assigned to Georgia. These include 1) an ADIT asset due to an accounting error related to merger and integration amortization, 2) ADIT assets due to Union Gas, Monarch Gas, and Palmyra Gas non-compete agreements, and 3) an ADIT liability due to the UCG acquisition that was erroneously included at the Mid-States Operating division.

- AEC Shared Services Division Accumulated Depreciation, ADIT, and Depreciation Expense should be adjusted to reflect Adversary Staff depreciation rate recommendations.

- Excessive costs due to AES affiliate transactions should be disallowed.

In addition, we address the appropriate capital structure and cost of debt that should be used for Georgia ratemaking purposes. We recommend that the Commission reflect short-term debt in the capital structure based on the Company's working capital requirements. This results in a capital structure of 10% short term debt, 45% long term debt, and 45% common equity compared to the Company's proposed capital structure of

50% debt and 50% common equity. We also recommend that the Commission utilize a cost of long-term debt that reflects the removal of debt issues that actually have been retired and that will not be outstanding during the test year. Mr. Hill relied on this capital structure for his recommended return on common equity.

Finally, we recommend expanded reporting requirements for affiliate transactions and cost allocations to facilitate the Staff's timely review of costs that are allocated to Georgia from other AEC organizational levels. These reporting requirements are a component of the expanded reporting requirements described by Mr. Kollen in his separate testimony on revenue requirement issues.

The effects of our recommendations have been incorporated in the Adversary Staff's recommendation for a base rate reduction, which is addressed by Mr. Kollen in his separate testimony on revenue requirement issues.

II. ATMOS ENERGY CORPORATION CORPORATE STRUCTURE AND AFFILIATE TRANSACTION AND COST ALLOCATION PROCESS

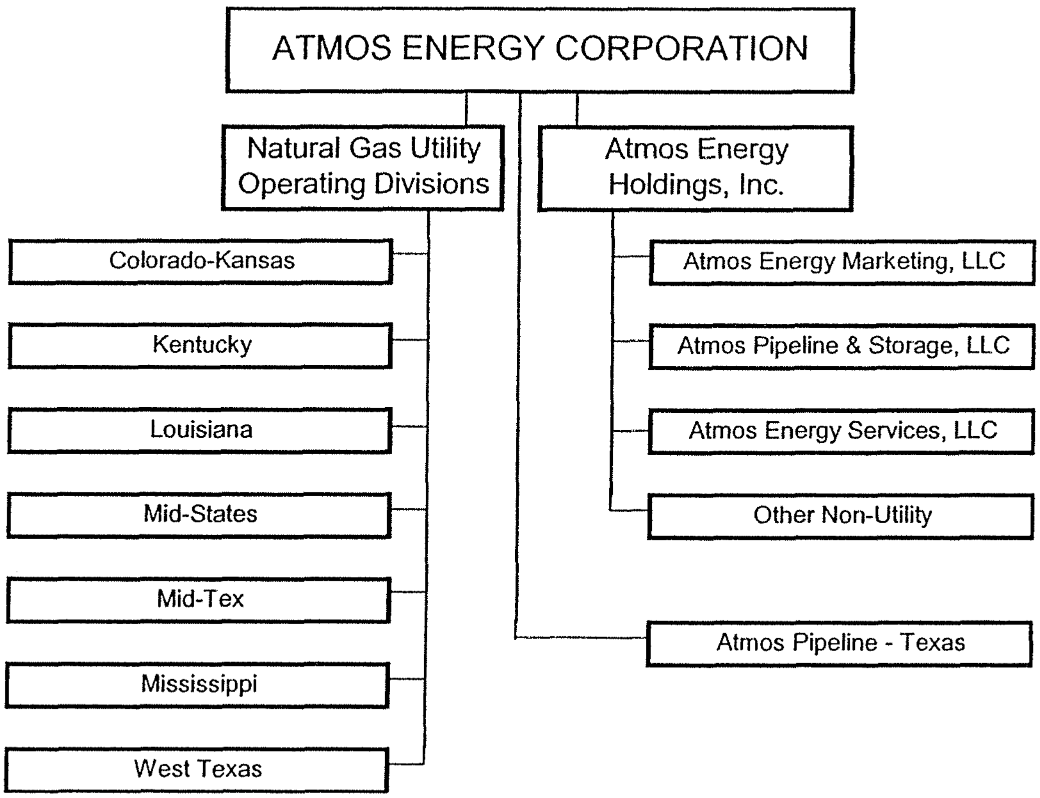
Overview of AEC Corporate Structure, Cost Allocation Process, and Affiliate Transactions

Q. Please describe the corporate structure of Atmos Energy Corporation.

A. Atmos Energy Corporation consists of seven utility Operating divisions (business units), which are not separate legal entities, one non-utility Operating division, which also is not a separate legal entity, and its non-utility subsidiaries, which are separate legal entities. The utility and non-utility Operating divisions operate in 12 states and the non-utility subsidiaries operate in 18 states. Atmos Energy Corporation provides regulated natural gas utility service through its utility Operating divisions. The Mid-States Operating division is headquartered in Franklin, Tennessee and serves Georgia, Tennessee, Virginia, Illinois, Iowa, and Missouri.

In addition to providing regulated utility service, AEC provides various non-utility services through its one non-utility Operating division and various non-utility legal entities, all of which are subsidiaries of Atmos Energy Holdings, Inc. The non-utility Operating division is the Atmos Pipeline – Texas division, which includes the pipeline assets acquired through the acquisition of TXU Gas in 2004. The subsidiaries of Atmos Energy Holdings, Inc. include Atmos Energy Marketing, LLC, Atmos Pipeline & Storage, LLC and Atmos Energy Services, LLC.

A simplified chart of the Atmos Energy Corporation corporate structure follows below. A more detailed chart provided by the Company is attached as our Exhibit___(TK-2).



The AEC utility customers in Georgia are located in the Gainesville and Columbus areas of the state. Atmos is not an electing distribution company in Georgia and provides bundled natural gas utility service.

Q. Please describe how costs are quantified for the Georgia jurisdiction.

A. Georgia is considered by AEC to be a rate division (jurisdiction) and is not organized as a separate legal entity. Although it does directly assign certain rate base investment and operating expenses to Georgia through the AEC account coding process, AEC does not maintain accounting books and records for its Georgia operations as if it were a separate legal entity.

In addition to the costs directly assigned to Georgia, AEC employs a multi-step cost allocation process to allocate costs to the Georgia jurisdiction incurred by other AEC organizational levels. Costs are incurred at the Shared Services division organizational level (divisions 2 and 12) and allocated to the utility Operating divisions, non-utility Operating division, and non-utility affiliates. Costs are also incurred at the Mid-States Operating division (division 91), which serves Georgia and several other states. The costs allocated from AEC to the Mid-States Operating division are combined with the costs incurred directly by the Mid-States Operating division and allocated to the states served by that division. In addition, costs are incurred by the Eastern Regional Office (division 90), which serves Georgia and two other states, and allocated to those states. None of these organizational levels are separate legal entities.

This multi-step cost allocation process is described in the Company's Cost Allocation Manual, a copy of which is replicated as our Exhibit___(TK-3). The cost allocation process is also described in summary form on Schedule B-9 of the Company's MFR schedules in this proceeding, a copy of which is replicated as our Exhibit___(TK-4).

All financing costs are incurred at the AEC corporate organizational level. No financing costs are directly incurred in Georgia, directly assigned to Georgia, or allocated to Georgia. Instead, the Company simply uses the cost of capital for the entire Atmos Energy Corporation as the cost of capital for ratemaking purposes.

AEC Shared Services Division Costs Allocated To Georgia

Q. Please describe the costs incurred at the AEC Shared Services division.

A. The AEC Shared Services division provides centralized services to Atmos Energy Corporation's utility and non-utility Operating divisions and non-utility affiliates. The AEC Shared Services division provides corporate services, such as Human Resources, Legal, Accounting, Corporate Development, Treasury, Information Technology, Investor Relations, and Strategic Planning Services. More specifically, these services include Accounts Payable, Corporate Accounting, Central Records, Contract Administration, Corporate Finance, Corporate Secretary, Customer Billing, Customer Support Center, Customer Revenue Collections, Data Center & IT Strategy Support, Employee & Labor Relations, Employee Communications, Employee Development, Facility Administration, Financial Reporting, Fleet Administration, Gas Accounting, Gas Supply Operations, Gas Supply Planning, General Ledger Accounting, Governmental Affairs, Information Systems Support, Information Technology Support, Investor Relations and Corporate Communications, Payment Applications, Payroll, Planning & Budgeting, Plant Accounting, Procurement, Rates Administration, Risk Management, Security and Compliance, Tax Services, and Telecommunications Services.

The AEC Shared Services division provides these services from the corporate office in Dallas, Texas, except for the call centers, which are located in Amarillo, Texas and Waco, Texas. The O&M expenses within the AEC Shared Services division are accumulated and tracked by an internal department or cost center, each of which is assigned a cost center number. A list of the AEC Shared Services cost centers is attached as our Exhibit___(TK-5). Unlike the O&M expenses, the plant in service and the related accumulated depreciation and accumulated deferred income taxes ("ADIT") within the AEC Shared Services division are not tracked by cost center. Also unlike the O&M expenses, the depreciation expense and other taxes expense within the AEC Shared Services division are not tracked by cost center.

Q. Please describe how costs incurred at the AEC Shared Services division are allocated between the utility Operating divisions and the non-utility Operating division and affiliates.

A. The O&M expenses that are incurred at AEC Shared Services division by cost center, except for the call center expenses, are allocated to the Operating divisions and non-utility affiliates through the use of numerous composite allocation factors. Call center expenses are allocated based on the number of customers from each utility Operating division utilizing the call center.

The composite allocation factors are based on a weighted average of three ratios computed for each Operating division or affiliate compared to all Operating divisions and selected affiliates in total. The three ratios are gross property, plant and equipment, average number of customers, and total direct operation and maintenance expense.

Presently, there are eight versions of the composite allocation factor used to allocate costs that have accumulated in the various Shared Services division cost centers. The versions include Atmos with all ("w/all") TXU, Plus Non-Regulat~~ory~~ed or Regulat~~ory~~ed, and different weighted percentages allocable ("alloc") to TXU. They include:

- Atmos w/ all TXU, Plus Non-Reg (full alloc to TXU)
- Atmos w/all TXU, Reg Only (full alloc to TXU)
- Atmos w/all TXU, Plus Non-Reg (1/2 alloc to TXU)
- Atmos w/all TXU, Reg Only (1/2 alloc to TXU)
- Atmos w/all TXU, Plus Non-Reg (1/4 alloc to TXU)
- Atmos w/all TXU, Reg Only (1/4 alloc to TXU)
- Old Atmos 6, Plus Non-Reg
- Old Atmos 6, Utility Only

AEC determines for each Shared Services cost center which Operating divisions and affiliates will be allocated a share of that cost center's costs. The determination of how many and which affiliates will share in the costs is reflected in the selection of the composite factor that will be used to allocate those costs to all of the Operating divisions and the selected affiliates. AEC also determines if any further modifications to the composite allocation factor are appropriate for each Shared Services cost center based on the level of services that are provided to one or more operating divisions or selected affiliates. Differences in the level of services provided are reflected in the weighting factors that are applied to the three components comprising the composite factor.

The Shared Services division costs are allocated on a monthly basis as part of the company's normal accounting close. The allocation factors are updated annually unless interim adjustments are necessary based on changes in circumstances.

For ratemaking purposes, the AEC Shared Services division gross plant, accumulated depreciation, and ADIT amounts are allocated to the Operating divisions and non-utility affiliates using a weighted average of all the O&M expense composite allocation factors. The AEC Shared Services division depreciation and other taxes expense are also allocated using the same weighted average of all the O&M expense composite allocation factors.

AEC Shared Services Division Allocations Should Reflect Integration Status of TXU Gas Acquisition in the Test Year

Q. Please describe how the allocations of costs incurred at the AEC Shared Services division were affected by the 2004 acquisition of TXU Gas.

A. Atmos Energy Corporation acquired the natural gas distribution and pipeline operations of TXU Gas Company in October 2004, making AEC the largest pure natural gas distribution company in the United States. The acquired operations of TXU Gas Company were separated into two divisions, the Mid-Tex Operating division and the Atmos Pipeline-Texas Operating division. The Mid-Tex division was given the overall responsibility for the regulated utility distribution operations, while the Atmos Pipeline -

Texas division assumed responsibility for the unregulated gas pipeline and storage operations.

Prior to the acquisition of TXU Gas, Cap Gemini performed most of the administrative services for TXU Business Services, the service company provider for TXU Gas Company. After the acquisition, the AEC Shared Services division immediately started providing certain services to the two newly created divisions, according to the Company's response to STF-S1-19. Thus, the allocations of AEC Shared Services to all existing Operating divisions and affiliates, including the Mid-States Operating division were reduced commencing in October 2004.

Cap Gemini agreed to provide services on a declining basis until the full integration could be realized. Since the acquisition, the AEC Shared Services division gradually has assumed more of the responsibility of providing these services, although the transition has not yet been completed or reflected in the Company's rate increase request in this proceeding.

To account for this gradual assumption of responsibilities, AEC Shared Services division created additional composite factors to account for the partial integration of services. The new composite factors assumed 0%, 25%, 50% or 100% roll-in of the two new divisions based on management's periodic assessment of the status of the integration. As the integration progresses, the costs allocated to the Atmos divisions and affiliates prior to the acquisition continues to be reduced as more costs are allocated to the Mid-Tex and Atmos Pipeline – Texas Operating divisions.

Q. Which AEC Shared Services composite factors were reflected in the Company's projected test year in this proceeding?

A. The Company used the actual December 2004 composite factors for the projected test year, with limited adjustments to reflect further integration of the TXU Gas acquisition after that date through early 2005.

Q. Have the actual Shared Services composite factors been revised since the Company's filing?

A. Yes. For actual accounting purposes, AEC revised certain composite factors used to allocate AEC Shared Services division costs effective May 1, 2005 to reflect its progress in the integration of the TXU Gas acquisition. AEC plans to make further revisions to the composite factors effective October 1, 2005 to reflect further progress in the integration of the TXU Gas acquisition, including the full integration of the customer call centers and the customer billing system. None of the May 2005 or October 2005 revisions were reflected in the Company's proposed revenue requirement in this proceeding.

The Company's composite factors are generally updated on an annual basis. Interim updates may occur if there is a significant event such as a major acquisition. The May 2005 and October 2005 updates were implemented to reflect the further integration of the acquisition of TXU Gas and are examples of such interim updates.

Q. Have you quantified the effect of the May 2005 and October 2005 revisions on the revenue requirement given that they will be in effect during the test year?

A. Yes. These revisions to the composite factors will have the effect of reducing the O&M expense allocations to Georgia by $617,969 compared to the costs reflected in the Company's requested revenue requirement, all else being equal. In addition, these revisions will have the effect of reducing the depreciation and other taxes expense allocations to Georgia by $250,523 compared to the costs reflected in the Company's proposed revenue requirement. This quantification reflects the Adversary Staff recommendation of Mr. King to reject the Company's proposed increase in AEC Shared Services division depreciation rates. Finally, rate base investments, consisting of plant in service, accumulated depreciation, ADIT, Construction Work in Progress ("CWIP"), materials & supplies, and prepayments allocated to Georgia also will be reduced. These revisions will have the effect of reducing the rate base investment costs allocated to Georgia by $875,695, with a reduction in the revenue requirement of $110,826. The computations are detailed on our Exhibit___(TK-6).

Q. Does the Company agree that these known and measurable changes in the AEC Shared Services division composite allocation factors should be reflected in the revenue requirement?

A. No. In response to STF-9-2, the Company claims that O&M expense incurred by the AEC Shared Services division will increase compared to the amounts included in the filing and claims that the allocation of the increased costs to Georgia will exceed the savings due to the reductions in the allocation factors. The Company's computations addressed only O&M expense and did not address depreciation and other taxes expense or the reduction in the plant-related investment costs allocated to Georgia and included in rate base.

Q. Is it reasonable that the further integration of TXU Gas, including the customer call centers and the customer billing system, will increase O&M expenses allocated to Georgia?

A. No. First, the integration reflected in the May 2005 and October 2005 revisions should result in net savings or these integration efforts should not have been implemented as a matter of economics and rational decision-making.

Second, AEC executives have publicly claimed that AEC will achieve additional savings in 2005 and 2006 from the further integration of the TXU Gas acquisition. In the May 10, 2005 Second Quarter Earnings Conference, Robert Best, the Chairman, CEO, and President of AEC, stated that "Our integration with TXU Gas is going extremely well, maybe even better than we had envisioned." Best also stated that "When we did the acquisition we modeled the costs and those costs have been coming in better this year than we had modeled." In the same conference call, J. Patrick Reddy, the Senior Vice President and Chief Financial Officer of AEC, stated:

> We're just now starting to work on our 2006 operating budget and one of the things we're going to be looking at are additional operating synergies from Mid-Tex. That would relate primarily to putting them on our billing system as of October 1. That's the last major system conversion that we have, so we'll be trying to project out into our budget the additional savings that we'll get from that. We talked about $10 to $15 million as an

> annual run rate, just based on our experience with past acquisitions, that there ought to be that much additional synergy. We've got about $6 million from the call center and that would leave about $4 to $9 million of other operating synergies from billing, from putting them on our procurement system which we've outsourced inventory management. They're on our accounts payable system now.

In other words, regardless of the Company's claims of increased costs in this rate proceeding, the executives of AEC, who have responsibility for the integration of the TXU Gas acquisition, have stated that there are and will be O&M expense savings from the further integration of that acquisition, including the integration of the call centers and the customer billing system that are reflected in the composite factors as of October 1, 2005.

Q. Does AEC anticipate even further reductions in the composite factors in the test year that were not reflected in the October 1, 2005 revisions?

A. Yes. As the AEC executives described to the securities analysts, the integration is progressing ahead of schedule and should be complete within the test year. In addition, AEC is investing significant additional amounts in the Atmos Pipeline – Texas Operating division to expand the pipeline capability, which AEC anticipates will be in service during the first quarter 2006. These changes will be reflected in the actual AEC composite factors in 2006 and will reduce the allocation to the Mid-States Operating division, and ultimately, to the Georgia rate jurisdiction during the test year.

Q. Should the Commission incorporate these changes in the AEC composite factors in the test year revenue requirement?

A. Yes. We recommend that the Commission utilize the most current AEC Shared Services allocation factors for the rate base and expense costs that are allocated to Georgia. These changes are known and measurable. These changes reflect more recent actual data, are consistent with the projected test year, and reflect the actual progress that already has been achieved in the integration of the Mid-Tex and Atmos Pipeline – Texas divisions.

The Commission should reject the Company's litigation position that AEC costs will increase compared to the amounts that are reflected in the proposed revenue requirement. The Company's position on this issue is contrary to the projections and public statements of AEC executives.

Finally, there actually will be further reductions in the allocations to the utility Operating divisions that are not recognized in the changes through October 2005 due to growth in AEC's non-utility activities.

<u>**All Relevant AEC Shared Services Division Costs Should Be Allocated To Non-Utility Affiliates or Retained by AEC**</u>

Q. Are there other problems with the AEC Shared Services division composite allocation factors that result in excessive costs to the utility Operating divisions?

A. Yes. There are several additional problems with the AEC Shared Services division composite factors. First, for some cost centers, the composite factors selected by AEC inappropriately exclude some or all of the non-utility affiliates. Examples include Cost Centers 1402 SS Dallas Executive Compensation, 1407 - SS Dallas Facilities, and 1503 – SS Governmental Affairs.

Second, no AEC Shared Services division costs are retained by AEC. Consequently, certain costs such as merger and acquisition analysis and planning are allocated primarily to the utility Operating divisions, at least for accounting purposes, and potentially for ratemaking purposes.

Q. Have you quantified the amount of these excessive O&M costs that are included in the Company's proposed revenue requirement?

A. Yes. These costs have inappropriately increased the Company's proposed revenue requirement by at least $13,072. To make this quantification, we have replicated the Company's computations, substituted the proper composite factor for certain AEC cost centers, recomputed the allocation to the Mid-States Operating division, and recomputed the Mid-States Operating division allocation to Georgia. The computations are detailed on our Exhibit___(TK-7).

Q. Have these other problems with the AEC Shared Services division composite allocation factors also caused an excessive allocation of depreciation expense, other taxes expense, and the plant investment to Georgia?

A. Yes. Because these other cost items are also affected by the weighted average composite factor computation, further adjustments should be made. These revisions will have the effect of reducing the depreciation and other taxes expense allocations to Georgia by $3,237 compared to the costs reflected in the Company's revenue requirement. These revisions will further have the effect of reducing rate base investment costs allocated to Georgia by $11,770, with a reduction in the revenue requirement of $1,490. The computations are detailed on our Exhibit___(TK-8).

Q. Should the Commission remove these excessive costs from the test year revenue requirement?

A. Yes. These costs are not related to the provision of regulated utility service and should be removed from the revenue requirement.

Q. Are there other AEC rate base amounts that the Company improperly allocated to Georgia?

A. Yes. There are several AEC ADIT amounts that the Company improperly allocated to Georgia and included in rate base. These include an IRS audit interest assessment ADIT liability of $373,000 (AEC) or $8,376 (Georgia, allocated based on corrected allocation factor discussed previously), an AMT (Alternative Minimum Tax) credit carryforward ADIT asset of $14,736,186 or $330,907 (Georgia, allocated based on corrected allocation factor discussed previously), a Treasury lock adjustment ADIT asset of $13,035,449 or $292,716 (Georgia, allocated based on corrected allocation factor discussed previously), and a state net operating loss carryforward ADIT asset of $467,465 or $10,497 (Georgia, allocated based on corrected allocation factor discussed previously). The Company provided descriptions of these AEC ADIT amounts in response to STF-6-1, a copy of which is replicated as our Exhibit___(TK-9).

Q. Why should these ADIT amounts not be included in the Georgia revenue requirement?

A. Fundamentally, they are not related to providing utility service in Georgia and as such, should not be included in Georgia rate base. Penalties and interest paid to or refunded by the IRS are not recoverable from or refunded to ratepayers. The Commission sets rates in Georgia based on a separate standalone tax computation, which reflects the maximum possible income tax expense the Company could incur. The Commission does not recognize reductions in tax expense due to consolidated tax savings, net operating losses, or the application of the Alternative Minimum Tax in lieu of regular income tax. These tax issues typically arise due to non-utility activities and result in lower tax expense on a consolidated basis, a tax benefit that has not been allocated by the Company to Georgia. As such, it is inappropriate to include these amounts in rate base.

Q. Have these amounts been excluded from rate base in the Adversary Staff's revenue requirement recommendation?

A. Yes. These amounts have been reflected in the Adversary Staff's revenue requirement recommendation summarized and described in Mr. Kollen's separate revenue requirement testimony.

Mid-States Operating Division and Eastern Regional Office Costs Allocated To Georgia

Q. Please describe the costs incurred at the Mid-States Operating division.

A. The Mid–States Operating division also performs centralized services to support various state jurisdictions including Georgia. These centralized services are performed by the Human Resources, Finance, Rates & Regulatory, Marketing, and Technical Services departments located in Franklin, TN. In addition, costs for depreciation and other taxes are directly incurred at the Mid-States Operating division related to the plant in service and the employees physically located there. The plant in service, along with the related accumulated depreciation and ADIT, is directly assigned to the Mid–States Operating division through the AEC account coding process.

Q. Please describe how costs incurred at the Mid-States Operating division are allocated to Georgia and the other states that it serves.

A. The costs incurred at the Mid-States Operating division include both the costs that are directly assigned to the Mid-States Operating division and those that are allocated from the AEC Shared Services division as previously described. The sum of these costs is allocated to the states, including Georgia, that are served by the Mid-States Operating division based on the number of customers in each state divided by the total number of customers in all the Mid-States Operating division states, with the exception of depreciation expense and other taxes expense. Depreciation and other taxes expenses are allocated to the states based on the gross plant in service in each state divided by the total gross plant in service in all the Mid-States Operating division states.

Q. Is the Mid-States Operating division allocation methodology the same as that used by the other Operating divisions?

A. No. The other Operating divisions allocate costs to the states they serve using the composite factor. The reason the Mid-States division uses number of customers is that this is the methodology that was employed by United Cities Gas before its acquisition by Atmos Energy Corporation.

Q. Should the Mid-States Operating division use the composite factor to allocate costs to the states it serves?

A. Yes. Such an allocation methodology would encompass other size-based factors that should be considered in the allocation of the Mid-States Operating division costs and provide a more comprehensive allocation measure than by simply using number of customers.

Q. Have there been recent attempts to achieve efficiencies between the Mid-States and Kentucky Operating divisions that should be reflected in the test year revenue requirement?

A. Yes. First, Mr. Paris became the President of both the Mid-States and Kentucky Operating divisions in February 2005, several months before the Company made its filing, thus eliminating the cost of a separate President for each of these divisions. This consolidation has the effect of reducing the Company's O&M expense by $27,700, according to the Company's response to STF 9-5.

Second, Mr. Paris acknowledged at the hearing on the Atmos Direct Testimony that AEC indeed was in the process of assessing potential areas of consolidation between the Mid-States and Kentucky Operating divisions, despite the fact that the Company failed to identify or provide any such studies in response to STF-5-38, which specifically asked for such studies of potential savings. We have attached a copy of the Adversary Staff's request and the Company's response as our Exhibit___(TK-10).

Q. Should the Commission reflect savings from efficiencies due to consolidation of functions between the Mid-States and Kentucky Operating divisions in the test year revenue requirement?

A. Yes. At a minimum, the Commission should reflect the actual annual savings of $27,700 due to the consolidation of the two President positions into a single person. Additional consolidation savings during the test year cannot be quantified at this time, but should be considered by the Commission in its review of the Adversary Staff recommendation to reflect no increase in O&M expense addressed by Mr. Kollen in his separate revenue requirement testimony.

Q. Please describe the investment tax credit amounts carried forward to AEC from the acquisition of United Cities Gas.

A. When AEC acquired United Cities Gas, it acquired the investment tax credit ("ITC") amount that had not yet been amortized to ratepayers as a reduction to income tax expense. The Company quantified the ITC amortization expense for the Mid-States

Operating division, the successor to United Cities Gas, as $263,349 for the test year, with $49,799 allocated to Georgia.

Q. Did the Company reflect the ITC amortization expense as a reduction to income tax expense in its proposed revenue requirement?

A. No. The Company acknowledged that this was an error in response to STF-6-16, but has not revised its proposed revenue requirement to reflect this reduction. The Company stated in that response to Adversary Staff discovery that "An allocated portion of this amortization [the Mid-States Operating division amortization] should have been allocated in this calculation."

Q. Have you quantified the effect of the ITC amortization on the Company's revenue requirement?

A. Yes. The effect is to reduce the revenue requirement by $81,506, computed by multiplying the $49,799 reduction in income tax expense by the 1.6367 income tax gross-up factor. It is necessary to gross-up income tax expense amounts to quantify the effect on the revenue requirement.

Q. Are there Mid-States Operating division rate base amounts that the Company improperly allocated to Georgia?

A. Yes. There are several Mid-States Operating division ADIT amounts that the Company improperly allocated to Georgia and included in rate base. These include an accounting error related to a merger and integration amortization ADIT asset of $4,995,207 (AEC) or $944,593 (Georgia); an Atmos non-deductible UCG acquisition ADIT liability that was erroneously included at the Mid-States Operating division of $3,153,774 or $596,379 (Georgia); and Union Gas, Monarch Gas, and Palmyra Gas non-compete ADIT assets summing to $553,645 (AEC) or $104,693 (Georgia).

Q. Has the Company already acknowledged two of these ADIT errors?

A. Yes. First, the Company's filing reflected an accounting error that resulted in an excessive asset ADIT balance for the Mid-States Operating division, which in turn was allocated to the Georgia ADIT subtracted from rate base. The Company acknowledged this error in response to STF-5-45 and provided a corrected version of its schedules WP D1b-9 and WP D1b-9-1. Second, the Company's filing reflected another accounting error that resulted in an understatement of the Atmos non-deductible UCG acquisition costs ADIT liability to Georgia. This ADIT liability should have been directly assigned to Georgia, but was reflected at the Mid-States Operating division and a lesser amount allocated to Georgia. The Company acknowledged this error in response STF-6-4(a). However, the Company failed to correct either of these errors when it revised its proposed revenue requirement to correct another error identified by the Adversary Staff. The correction of these errors will result in a reduction in the Company's revenue requirement.

Q. Why should the Commission exclude the three non-compete ADIT assets from Georgia rate base?

A. These amounts are related to non-compete agreements in other states. They should be directly assigned to those states, not allocated in part to Georgia.

Q. Have you quantified the effect of these errors on the Company's proposed revenue requirement?

A. Yes. The first error increased the Company's proposed revenue requirement by \$119,545. The ADIT reduction to rate base was understated by \$944,593, the amount of the ADIT error allocated from Mid-States Operating division to Georgia. We computed the revenue requirement effect by multiplying \$944,593 rate base times the 12.66% grossed-up rate of return.

The second error increased the Company's proposed revenue requirement by \$12,450. The Mid-States Operating division ADIT reduction to rate base was overstated by \$596,379, the amount of the ADIT error allocated from Mid-States Operating division to Georgia. However, the Georgia ADIT reduction to rate base was understated by \$694,754, the amount of the ADIT liability that should have been directly assigned to Georgia, according to the Company's response to STF-6-4. Consequently, Georgia rate base was overstated by $98,375. We computed the revenue requirement effect by multiplying the net rate base effect times the 12.66% grossed-up rate of return.

The third error increased the Company's proposed revenue requirement by $13,250. We computed the revenue requirement effect by multiplying $104,693 rate base times the 12.66% grossed-up rate of return.

Q. Have these ADIT amounts been excluded or subtracted from rate base in the Adversary Staff's revenue requirement recommendation?

A. Yes. These amounts have been reflected in the Adversary Staff's revenue requirement recommendation summarized and described in Mr. Kollen's separate revenue requirement testimony.

Q. Please describe the costs incurred at the Eastern Regional Office.

A. The Eastern Regional Office, located in Johnson, Tennessee, serves AEC's operations in Georgia, Virginia, and East Tennessee. The Eastern Region office provides operations and administrative support for the two local Georgia offices in Gainesville and Columbus, including oversight of the Georgia Pipeline Replacement program. The costs at the Eastern Regional office are incurred separately from the costs allocated from the Shared Services division and those directly incurred at the Mid-States division, and are allocated to Georgia and the other two states it serves.

Q. Please describe how costs incurred at the Eastern Regional Office are allocated to Georgia and the other states that it serves.

A. Costs are directly assigned to the Eastern Regional office and allocated to the states, including Georgia, that are served based on the number of customers in each state divided by the total number of customers in all the Eastern Regional states, with the exception of depreciation expense and other taxes expense. Depreciation and other taxes expenses are allocated to the states based on the gross plant in service in each state divided by the total gross plant in service in all the Eastern Region states.

Q. Should the allocation methodology for the Eastern Region Office be adjusted consistent with your recommendation for the Mid-States Operating division?

A. Yes. Like the Mid-States Operating division, this methodology to allocate based on number of customers was employed by United Cities Gas before its acquisition by Atmos Energy Corporation. The composite factor should be used to allocate the Eastern Regional Office costs for the reasons previously described in the recommendation for the Mid-States Operating division.

<u>AEC Shared Services Division Accumulated Depreciation, ADIT, and Depreciation Expense Should be Adjusted to Reflect Adversary Staff Depreciation Rate Recommendations</u>

Q. Should the accumulated depreciation and depreciation expense allocated to Georgia from the AEC Shared Services division reflect the Adversary Staff depreciation rates recommended by Mr. King?

A. Yes. Mr. King has advocated the use of the present depreciation rates for AEC Shared Services division plant in service in lieu of the Company's proposed depreciation rates based on a 2002 depreciation study. The Company did not request any changes in the Mid-States Operating division or the Eastern Regional Office depreciation rates. Mr. King's recommendation affects the AEC Shared Services division allocation of accumulated depreciation, ADIT, and depreciation expense to Georgia.

Q. Did Mr. King quantify the effect on depreciation expense of rejecting the Company's proposed AEC Shared Services depreciation rates and retaining the present depreciation rates?

A. Yes. Mr. King recommended that the test year revenue requirement be reduced by $502,835 to reflect the reduction in the AEC Shared Services division allocation of depreciation expense to Georgia. This quantification assumes the application of present AEC Shared Services division depreciation rates to the projected test year AEC plant balances and the Company's AEC Shared Services division composite allocation factor. Our quantifications to reflect the Adversary Staff recommendations to revise the AEC

Shared Services division composite factor incorporated this reduction in AEC Shared Services division depreciation expense. The Adversary Staff revenue requirement recommendation reflects a reduction to accumulated depreciation for one half of the depreciation expense reduction and an increase to ADIT for the income tax effect of the effect on accumulated depreciation.

<u>**Services Provided to Georgia by AES Affiliate**</u>

Q. Please describe the AES affiliate and the services that this affiliate provides to Georgia.

A. Atmos Energy Services, LLC ("AES") is a relatively new non-utility subsidiary of AEC that provides Georgia with gas procurement services pursuant to the AES Services Agreement ("Services Agreement"). AES began providing these services to Georgia in May 2004. The AEC Shared Services and Mid-States operating divisions previously provided these same services to Georgia.

A separate Services Agreement is maintained between AES and AEC for each of the Company's rate jurisdictions, including Georgia. As detailed in the Services Agreement, AES provides services that include gas supply procurement, system load management, regulatory compliance, and accounting administration. A more detailed list of services is included in Exhibit I of the Services Agreement, the entirety of which was supplied by the Company in response to STF-5-50. We have replicated the Company's response to STF-5-50 as our Exhibit___(TK-11).

Q. Please describe the AES affiliate transaction costs included by the Company in its requested revenue requirement.

A. The Company has included $203,971 for AES affiliate costs in its revenue requirement.

Q. How does the $203,971 for the AES affiliate costs compare to the reduction in costs allocated from the AEC Shared Services and the Mid-States Operating divisions?

A. The cost to Georgia of this AES affiliate expense is nearly four times the cost savings of

$47,026 due to lower cost allocations from the AEC Shared Services and Mid-States Operating divisions. The Company quantified these savings in response to STF-5-50.

Q. Is this significant increase in O&M expense reasonable?

A. No. This increase is not reasonable. We recommend that the Commission disallow the $156,945 increase in O&M expense resulting from this affiliate transaction. The ratepayers should not be penalized because AES now performs these services instead of the AEC Shared Services and Mid-States Operating divisions.

III. BUDGETING AND FORECASTING PROCESS REFLECTED IN COMPANY'S PROJECTED TEST YEAR REVENUE REQUIREMENT

Q. Please describe the budgeting and forecasting process used by the Company to develop the plant and related amounts incurred by the AEC Shared Services division, the Mid-States division, and the Eastern Regional Office that were allocated to the Georgia jurisdiction and included in the projected test year rate base.

A. The Company's Georgia test year rate base includes the projected plant in service and related amounts incurred in and directly assigned to Georgia. In addition, it includes the AEC Shared Services division plant and related amounts allocated to the Mid-States Operating division plus the amounts incurred by and directly assigned to the Mid-States Operating division, which were then allocated to Georgia. Finally, it includes the Eastern Regional Office plant and related amounts allocated to Georgia.

These plant and related amounts were based on the Atmos capital budgets and forecasts for the AEC Shared Services division, the Mid-States Operating division, the Eastern Regional Office, and the Georgia operations.

However, the Atmos capital budgets and forecasts do not correspond to the Atmos actual accounting for such plant costs and are based on various assumptions. The first assumption is the amount of the capital budget. These are total construction dollars that Atmos budgets or forecasts that it will spend in the future. Atmos does not budget for specific capital projects. Instead, it budgets for categories of capital projects.

The second assumption, or series of assumptions, was that plant additions in each month would be equivalent to construction expenditures in that month and that the construction work in progress amount included in rate base for the test year would be the same as quantified for the historic year. Atmos does not budget or forecast specific plant additions or the timing of those additions.

The third assumption was that the plant additions subsequent to the historic year and through the test year would be allocated to FERC plant accounts based on the most recent four years of actual plant additions. Atmos does not budget capital expenditures or additions by FERC plant account. However, it is necessary to quantify the test year plant in service amounts by FERC plant account because depreciation expense is computed by multiplying the depreciation rates by FERC plant account against the plant in service amounts in those same FERC plant accounts.

Q. Please describe the budgeting and forecasting process used by the Company to develop the operating expenses incurred by the AEC Shared Services division, the Mid-States division, and the Eastern Regional Office that were allocated to the Georgia jurisdiction and included in the projected test year operating income.

A. The test year operating expenses allocated to Georgia were projected using a multi-step process. Historic year actual per book expenses were detailed by FERC account on Schedule B-1.3 for the Shared Services division, the Mid-States Operating division, and the Eastern Regional Office. Ratemaking adjustments were made to some of these totals to yield historic year amounts for ratemaking purposes. Escalation factors were then applied to yield 2005 and test year projections. The computations of the escalation factors for each year were included in the Company's filing as Additional Workpapers 1-7.

Each FERC account, or portion thereof, was assigned an escalation factor(s) based on the nature of the expenses included. Most accounts received an escalation based on either a labor increase factor or estimated inflation factor based on measurement of the Consumer Price Index ("CPI"). Still other FERC accounts, such as Acct #926 Employee Pensions and Benefits, were increased based on various other specific escalation factors. The test year projections derived from this escalation process were then allocated to Georgia based upon the weighted average composite factors detailed in the Company's filing as Additional Workpapers - 8. These weighted average composite factors were computed in a manner similar to the actual allocation process already described.

<u>**AEC Cost of Capital Should Reflect Short-Term Debt in Capital Structure, Actual Long-Term Debt Retirements, and Direct Assignment of Certain Debt to Other Divisions**</u>

Q. Please describe the budgeting and forecasting process used by the Company to develop the cost of capital for the projected test year.

A. The Georgia jurisdiction does not independently finance its rate base investment. Instead, all financing activity is performed at the AEC corporate level and the Company's rate filing reflects the AEC corporate level cost of capital.

The AEC corporate level cost of capital reflected by the Company in its filing did not rely on any budget or forecast of capitalization or financing for the projected test year. Instead, the Company simply assumed a hypothetical capital structure of 50.0% long term debt and 50.0% common equity and that the cost of long-term debt would be the same in the projected test year as it was at the end of the historic test year.

The Company assumed no short-term debt in the proposed capital structure. In addition, it assumed no AEC financing activity, such as debt retirements, after the end of the historic year. Further, it assumed no direct assignment of high cost debt issues related specifically to divisions and jurisdictions other than Georgia.

Q. Is the Company's proposed hypothetical AEC corporate level capital structure appropriate for the test year?

A. No. The assumption of no short-term debt in the capital structure is unreasonable. AEC typically uses short-term debt to finance gas inventories and to meet other working capital requirements. The Company stated in response to STF-2-4 the following:

> Atmos Energy Corporation ("Atmos") maintains both committed and uncommitted credit facilities. Borrowings under our uncommitted credit facilities are made on a when–and-as-needed basis at the discretion of the bank. Our credit capacity and the amount of unused borrowing capacity are affected by the seasonal nature of the natural gas business and our short-term borrowing requirements, which are typically highest during colder winter months. Our working capital needs can vary significantly due to changes in the price of natural gas charged by suppliers and the increased gas supplies required to meet customers' needs during periods of cold weather.

In addition, the Company's requested hypothetical AEC corporate level capital structure includes only 50.0% long-term debt, a level significantly lower than the 59% long-term debt that actually existed at the end of the historic year. However, the long-term debt at the end of the historic year is greater than historic levels, primarily due to the 2004 acquisition of TXU Gas. It is AEC's goal to reduce the long-term debt in its capital structure to historic levels over the next several years, although its financial forecasts do not indicate that it is planning to achieve this goal until sometime after fiscal year 2008.

Q. What is your recommendation for the AEC capital structure in the projected test year?

A. Like the Company, we also recommend that the Commission adopt a hypothetical capital structure. However, we recommend that the hypothetical capital structure include a reasonable amount of short-term debt, consistent with the Company's reliance on short-term debt for working capital requirements. As such, we recommend a capital structure consisting of 10.0% short-term debt, with the residual allocated 50.0% to long-term debt and 50.0% to common equity.

Q. Why do you recommend that the Commission reflect 10.0% short term debt in the capital structure?

A. Our recommendation that the Commission reflect 10.0% short term in the capital structure is very conservative given the Company's actual use of short-term debt and its working capital requirements, which typically are financed with short term debt. Although the Company's working capital requirement for the test year significantly exceeds 10.0% of rate base and the equivalent capitalization, we concluded that the short-term debt component of the hypothetical capitalization structure should be set at 10.0%. The resulting capitalization structure is consistent with the risk profile utilized by Mr. Hill to develop the Adversary Staff's recommended return on common equity.

Q. How does your recommendation to include 10.0% short-term debt in the capital structure compare to the Company's working capital amount included in rate base that typically would be financed through short-term debt?

A. The Company's test year working capital requirement results in a 13.7% short-term debt ratio, assuming no adjustments to the Company's test year rate base, except to remove the effects of the Company's proposed roll-in of the Pipeline Replacement Program ("PRP") Rider. We computed the short-term debt amount for the test year by summing the various components of the Company's estimated working capital requirement. These components included the level of CWIP; prepayments; materials and supplies; stored gas inventories, which we adjusted to remove the permanent component; and cash working capital. We computed the short-term debt capitalization percentage by dividing the test year short-term debt amount by the total rate base amount, which is a proxy for total AEC capitalization allocated to the Georgia jurisdiction.

We obtained the CWIP, prepayments, and materials and supplies amounts directly from the Company's computation of the projected rate base on Schedule D-1-(b). For stored gas inventory, we first determined the minimum balance of stored gas inventory during the thirteen months ended 12/31/04 from the Company's WP D1b-6.1. We used this minimum balance as a constant for the amount the Company would maintain in its storage facilities and finance through long-term debt and common equity. We then computed the thirteen-month average of stored gas inventory during the same period. We used the excess of this amount over the minimum balance as the average of the variable amounts that would be financed through short-term debt as working capital. The variable amount represented $5,257,000, or 54.0% of the thirteen-month average stored gas inventory balance of $9,729,000 included by the Company in rate base. The computations are detailed in our Exhibit__(TK-12).

Q. Is the Company's proposed cost of debt reasonable?

A. No. There are three problems that cause the Company's proposed cost of debt to be excessive. First, as noted previously, the Company did not include short-term debt in the capital structure. AEC uses short-term debt and it is the lowest cost source of capital compared to long-term debt and common equity. We have assumed a short-term debt rate of 3.85% for the test year, which is based on the three month LIBOR forward curve rate as of September 9, 2005. We used the three month forward curve because it is consistent with the use of an average test year rate base.

Second, the Company overstated the long-term debt interest rate. The Company's cost of debt for the test year includes debt that was retired on June 30, 2005, the first month of the test year. These debt retirements were reported in an AEC SEC Form 8-K filing and confirmed in response to STF-5-65.

Third, the Company overstated the long-term debt interest rate by failing to remove the 10% other long-term notes. These 10% notes were originally issued by the Greeley Gas Company prior to AEC's 1993 acquisition of that Company. These notes have not been refinanced at lower interest rates due to a verbal agreement with the debt holders as a condition of the Greeley acquisition, according to the Company's response to STF-5-65. As such, these notes should be directly assigned to the Greeley jurisdiction and should not be used to compute the average Georgia long-term debt interest rate.

The adjusted cost of long-term debt after removing the actual June 2005 retirements and the Greeley notes is 5.55%. Our computation of the adjusted cost of long-term debt is detailed on Exhibit___(TK-13), which is based on and is in the same format as the Company's Schedule D-1(a)-1.

Q. Are the capital structure, cost of short-term debt, and cost of long-term debt that you recommend reflected in the Adversary Staff's revenue requirement recommendation?

A. Yes. The effect of these issues, along with the effect of Mr. Hill's recommended return on common equity are reflected in Mr. Kollen's separate revenue requirement testimony.

IV. EXPANDED REPORTING REQUIREMENTS

Q. Are there additional reporting requirements that would enable the Staff to monitor on a timely basis the Company's affiliate transaction and cost allocation activities in conjunction with the quarterly reporting requirements described in Mr. Kollen's revenue requirement testimony?

A. Yes. The Company presently files an~~d~~ Annual Report pursuant to the terms of the PRP to determine whether there are any over earnings computed on a ratemaking basis that can be used to reduce the PRP revenue requirements. However, that information is filed on a summary basis and does not provide sufficient detail for the Staff to monitor the Company's costs incurred through allocations from the AEC Shared Services division, the Mid-States Operating division, or the Eastern Regional Office. As described previously, these allocated costs comprise a significant portion of the costs incurred by Georgia and recognized in the base revenue requirement.

We recommend that the Company provide the following information in a quarterly report broken out on a monthly basis. The Company may provide this information in conjunction with the quarterly reporting requirements described by Mr. Kollen in his revenue requirement testimony or independently of those requirements.

- A matrix of costs similar to MFR schedule B-1.3 that reflects all Georgia assigned operating income costs along with separate computations of the Shared Services, Mid-States, Eastern Regional divisions and any other costs allocated to Georgia. The matrix, like MFR schedule B-1.3, should reflect quarterly and twelve month rolling actual results along with the computed allocations from each separate division and affiliate that roll into the total Georgia costs.

- A matrix similar to the one provided in response to STF-1-19 that lists allocation factors used by each AEC Shared Services cost center used to compute the average allocation factor to allocate costs to the Mid-States division, the Eastern Region and ultimately to Georgia. All changes to cost center allocations or the selection of the various factors during the current reporting period should be clearly noted.

- An identification of any changes to the Company's organizational structure during the preceding period should be reported, including all mergers, acquisitions, dispositions in whole or in part.

- Full-time equivalent number of employees at month end for each month on a twelve month rolling basis for each division that allocates costs to Georgia, including the Shared Services, Mid-States and Eastern Regional divisions.

Q. Does this complete your testimony?

A. Yes.

BEFORE THE

GEORGIA PUBLIC SERVICE COMMISSION

IN RE: ATMOS ENERGY CORPORATION'S	)	
AFFILIATE TRANSACTION	)	DOCKET NO. 20298-U
AUDIT REVIEW/2005 RATE CASE	)	

EXHIBITS

OF

VICTORIA TAYLOR

AND

LANE KOLLEN

ON BEHALF OF THE

GEORGIA PUBLIC SERVICE COMMISSION STAFF

SEPTEMBER 29, 2005

Victoria L. Taylor

EDUCATION

Saint Louis University, St. Louis, Missouri
Bachelor of Science in Business Administration May 1999
Double Major in Finance and Marketing

EXPERIENCE

Utilities Analyst (October 2003 to Present)
Georgia Public Service Commission, Atlanta, GA

Atmos Energy Corporation Affiliate Transactions Audit-Project Leader

- Responsible for overseeing and participating in the Affiliate Transaction Audit on Atmos Energy Corporation allocation process in conjunction with the rate case.
- Responsible for auditing the cost allocation process during the affiliate transaction audit to make sure it is in accordance with the Cost Allocation Manual (CAM) filed with the Commission.
- Responsible for auditing allocated costs to the divisions and affiliates of Atmos Energy Corporation through data requests.
- Monitoring changes in the costs allocation process through the Cost Allocation Manual and data requests.

Atlanta Gas Light Company Affiliate Transactions Audit-Project Leader

- Responsible for overseeing and participating in an on site Affiliate Transaction Audit of Atlanta Gas Light Company.
- Responsible for the issuance of the Atlanta Gas Light Company Review of Affiliate Transactions Report.
- Monitoring and analyzing Atlanta Gas Light Company allocated costs through affiliate transactions through monthly surveillance requests.
- Tracking allocated costs from affiliate transactions to Atlanta Gas Light Company in its monthly Grey Report filings.
- Reviewing and auditing costs allocation methodologies used to allocate costs to Atlanta Gas Light Company and affiliates on a monthly basis.
- Responsible for reviewing Public Utility Holding Company Act and affiliate transactions adjustments in the monthly Grey Report filings for accuracy.

Financial Analysis

- Project Leader responsible for performing quarterly financial analysis, trend analysis and financial ratio analysis on gas marketers' financials.
- Project Leader responsible for reviewing Atmos Energy Corporation and AGL Resources Securities and Exchange Commission filings.
- Project Leader responsible for reviewing and analyzing Atmos Energy Corporation's monthly financial filings to monitor capital structure and operational revenues.
- Project Leader responsible for reviewing Atmos Energy Corporation's stock and bond applications for the issuance of securities, universal shelf registrations and credit facilities and establishing reporting requirements for surveillance.
- Project Leader responsible for quarterly review of the Affiliate Transactions Reports of Southern Company Gas.
- Review applications for Natural Gas Certificate of Authority applications for financial capability.

Associate (April 2003 to September 2003)
HomeDepot, Adecco Staffing, Atlanta, GA

- Created letters of credit for buyers stating the terms and the conditions for importing goods.
- Performed account reconciliation, accounts payable and logistics functions to ensure payment of invoices.
- Responsible for making updates and closing letters of credit using the Fleet Banking system.
- Responsible for auditing the letters of credit against the Fleet Baking system for accuracy.

Financial Analyst (August 2001 to July 2002)
Cingular Wireless, Atlanta, GA

- Responsible for developing and maintaining financial reports for departmental use and projects.
- Assisted in preparing the Monthly Revenue Reporting and Analysis Package for Executives and Directors.
- Responsible for preparing a Weekly Revenue Report and analyzing trends at a market and regional level.
- Prepared forecasts and performed variance analysis on financial and subscriber information.
- Researched trends in market and financial data for explanations to support investor relations.
- Created and maintained monthly banking reports for bank statement analysis for the Treasury Department.
- Responsible for accounts receivables of the affiliated companies and making daily deposits for the Treasury Department.

Commission Deduction Analyst (August 2000 to May 2001)
MCI WorldCom, Spherion Staffing, St. Louis, MO

- Responsible for system and data analysis of revenue feeds into the system.
- Analyzed and calculated monthly commissions using general accounting functions.
- Responsible for preparing the monthly commission deduction reports for the Finance/Credit Department.
- Forecasted monthly commission deductions based on past deduction reports.
- Researched aging reports to reconcile vendor accounts for accurate deduction amounts.

Professional Development Associate (June 1999 to August 2000)
Edward Jones Investments, St. Louis, MO

Customer Loans/ Risk Management

- Responsible for preparing monthly financial credit review reports.
- Analyzed margin accounts for low equity positions to manage and minimize the firm's risk.
- Reviewed trade reports daily in order to avoid credit exposure and liquidity risk.
- Analyzed industry sectors for possible exclusion from loan collateral.
- Created Process Mapping documents for departmental functions using Visual Thought Software.

Portfolio/ Cost Team

- Responsible for questions pertaining to the Portfolio, Cost, and Amount Invested systems.
- Researched information on past and present company stock splits, mergers and spin- offs.
- Consulted Investment Representatives on clients' Financial/Portfolio Analysis reports.
- Assisted Investment Representatives with calculating cost basis for clients.

Mutual Fund Trades

- Analyzed, administered and reconciled share entries for individual and employer mutual fund accounts.
- Worked with mutual fund vendors on IRA accounts that have excess contributions.
- Liaison for eight mutual fund companies providing client and broker information.
- Responsible for updating trades and settlements to individual mutual fund accounts.
- Managed and trained three temporary personnel while meeting stringent deadlines during tax season.

Restricted Accounts

- Analyzed clients' portfolios daily in order to reconcile interest payments.
- Assigned to projects that required auditing accounts and researching court orders.
- Served as a liaison between legal officials and Investment Representatives.
- Analyzed and monitored securities held in customers' portfolios for compliance.

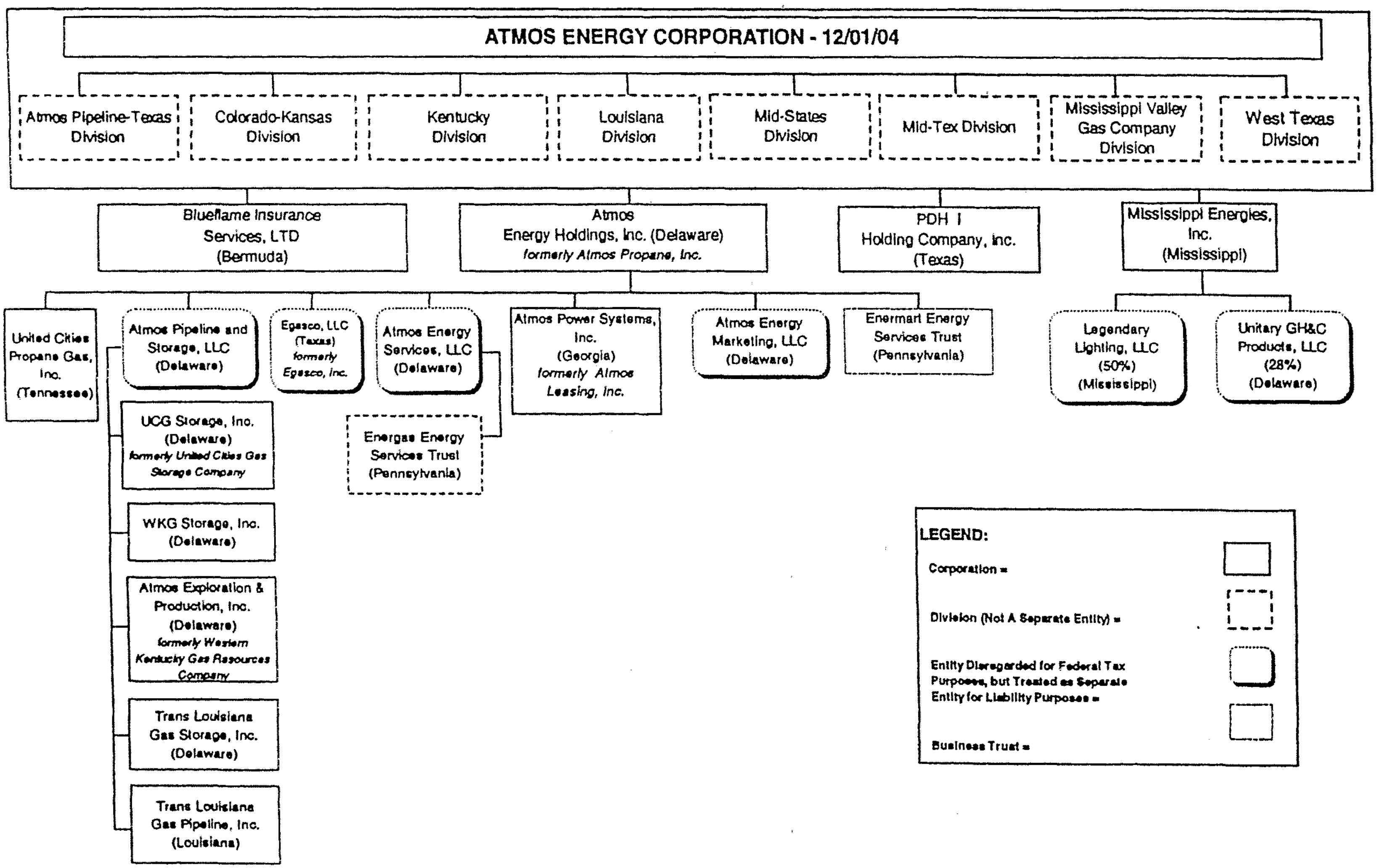


Exhibit ____ (TK-2)
Page 1 of 1

ATMOS ENERGY CORPORATION
COST ALLOCATION MANUAL
April 1, 2005

TABLE OF CONTENTS

1. Introduction:

a. Corporate Structure

Atmos Energy Corporation ("Atmos") operates its utility business in twelve states through eight operating divisions. The operating divisions are divisions of Atmos and are not subsidiaries or separate legal entities. The operating divisions are Mid-Tex and West Texas Divisions through which Atmos operates in Texas; Colorado-Kansas Division through which Atmos operates in Kansas, Colorado and Missouri; Louisiana Division through which Atmos operates in Louisiana; Mid-States Division through which Atmos operates in Tennessee, Georgia, Missouri, Virginia, Illinois and Iowa; Kentucky Division through which Atmos operates in Kentucky; and Mississippi Division through which Atmos operates in Mississippi and Atmos Pipeline-Texas Division through which Atmos operates its intrastate pipeline business in Texas. The operating divisions are not separate legal entities, and therefore, by definition, cannot be affiliates of Atmos.

Technical and support services are provided to the operating divisions by centralized shared services departments at the Atmos headquarters in Dallas. These centralized functions include, but are not limited to, accounting, human resources, legal, rates and the Customer Support Centers. The costs for these shared services are allocated to the operating divisions. In addition, for operating divisions that operate in more than one jurisdiction, costs from the operating division general office are allocated to separate rate divisions within the operating division.

In addition to its utility business, Atmos also has non-utility operations. The non-utility business is operated through a number of subsidiaries, which are separate legal entities and one division. A chart showing Atmos' current organizational structure is contained in Appendix A. As the organizational structure indicates, Atmos Energy Corporation owns 100% of Mississippi Energies, Inc , Blueflame Insurance Services, LTD, PDH I Holding Company, Inc, and Atmos Energy Holdings, Inc. Atmos Energy Holdings, Inc., is the sole owner of Egasco, LLC, Atmos Pipeline and Storage, LLC, Atmos Energy Services, LLC, Atmos Power Systems, Inc., Atmos Energy Marketing, LLC and Enermart Energy Services Trust. Atmos Pipeline and Storage, LLC, is the sole owner of WKG Storage, Inc., Trans Louisiana Gas Storage, Inc., UCG Storage Inc., Atmos Exploration and Production, Inc. and Trans Louisiana Gas Pipeline, Inc. Atmos Energy Services, LLC, is the sole owner of Energas Energy Services Trust. Mississippi Energies, Inc. holds an equity interest in Legendary Lighting, LLC and Unitary GH&C Products, LLC.

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

b. Accounting:

Atmos' account coding structure enables it to capture the costs for allocable activities. Expenses, Assets, and Liabilities for Atmos' shared service divisions and other operating division general and regional office divisions are coded to applicable location codes and cost centers which are then allocated to the appropriate rate divisions based upon the methodologies described herein.

Atmos account coding structure is as follows:

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

Within the above coding structure, "Company" and "Cost Center" are primarily utilized for management reporting purposes and reflects the internal management "cost responsibility" structure of Atmos Energy Corporation, exclusive of its subsidiaries. The term "Company" as utilized for account coding refers to a subsidiary or separate legal entity or to one of the Company's various eight operating divisions and under which Atmos conducts the vast majority of its utility business in twelve states. "Cost Center" addresses departmental cost responsibility and is primarily utilized for budget control purposes. Utilization of the "Company" or "Cost Center" fields is not suitable for financial or regulatory reporting purposes.

The field described by FERC account contains the 3 digit FERC USOA account plus one extension digit which is in some cases utilized by the FERC USOA.

The first three digits of the Service Area field are the primary coding utilized for cost allocations within Atmos and is generally referred to as "rate division number". This portion of the field denotes Atmos' various rate divisions as well as the Company's various shared service divisions, operating division general office and regional office divisions. These codes are the primary source of information for regulatory reporting and rate activity. The remaining 3 digits represent "town" location which is utilized only for some accounts.

c. Glossary of Terms:

Affiliate - For purposes of this document, one or more of Atmos' subsidiaries.

Atmos Pipeline-Texas Division – The operating division within which Atmos Energy Corporation conducts its intrastate pipeline business within the state of Texas.

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

Colorado-Kansas Division - The operating division within which Atmos Energy Corporation conducts business within the states of Colorado, Kansas and a small portion of the Company's Missouri operation.

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

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

Cost Centers - Account coding which denotes cost responsibility primarily for management purposes.

Direct Charges - Those charges which may originate at a shared service division or operating division general office division or regional office division which are booked directly to the applicable rate division.

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

Kentucky Division - The operating division within which Atmos Energy Corporation conducts business within the Commonwealth of Kentucky.

Louisiana Division - The operating division under which Atmos Energy Corporation does business within the state of Louisiana.

Mid-States Division - The operating division within which Atmos Energy Corporation does business in the Commonwealth of Virginia, the states of Illinois, Iowa, Tennessee, Georgia and the majority of the Company's operations in Missouri.

Mid-Tex Division - The operating division within which Atmos Energy Corporation conducts business within the central part of the state of Texas.

Mississippi Division - The operating division within which Atmos Energy Corporation does business in the state of Mississippi.

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

Operating Division - The Company's operations within each of its seven utility regional divisions are typically referred to as "operating divisions" in more general discussions or "Company" within the context of Atmos account coding structure. Operating divisions are not subsidiaries or separate legal entities. An operating division contains at least one rate division. Operating divisions with multiple rate divisions have one operating division general office rate division and may also have other regional office rate divisions in addition to rate divisions corresponding to regulatory jurisdictional areas. There is also one non-utility operating division referred to as Atmos Pipeline – Texas.

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

Rate Division - Denotes Atmos' regulatory jurisdictions that are defined by state boundaries, geographic boundaries within states or municipal boundaries within the State of Texas. The term also denotes Atmos' various shared service divisions, operating division general office divisions and regional office divisions. These codes are the primary source for regulatory reporting and rate activity.

Regional Office Divisions - Represents the offices which serve portions of an operating division. See "operating division" as defined above.

Service Area - The portion of the Company's account coding structure of which the first three digits denote rate division. The last three digits of this code denote "town" which is used only in certain instances.

Shared Service Division - The Company's functions that serve multiple rate divisions. These services include departments such as Legal, Billing, Call Center, Accounting, Rates Administration among others.

Subsidiaries - The Atmos Energy Corporation Subsidiaries are:

Atmos Energy Holdings, Inc.
Atmos Energy Marketing, LLC
Atmos Exploration & Production, Inc.
Atmos Pipeline and Storage, LLC
Atmos Power Systems, Inc.
Atmos Energy Services, LLC
Blueflame Insurance Services, LTD
Egasco, LLC
Energas Energy Services Trust
Enermart Energy Services Trust
Mississippi Energies, Inc.
Trans Louisiana Gas Pipeline, Inc.
Trans Louisiana Gas Storage, Inc.
UCG Storage, Inc.
WKG Storage, Inc.
Legendary Lighting, LLC
PDH I Holding Company, Inc.
Unitary GH&C Products, LLC

West Texas Division - The operating division within which Atmos Energy Corporation conducts business within the western part of the state of Texas.

Service:	Capitalized overhead (general)
Description:	Overhead related to capital expenditures
Current Provider of Service	Shared Services Atmos Pipeline – Texas Louisiana Division general office Kentucky Division Mid-States Division general office Colorado-Kansas Division general office Mid-States Division regional offices Mid-Tex Division Mississippi Division
Current Use of Service	Rate divisions
Basis for allocation	Capitalized overhead costs are accumulated by operating division or regional office. Each operating division sets an application rate for the year based on projected expenditures. As expenditures for CWIP are booked, the overhead assigned is applied at the application rate. Periodically, the application rate is reviewed. Shared services overhead is allocated to operating divisions based on operating division capital expenditures.

Service:	Capitalized overhead (West Texas Division)
Description:	Overhead related to capital expenditures
Current Provider of Service	West Texas Division general office
Current Use of Service	West Texas rate divisions
Basis for allocation	Capitalized overhead costs are accumulated at the operating division level. The West Texas Division sets an application rate for the year based on projected expenditures for non-irrigation rate divisions. As expenditures for CWIP are booked, the overhead assigned is applied at the application rate. Periodically, the application rate is reviewed. At year-end, a total overhead amount is applied to capital expenditures in the irrigation rate division based on proportion of irrigation customers served to the West Texas Division customers served.

Service:	Stores overhead
Description:	Overhead related to inventory warehousing is allocated to materials as issued.
Current Provider of Service	Shared Services division Operating division general office
Current Use of Service	Atmos Pipeline – Texas West Texas Division rate divisions Louisiana Division rate divisions Kentucky Division rate division Mid-States Division rate divisions Mid-Tex Division rate division Colorado-Kansas Division rate divisions Mississippi Division rate division
Basis for allocation	Overhead costs for inventory items, including rent, labor, supervision and adjustments are accumulated by operating division. Each operating division sets an application rate for the year based on projected overhead and materials activity. As materials are issued from the warehouse, the overhead assigned is also allocated to the same account. Periodically, the balance in the undistributed stores overhead account is compared to the materials on hand balance and a new rate is determined. Shared Services stores overhead is allocated monthly to the operating divisions based on number of meters.

Service:	Expenses in Shared Service division cost centers
Description:	Includes all expenses in corporate offices as well as the Customer Support Centers.
Current Provider Of Service	Shared Service Divisions
Current Use of Service	Atmos Energy Holdings, Inc Atmos Energy Marketing, LLC Atmos Power Systems, Inc Atmos Pipeline and Storage, LLC UCG Storage, Inc WKG Storage, Inc Atmos Energy Services, LLC Egasco, LLC Atmos Exploration and Production, Inc Trans Louisiana Gas Storage, Inc Trans Louisiana Gas Pipeline, Inc Enermart Energy Services Trust Energas Energy Services Trust West Texas Division Mid-Tex Division Atmos Pipeline - Texas Louisiana Division Kentucky Division Mid-States Division Colorado-Kansas Division Mississippi Division Mississippi Energies, Inc.
Basis for allocation	Costs are allocated to affiliates and operating divisions based on a composite factor applied to the Shared Service divisions departments. Shared Service Division departments which provide services to the Company's affiliates utilize a composite factor the computation of which includes the affiliates (If Mid Tex and Pipeline are provided services by a department the composite factor will included Mid Tex and Pipeline at a 25%, 50% or 100% rate depending on how much service the department provides) . Shared Service Division departments that do not provide services to the Company's affiliates utilize a composite factor the computation of which does not include the Company's affiliates (If Mid Tex and Pipeline are provided services by a department the composite factor will included Mid Tex and Pipeline at a 25%, 50% or 100% rate depending on how much service the department provides) . Costs allocated from the Company's Call Centers are allocated based on number of customers utilizing the Call Center (Mid Tex and Pipeline are not included in this calculation).

Costs for Overhead capitalized are allocated using the rate of shared service O&M expenses charged to each affiliates and operating divisions.

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

Service:	West Texas Division general office expenses to municipal rate division levels.
Description:	Allocation of general office costs to rate division levels
Current Provider of Service	West Texas Division general office
Current Use of Service	West Texas Division rate divisions
Basis for allocation	Costs are allocated to the rate divisions in total based on the Composite Factor. The Composite Factor is the simple average of three percentages: The percentage of Gross Direct Property Plant and Equipment in each rate division as a percentage of the total Direct Property Plant and Equipment in the West Texas Division rate divisions. The number of customers in each rate division as a percentage of the total number of customers in the West Texas Division rate divisions. The total direct O&M expense in each municipal rate division as a percentage of the total direct O&M expense in the West Texas Division rate divisions.

Service:	West Texas Division rent expenses.
Description:	Charge for rent expenses related to employee physically located in the West Texas Division
Current Provider of Service	West Texas Division
Current Use of Service	Atmos Energy Services, LLC
Basis for allocation	A charge for rent, utilities and office equipment usage will be billed based on the amount of space in the West Texas Division office occupied by Atmos Energy Services employees.

Service:	Colorado-Kansas Division general office expenses to state regional office division level.
Description:	Allocation of division general office costs to state regional office division levels
Current Provider of Service	Colorado-Kansas Division general office
Current Use of Service	Colorado-Kansas Division regional office divisions
Basis for allocation	Costs are allocated to the states in total based on the Composite Factor. The Composite Factor is the simple average of three percentages: The percentage of Gross Direct Property Plant and Equipment in each state as a percentage of the total Direct Property Plant and Equipment in Colorado-Kansas Division. The number of customers in each state as a percentage of the total number of customers in Colorado-Kansas Division. The total direct O&M expense in each state as a percentage of the total direct O&M expense in Colorado-Kansas Division.

Service:	Mid-States Division general office and regional office expenses to rate division level
Description:	Allocation of operating division general office costs and regional offices costs to rate division levels
Current Provider Of Service	Mid-States Division general office Mid-States Division regional offices
Current Use of Service	Mid-States Division rate divisions
Basis for allocation	O&M costs are allocated in total based on the average number of customers in each rate division divided by the average total customers encompassed within the Mid-States Division. Depreciation and taxes other than income tax are allocated in total based on the gross plant in each rate division divided by the total gross plant encompassed by the Mid-States Division.

Service:	Louisiana Division general office expenses to rate divisions.
Description:	Allocation of general office costs to rate division levels
Current Provider of Service	Louisiana Division general office
Current Use of Service	Louisiana Division rate divisions
Basis for allocation	Costs are allocated to the rate divisions in total based on 25% going to division 007 and 75% going to division 077.

Service:	Benefits cost allocation
Description:	Accumulates fringe benefits (workers compensation, basic life insurance, SFAS/106, medial/dental insurance, long term disability, ESOP, pension cost etc.) and allocates to the rate jurisdictions and/or subsidiaries.
Current Provider of Service	Shared Service divisions
Current Use of Service	Atmos Pipeline – Texas Division Atmos Power Systems, Inc UCG Storage, Inc Atmos Energy Services, LLC Atmos Energy Marketing, LLC West Texas Division Louisiana Division Kentucky Division Mid-States Division Mid-Tex Division Colorado-Kansas Division Mississippi Division
Basis for allocation	Fringe benefits components are accumulated by each operating division general office. Benefit expenses are allocated to rate jurisdictions by multiplying each rate jurisdiction's labor dollars by that particular operating division's benefits load percentage. The load percentage is calculated using total budgeted benefits divided by total labor. An allocation of fringe benefits from Shared Service divisions to the subsidiaries is calculated based on the number of employees of each subsidiary.

Service:	Intercompany labor
Description:	To the extent operating division or affiliate employees provide labor services to another operating division or affiliate the labor costs for the services will be charged to the appropriate operating division or affiliate.
Current Provider of Service	Atmos Energy Services, LLC Louisiana Division Colorado-Kansas Division Mid-States Division Mid-Tex Division Kentucky Division Mississippi Division
Current Use of Service	UCG Storage, Inc. Atmos Pipeline – Texas Division Atmos Energy Marketing, LLC Colorado-Kansas Division Mid-States Division Kentucky Division WKG Storage, Inc Trans Louisiana Gas Pipeline, Inc. Trans Louisiana Gas Storage, Inc. Mississippi Division West Texas Division
Basis for allocation	Labor charges are captured through direct time sheet entries and transferred to the appropriate operating division or subsidiary receiving the labor services.

Service:	Intercompany labor
Description:	To the extent operating division employees provide services to an affiliate a fee will be charged to the affiliate.
Current Provider of Service	Kentucky Division
Current Use of Service	WKG Storage, Inc
Basis for allocation	For the operation and maintenance of the East Diamond Storage Facilities, WKG Storage, Inc. shall pay Atmos Energy Corporation a monthly fee as set forth in the Natural Gas Storage Field and Pipeline Operations Agreement dated August 1, 2004.

Service:	Vehicle insurance allocation
Description:	Allocation of operating division insurance amortization to cost center and jurisdiction levels
Current Provider of Service	West Texas Division general office Louisiana Division general office Kentucky Division general office Mid-States Division general office Colorado-Kansas Division general office Mississippi Division general office
Current Use of Service	Texas Division rate divisions Louisiana Division rate divisions Kentucky Division rate division Mid-States Division rate divisions Colorado-Kansas Division rate divisions Mississippi Division rate division
Basis for allocation	Insurance costs are accumulated to the operating division general office and allocated monthly using the ratio of rate division vehicle expense to total operating division vehicle expense.

Service:	Installing yard lines
Description:	Includes all costs incurred by the operations of the Kentucky Division to install customer-owned yard line. In Kentucky, Atmos does not own the yard line and the work it conducts on such yard lines is not regulated for ratemaking purposes.
Current Provider of Service	Kentucky Division
Current Use of Service	Kentucky Division
Basis for allocation	Materials and labor (including overheads) are charged to other expense below the line. Use of transportation or work equipment is recorded in the same account by journal entry based on actual usage. Billing to the customer is reclassed from revenue to other income below the line.

Service:	Bad debt expense allocation
Description:	Allocation of operating division bad debt expense amortization to cost center and jurisdiction levels
Current Provider of Service	West Texas Division general office Louisiana Division general office Mid-States Division general office Colorado-Kansas Division general office
Current Use of Service	West Texas Division rate divisions Louisiana Division rate division Mid-States Division rate divisions Colorado-Kansas Division rate divisions
Basis for allocation	Bad debt expense is accumulated to the operating division general office and allocated monthly using the ratio of rate division gross sales to total operating division gross sales.

Service:	Adjustments to Uncollectible Accounts Expense
Description:	Allocation of additional expense amounts booked to adjust the Provision for Uncollectibles (Account 144)
Current Provider of Service	Operating Division General Office
Current Use of Service	West Texas Division rate divisions Louisiana Division rate divisions Mid-States Division rate divisions Colorado-Kansas Division rate divisions
Basis of Intra-company Allocations	Costs are allocated to the rate divisions in total based on Sales Revenue.

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

Service:	Other income and interest expense
Description:	Allocation of Shared Services divisions other income and interest expense
Current Provider of Service	Shared Service divisions
Current Use of Service	West Texas Division Louisiana Division Kentucky Division Mid-States Division Mid-Tex Division Colorado-Kansas Division Mississippi Division
Basis for allocation	Interest Expense, Interest Income and Other Non Operating Income in the shared service division are allocated to each utility division general office based on the budget allocation percentages. The budget allocation is based on net investment by business unit as of the latest month available when the budget is prepared, with normalizing or averaging adjustments to working capital. Net investment is total assets less non-debt liabilities (excluding long-term debt, notes payable and current maturities.) The allocation factors are the same for the whole year

Service:	Retail services marketing support
Description:	Atmos provides certain retail services through partnering with an outside firm, where customers are provided the opportunity to learn about other non-utility services that may be of interest to them.
Current Provider of Service	Shared Service divisions
Current Use of Service	Atmos Energy Services, LLC
Basis for allocation	Costs are charged on a fixed basis. The fixed charge is based on allocation factors applied to the Shared Service divisions departments. Please see "Expenses in Shared Service cost centers", page 10.

Service:	Gas cost between state jurisdictions for contiguous systems.
Description:	Gas costs that apply to contiguous systems that cross state jurisdictional boundaries are allocated between those rate jurisdictions.
Current Provider of Service	West Texas Division Colorado-Kansas Division Mid-States Division
Current Use of Service	West Texas Division Colorado-Kansas Division Mid-States Division
Basis of Allocations	Allocations are based upon throughput for the West Texas Division and the Colorado-Kansas Division's Southeast Colorado/Southwest Kansas operations. For the Colorado-Kansas Division's Kansas/Missouri system and for the Mid-States Division, demand costs are allocated based on peak-day requirements. Commodity costs are allocated based upon throughput.

Service:	Gas storage services between an operating division and an affiliate
Description:	To the extent an operating division stores gas in a storage field owned by an affiliate, a rental fee for the use of the storage field shall be charged by the affiliate.
Current Provider of Service	UCG Storage, Inc.
Current Use of Service	Mid-States Division
Basis for allocation	An annual demand charge for the operating division is calculated based on fiscal year plant in service, gas inventory, actual operational costs incurred, and application of revenue and cost of capital conversion factors based on prior regulatory approval. In the calculation of the demand charge costs not specifically related to a designated area are allocated to each affiliate based on percentage of total plant servicing that affiliate.

Service:	Allocation of lost & unaccounted (L&U) storage gas
Description:	Lost & unaccounted (L&U) gas related to an affiliate's gas storage field is allocated to all affiliates and operating division that store gas in the field.
Current Provider of Service	UCG Storage, Inc.
Current Use of Service	UCG Storage, Inc. Mid-States Division
Basis for allocation	Lost & unaccounted (L&U) gas related to an affiliate's gas storage field is calculated by a third party on an annual basis and is allocated to all relevant subsidiaries and operating divisions that utilize the field for storage. The amount of L&U allocated is based on each subsidiary or operating division's average of the total volumes.

Service:	Gas supply services
Description:	Purchase, management and administration of gas supply arrangements
Current Provider of Service	Atmos Energy Marketing, L.L.C. Atmos Energy Services, LLC Trans Louisiana Gas Pipeline, Inc
Current Use of Service	Kentucky Division Mid-States Division Colorado-Kansas Division Louisiana Division Mississippi Division West Texas Division
Basis for allocation	Charges are a result of either an open market bid process or other market based rate.

Service:	Facilities services
Description:	System operating and maintenance services
Current Provider of Service	Louisiana Division
Current Use of Service	Atmos Energy Marketing, LLC
Basis for allocation	Rate per volumetric unit is cost based.

Service:	Working capital funds management
Description:	Funds are invested on behalf of or provided to affiliates based on operations.
Current Provider of Service	Atmos Energy Corporation
Current Use of Service	Atmos Energy Holdings, Inc. Atmos Energy Marketing, LLC Atmos Power Systems, Inc. Atmos Pipeline and Storage, LLC UCG Storage, Inc. WKG Storage, Inc. Atmos Exploration & Production, Inc. Trans Louisiana Gas Storage, Inc. Trans Louisiana Gas Pipeline, Inc. Atmos Energy Services, LLC Egasco, LLC Enermart Energy Services Trust Energas Energy Services Trust Mississippi Energies, Inc. Blueflame Insurance Services, LTD PDH I Holding Company, Inc
Basis for allocation	Interest income or expense is recognized each month at the subsidiaries' level based on the average outstanding balance of each respective inter-company receivable/payable balance and Atmos' average effective rate of short term debt net of commitment fees plus 2.75 basis points.

Service:	Gas sampling analysis
Description:	To the extent an operating division provides gas-sampling analysis to an affiliate, the affiliate is charged a fee for the analysis and related services provided.
Current Provider of Service	Louisiana Division
Current Use of Service	Trans Louisiana Gas Storage, Inc. Trans Louisiana Gas Pipeline, Inc. Atmos Energy Marketing, LLC
Basis for allocation	The gas sampling analysis charge is based on the lesser of cost of service or market rate applicable to the affiliate's location for the services provided. Gas sampling analysis may also include other related services as required such as a moisture test, H_2S, CO_2, sample collection, and mileage.

Service:	Gas storage services provided between affiliates
Description:	To the extent an affiliate stores gas in a storage field owned by another affiliate, a fee for the use of the storage field shall be charged.
Current Provider of Service	WKG Storage, Inc. Trans Louisiana Gas Storage, Inc.
Current Use of Service	Atmos Energy Marketing, LLC Trans Louisiana Gas Pipeline, Inc.
Basis for allocation	The fee to the affiliate utilizing the storage service is based on services provided at actual cost, market rate, or as otherwise provided under tariff.

Service:	Derivative activities
Description:	Financial and physical derivative activities.
Current Provider of Service	Atmos Energy Marketing, L.L.C.
Current Use of Service	Mid-States Division Kentucky Division Colorado-Kansas Division Louisiana Division
Basis for allocation	Transaction fees are determined based on actual cost while carrying costs are based on market.

Service:	Storage service to TLGP
Description:	Storage Services
Current Provider of Service	Trans Louisiana Gas Storage, Inc.
Current Use of Service	Trans Louisiana Gas Pipeline, Inc.
Basis for allocation	Charges are based on a market rate.

Service:	Intrastate pipeline service
Description:	Intrastate pipeline service
Current Provider of Service	Trans Louisiana Gas Pipeline
Current Use of Service	Atmos Energy Marketing, LLC Louisiana Division
Basis for allocation	Charges are market based.

Service:	Salaries & benefits cost allocation
Description:	Salaries and benefits (medical insurance, profit sharing plan) cost allocations between affiliates.
Current Provider of Service	Atmos Energy Marketing, L.L.C
Current Use of Service	Trans Louisiana Gas Storage, Inc. Trans Louisiana Gas Pipeline, Inc. Atmos Energy Marketing. LLC Atmos Power Systems, Inc.
Basis for allocation	Costs are allocated based on each individual employee's calculated allocation rate between companies.

Atmos Energy Corporation - Georgia
Minimum Filing Requirements for Gas Companies
SCHEDULE B-9
Allocation Methodologies
Comparison of Historical and Test Period

Office	COST ALLOCATION METHODOLOGY
;hared Services	O&M costs are allocated to operating divisions and affiliates based on a composite factor applied to the Shared Service divisions departments [1]. Shared Service Division departments which provide services to the Company's affiliates utilize a composite factor the computation of which includes the affiliates. Shared Service Division departments that do not provide services to the Company's affiliates utilize a composite factor the computation of which does not include the Company's affiliates Costs allocated from the Company's Call Centers are allocated based on number of customers utilizing the Call Center. Depreciation and Taxes, Other than Income Taxes, are allocated to the rate divisions in total based on the Composite Factor. The Composite Factor is the simple average of three percentages: The percentage of Gross Direct Property Plant and Equipment in each operating division unit as a percentage of the total Direct Property Plant and Equipment in all of the operating divisions. The number of customers in each operating division as a percentage of the total number of customers in all of the operating divisions. The total direct O&M expense in each operating division as a percentage of the total direct O&M expense in all operating divisions.
ʌlid-States General)ffice and Eastern ₹egional Office	O&M costs are allocated in total based on the average number of customers in each rate division divided by the total customers encompassed within the Mid-States Division. Depreciation and taxes other than income tax are allocated in total based on the gross plant in each rate division divided by the total gross plant encompassed by the Mid-States Division.

1] Please note that the Company's Georgia Rate Division is not an affiliate of Atmos Energy Corporation.

Atmos Energy Corporation
AEC Shared Services Cost Centers

1001 SS Dallas Chairman,President & CEO
1101 SS Dallas Chief Financial Officer
1105 SS Dallas Internal Audit
1106 SS Dallas Treasurer
1107 SS Dallas Treasury
1108 SS Dallas Risk Management
1109 SS Dallas Credit & Collections
1111 SS Dallas Purchasing
1112 SS Dallas Mail & Supply
1114 SS Dallas Vice Pres & Controller
1116 SS Dallas Taxation
1117 SS Dallas Accounting Services
1118 SS Dallas Stores
1119 SS Dallas General Accounting
1120 SS Dallas Accounts Payable
1121 SS Dallas Plant Accounting
1123 SS Dallas Gas Accounting
1125 SS Dallas Financial Reporting
1126 SS Dallas Payroll Accounting
1128 SS Dallas Property & Sales Tax
1129 SS Dallas Income Tax
1130 SS Dallas Business Planning and Analysis
1132 SS Dallas Investor Relations & Corporate Development
1134 SS Dallas IT Management
1135 SS Dallas Information Systems Support
1137 SS Dallas Data Center
1141 SS Dallas Gas Purchase Accounting
1142 SS Dallas Rates
1144 SS Dallas Rate Administration
1145 SS Dallas Revenue Accounting
1148 SS Dallas Revenue System Support
1150 SS Dallas Strategic Planning
1151 SS Dallas Accounting Director
1152 SS Dallas Pipeline Accounting
1153 SS Dallas Distribution Accounting
1200 SS Customer Revenue Collections
1201 SS Dallas Utility Operations
1203 SS Amarillo Customer Support Center
1209 SS Dallas Security & Compliance
1350 SS Dallas Non-Utility Operations
1401 SS Dallas Employment & Employee Relocation

Atmos Energy Corporation
AEC Shared Services Cost Centers

1402 SS Dallas Executive Compensation
1403 SS Dallas Human Resources - Vice President
1405 SS Dallas Compensation & Benefits
1406 SS Dallas Employee Communications
1407 SS Dallas Facilities
1408 SS Dallas Employee Development
1420 SS Dallas Eapc
1463 SS HR Benefit Variance
1501 SS Dallas Legal
1502 SS Dallas Corporate Secretary
1503 SS Dallas Governmental Affairs
1504 SS Dallas Central Records
1505 SS Dallas Gas Contract Administration
1801 SS Franklin Nominations and Scheduling
1802 SS Dallas Gas Supply Planning
1803 SS Dallas Gas Supply-Executive
1804 SS Franklin Gas Control
1805 SS Franklin Storage & Gas Control Operations
1806 SS Franklin Gas Transportation Operations
1901 SS Dallas Employee Relocation Expense
1904 SS Dallas Performance Plan
1905 SS Outside Director Retirement Cost
1908 SS Dallas Sebp
1910 SS Dallas Overhead Capitalized
1913 SS Dallas Fleet Administration
1915 SS Dallas Insurance
1916 SS Dallas Mid-Tex charges (Not allocated)

ATMOS ENERGY CORPORATION

DEPRECIATION AND TAXES OTHER THAN INCOME TAXES RELATED TO ADJUSTED SHARED SERVICES ALLOCATION PERCENTAGE

Shared Services Costs	Shared Services To Be Allocated	Georgia % Allocation As Filed	Georgia Expense Allocation As Filed	Adjust. 1 Adjusted % Allocator for TXU Oct-05 Update	Adjust. 1 Expenses Over - Allocated to Georgia
Depreciation After Depreciation Rate Adjustments	16,421,588	3.63%	596,104	2.26%	224,451
Taxes Other Than Income Taxes	1,909,216	3.63%	69,282	2.26%	26,073
Totals			665,386		250,523

ATMOS ENERGY CORPORATION

RATE BASE REDUCTION RELATED TO FOR ADJUSTED SHARED SERVICES ALLOCATION PERCENTAGE

Rate Base Items - 13 Month Averages	Source	Shared Services To Be Allocated	Georgia % Allocation As Filed	Georgia Rate Base Allocation As Filed	Adjust. 1 Adjusted % Allocation for TXU Oct-05 Update	Adjust. 1 Rate Base Over - Allocated to Georgia
Plant in service	WP D1b-Plant	181,723,728	3.63%	6,594,443	2.26%	2,481,676
Accumulated Depreciation	WP D1b-2	(99,043,741)	3.63%	(3,594,128)	2.26%	(1,352,572)
Accumulated Deferred Income Tax	WP D1b-9	(32,912,803)	3.63%	(1,194,349)	2.26%	(449,468)
Construction Work in Progress	WP D1b CWIP	10,377,825	3.63%	376,594	2.26%	141,723
Materials & Supplies	WP D1b-4	1,105	3.63%	40	2.26%	15
Prepayments	WP D1B-5	4,614,128	3.51%	161,815	2.33%	54,321
Totals				2,344,414		875,695
			Company's Grossed Up Rate of Return			12.66%
			Revenue Requirement Reduction			110,826

ATMOS ENERGY CORPORATION
COMPUTATION OF RATE BASE ALLOCATOR
FOR THE MID-STATES DIVISION
Updated to October 2005 Using Company %'s in (STF-9-2) with Adversary Staff Proposed Adjustments

Line No.	Description	Total	Allocable to TXU	Percentage Allocable to TXU
	(a)	(b)	(c)	(d)
1	Amarillo Call Center	$26,738,933		
2	Shared Services	38,054,806	$38,054,806	
3	Customer Billing	84,092,865		
4	Data Mart	429,465	429,465	
5	Oracle	26,942,447	26,942,447	
6	Scada	749,497	749,497	
7	Storage	2,586	2,586	
8	Total Shared Services Assets	177,010,598	66,178,801	0.373869142

Weighted Composite Allocation Factor:

		Total	Shared Services to MidStates	Mid-States to Georgia	Shared Services to Georgia
Factors	Allocated with TXU	66,178,801	10.29%		
	Not Allocated to TXU	110,831,798	21.40%		
	Weighted	177,010,598	17.25%	18.91%	3.26%

1. Adjustment By Adversary Staff - Move Customer Billing to "Allocated with TXU"

	Total Per Company	Adjustments	As Adjusted	MidStates	Mid-States to Georgia	Shared Services to Georgia
Allocated with TXU	66,178,801	84,092,865	150,271,666	10.29%		
Not Allocated to TXU	110,831,798	(84,092,865)	26,738,932	21.40%		
Weighted	177,010,598		177,010,598	11.97%	18.91%	2.26%

2. Adjustment By Adversary Staff to Update O&M Allocator Stated Above as 11.13%

	As Adjusted	Adjusted MidStates	Mid-States to Georgia	Shared Services to Georgia
Allocated with TXU	150,271,666	10.18%		
Not Allocated to TXU	26,738,932	21.40%		
Weighted	177,010,598	11.87%	18.91%	2.25%

ATMOS ENERGY CORPORATION
CALCULATION OF EXCESS SHARED SERVICE ALLOCATIONS TO GEORGIA JURISDICTION
THE MID-STATES DIVISION
FILING COMPARED TO COMPANY ADJUSTED PERCENTAGES

	Allocations to Mid-States Division Included in Filing			Atmos Adjusted Percentages Supplied with STF-9-2	
Shared Services Cost Centers 1000-1999	*TOTAL*	*Mid States Pro-Forma*	*Mid States Pro-Forma*	Per Company As of October-05	Adjusted Extension
1001 SS Dallas Chairman,President & CEO	1,474,160.59	10.11%	149,038	10.11%	149,038
1101 SS Dallas Chief Financial Officer	924,119.89	10.11%	93,429	10.11%	93,429
1105 SS Dallas Internal Audit	921,949.96	10.11%	93,209	10.11%	93,209
1106 SS Dallas Treasurer	393,133.66	10.11%	39,746	10.11%	39,746
1107 SS Dallas Treasury	784,224.93	10.11%	79,285	10.11%	79,285
1108 SS Dallas Risk Management	345,995.19	15.85%	54,840	10.34%	35,776
1109 SS Dallas Credit & Collections	1,684,384.05	21.40%	360,458	10.34%	174,165
1111 SS Dallas Purchasing	504,122.97	21.40%	107,882	10.34%	52,126
1112 SS Dallas Mail & Supply	192,177.01	21.40%	41,126	10.34%	19,871
1114 SS Dallas Vice Pres & Controller	1,326,815.04	10.11%	134,141	10.11%	134,141
1116 SS Dallas Taxation	508,780.06	10.11%	51,438	10.11%	51,438
1117 SS Dallas Acctg Services	92,986.16	10.11%	9,401	10.11%	9,401
1118 SS Dallas Stores	189,975.76	21.40%	40,655	10.34%	19,643
1119 SS Dallas General Accounting	627,826.08	17.80%	111,753	10.11%	63,473
1120 SS Dallas Accounts Payable	652,340.07	20.35%	132,751	10.11%	65,952
1121 SS Dallas Plant Accounting	547,508.67	10.34%	56,612	10.11%	55,353
1123 SS Dallas Gas Accounting	388,556.30	21.40%	83,151	21.40%	83,151
1125 SS Dallas Financial Reporting	790,055.29	10.11%	79,875	10.11%	79,875
1126 SS Dallas Payroll Accounting	521,545.08	10.11%	52,728	10.11%	52,728
1128 SS Dallas Property & Sales Tax	549,404.48	10.11%	55,545	10.11%	55,545
1129 SS Dallas Income Tax	366,745.48	10.11%	37,078	10.11%	37,078
1130 SS Dallas Budget & Planning	642,196.44	17.80%	114,311	10.11%	64,926
1132 SS Dallas Investor Relations & Cor	1,570,833.36	10.11%	158,811	10.11%	158,811
1134 SS Dallas IT Management	715,706.30	15.85%	113,439	10.34%	74,004
1135 SS Dallas Information Systems Supp	2,092,744.67	21.40%	447,847	10.34%	216,390
1137 SS Dallas Data Center	5,277,292.12	18.61%	982,104	10.34%	545,672
1141 SS Dallas Gas Purchase Accounting	427,822.90	21.40%	91,554	21.40%	91,554
1142 SS Dallas Rates	840,370.71	18.61%	156,393	18.61%	156,393
1144 SS Dallas Rate Administration	599,367.36	21.40%	128,265	21.40%	128,265
1145 SS Dallas Revenue Accounting	406,445.09	21.40%	86,979	21.40%	86,979
1148 SS Dallas Revenue System Support	1,488,425.94	21.40%	318,523	21.40%	318,523
1150 SS Dallas Strategic Planning	10,413.51	20.38%	2,122	10.11%	1,053
1200 SS Customer Revenue Collections	288,530.18	17.80%	51,358	17.80%	51,358
1201 SS Dallas Utility Operations	906,403.44	10.11%	91,637	10.11%	91,637
1203 SS Amarillo Customer Support Cente	10,990,760.02	18.37%	2,019,003	9.54%	1,048,519
1209 SS Dal Security & Compliance	314,369.58	20.38%	64,069	10.11%	31,783
1220 SS CSC - EAPC	-154.39	18.14%	(28)	18.14%	(28)
1350 SS Dallas Non-Utility Operations	511,742.27	10.11%	51,737	10.11%	51,737
1401 SS Dallas Employment & Employee Re	477,124.20	10.34%	49,335	10.34%	49,335
1402 SS Dallas Executive Compensation	217,713.56	10.35%	22,531	10.34%	22,512
1403 SS Dallas Human Resources - Vice P	486,306.49	10.34%	50,284	10.34%	50,284
1405 SS Dallas Compensation & Benefits	737,520.48	10.34%	76,260	10.34%	76,260
1406 SS Dallas Employee Communications	293,315.84	10.34%	30,329	10.34%	30,329
1407 SS Dallas Facilities	400,599.80	15.85%	63,495	10.34%	41,422
1408 SS Dallas Employee Development	825,173.71	10.34%	85,323	10.34%	85,323
1420 SS Dallas Eapc	41,908.39	21.40%	8,969	10.34%	4,333
1463 SS HR Benefit Variance	-750,494.44	10.34%	(77,601)	10.34%	(77,601)
1501 SS Dallas Legal	1,707,141.74	15.23%	259,998	10.11%	172,592
1502 SS Dallas Corporate Secretary	1,584,390.89	10.11%	160,182	10.11%	160,182
1503 SS Dallas Governmental Affairs	379,892.64	18.61%	70,698	10.34%	39,281
1504 SS Dallas Central Records	337,642.94	21.40%	72,256	10.34%	34,912
1505 SS Dallas Gas Contract Administrat	194,253.24	21.40%	41,570	21.40%	41,570
1801 SS Franklin Nominations and Schedu	333,817.45	21.40%	71,437	21.40%	71,437
1802 SS Dallas Gas Supply Planning	177,136.48	21.40%	37,907	21.40%	37,907
1803 SS Dallas Gas Supply-Executive	271,304.60	21.40%	58,059	21.40%	58,059

ATMOS ENERGY CORPORATION
CALCULATION OF EXCESS SHARED SERVICE ALLOCATIONS TO GEORGIA JURISDICTION
THE MID-STATES DIVISION
FILING COMPARED TO COMPANY ADJUSTED PERCENTAGES

	Allocations to Mid-States Division Included in Filing			Atmos Adjusted Percentages Supplied with STF-9-2	
Shared Services Cost Centers 1000-1999	*TOTAL*	*Mid States Pro-Forma*	*Mid States Pro-Forma*	Per Company As of October-05	Adjusted Extension
1804 SS Franklin Gas Control	898,884.54	26.83%	241,171	26.83%	241,171
1805 SS Franklin Storage & Gas Control	93,406.14	26.83%	25,061	26.83%	25,061
1806 SS Franklin Gas Transportation Ope	318,282.93	21.40%	68,113	21.40%	68,113
1901 SS Dallas Employee Relocation Exp	324,172.68	21.40%	69,373	21.40%	69,373
1903 SS Dallas Controller - Miscellaneo	-154,719.11	42.14%	(65,199)	42.14%	(65,199)
1904 SS Dallas Performance Plan	2,450,440.00	10.34%	253,375	10.34%	253,375
1905 SS Outside Director Retirement Cos	531,215.64	10.11%	53,706	10.11%	53,706
1908 SS Dallas Sebp	8,070,024.11	10.34%	834,440	10.34%	834,440
1910 SS Dallas Overhead Capitalized	-19,500,914.91	13.61%	(2,654,075)	13.61%	(2,654,075)
1913 SS Dallas Fleet Administration	131,397.22	10.34%	13,586	10.34%	13,586
1915 SS Dallas Insurance	3,618,429.07	10.11%	365,823	10.11%	365,823
1950 SS Dallas Customer Service Initiat	14,492.11	21.40%	3,101	21.40%	3,101
1953 SS Dallas Finance Committee	3,926.76	10.11%	397	10.11%	397
TOTAL	45,383,861.41	15.49%	7,032,170	10.29%	4,669,008

Mid-States Allocation to Georgia Percentage	22.64%	22.64%
Shared Services Allocation to Georgia Percentage	3.51%	2.33%
Total Shared Service O&M Expenses Allocated	54,895,366	54,895,366
Total Shared Services Allocated to Georgia	1,925,145	1,278,873

Over-Allocation of Shared Services O&M to Georgia Before Escalation Reduction	646,272
Reduction Percentage for Adversary Staff Escalation Reduction for Shared Services O&M Expenses	-4.38%
Reduction Amount for Adversary Staff Escalation Reduction for Shared Services O&M Expenses	(28,304)
Over-Allocation of Shared Services O&M to Georgia	617,969

ATMOS ENERGY CORPORATION
CALCULATION OF EXCESS SHARED SERVICE ALLOCATIONS TO GEORGIA JURISDICTION
THE MID-STATES DIVISION
FILING COMPARED TO COMPANY AND ADVERSARY STAFF ADJUSTED PERCENTAGES

	Allocations to Mid-States Division Included in Filing			Atmos Adjusted Percentages Supplied with STF-9-2		Adversary Staff Adjusted Percentages	
Shared Services Cost Centers 1000-1999	*TOTAL*	*Mid States Pro-Forma*	*Mid States Pro-Forma*	Per Company As of October-05	Adjusted Extension	Proposed by Adversary Staff	Adjusted Extension
1001 SS Dallas Chairman,President & CEO	1,474,160.59	10.11%	149,038	10.11%	149,038	10.11%	149,038
1101 SS Dallas Chief Financial Officer	924,119.89	10.11%	93,429	10.11%	93,429	10.11%	93,429
1105 SS Dallas Internal Audit	921,949.96	10.11%	93,209	10.11%	93,209	10.11%	93,209
1106 SS Dallas Treasurer	393,133.66	10.11%	39,746	10.11%	39,746	10.11%	39,746
1107 SS Dallas Treasury	784,224.93	10.11%	79,285	10.11%	79,285	10.11%	79,285
1108 SS Dallas Risk Management	345,995.19	15.85%	54,840	10.34%	35,776	**10.11%**	34,980
1109 SS Dallas Credit & Collections	1,684,384.05	21.40%	360,458	10.34%	174,165	10.34%	174,165
1111 SS Dallas Purchasing	504,122.97	21.40%	107,882	10.34%	52,126	10.34%	52,126
1112 SS Dallas Mail & Supply	192,177.01	21.40%	41,126	10.34%	19,871	10.34%	19,871
1114 SS Dallas Vice Pres & Controller	1,326,815.04	10.11%	134,141	10.11%	134,141	10.11%	134,141
1116 SS Dallas Taxation	508,780.06	10.11%	51,438	10.11%	51,438	10.11%	51,438
1117 SS Dallas Acctg Services	92,986.16	10.11%	9,401	10.11%	9,401	10.11%	9,401
1118 SS Dallas Stores	189,975.76	21.40%	40,655	10.34%	19,643	10.34%	19,643
1119 SS Dallas General Accounting	627,826.08	17.80%	111,753	10.11%	63,473	10.11%	63,473
1120 SS Dallas Accounts Payable	652,340.07	20.35%	132,751	10.11%	65,952	10.11%	65,952
1121 SS Dallas Plant Accounting	547,508.67	10.34%	56,612	10.11%	55,353	10.11%	55,353
1123 SS Dallas Gas Accounting	388,556.30	21.40%	83,151	21.40%	83,151	21.40%	83,151
1125 SS Dallas Financial Reporting	790,055.29	10.11%	79,875	10.11%	79,875	10.11%	79,875
1126 SS Dallas Payroll Accounting	521,545.08	10.11%	52,728	10.11%	52,728	10.11%	52,728
1128 SS Dallas Property & Sales Tax	549,404.48	10.11%	55,545	10.11%	55,545	10.11%	55,545
1129 SS Dallas Income Tax	366,745.48	10.11%	37,078	10.11%	37,078	10.11%	37,078
1130 SS Dallas Budget & Planning	642,196.44	17.80%	114,311	10.11%	64,926	10.11%	64,926
1132 SS Dallas Investor Relations & Cor	1,570,833.36	10.11%	158,811	10.11%	158,811	10.11%	158,811
1134 SS Dallas IT Management	715,706.30	15.85%	113,439	10.34%	74,004	**10.11%**	72,358
1135 SS Dallas Information Systems Supp	2,092,744.67	21.40%	447,847	10.34%	216,390	**10.11%**	211,576
1137 SS Dallas Data Center	5,277,292.12	18.61%	982,104	10.34%	545,672	**10.11%**	533,534
1141 SS Dallas Gas Purchase Accounting	427,822.90	21.40%	91,554	21.40%	91,554	21.40%	91,554
1142 SS Dallas Rates	840,370.71	18.61%	156,393	18.61%	156,393	18.61%	156,393
1144 SS Dallas Rate Administration	599,367.36	21.40%	128,265	21.40%	128,265	21.40%	128,265
1145 SS Dallas Revenue Accounting	406,445.09	21.40%	86,979	21.40%	86,979	21.40%	86,979
1148 SS Dallas Revenue System Support	1,488,425.94	21.40%	318,523	21.40%	318,523	21.40%	318,523
1150 SS Dallas Strategic Planning	10,413.51	20.38%	2,122	10.11%	1,053	10.11%	1,053
1200 SS Customer Revenue Collections	288,530.18	17.80%	51,358	17.80%	51,358	17.80%	51,358
1201 SS Dallas Utility Operations	906,403.44	10.11%	91,637	10.11%	91,637	10.11%	91,637
1203 SS Amarillo Customer Support Cente	10,990,760.02	18.37%	2,019,003	9.54%	1,048,519	9.54%	1,048,519
1209 SS Dal Security & Compliance	314,369.58	20.38%	64,069	10.11%	31,783	10.11%	31,783
1220 SS CSC - EAPC	-154.39	18.14%	(28)	18.14%	(28)	18.14%	(28)
1350 SS Dallas Non-Utility Operations	511,742.27	10.11%	51,737	10.11%	51,737	10.11%	51,737
1401 SS Dallas Employment & Employee Re	477,124.20	10.34%	49,335	10.34%	49,335	10.34%	49,335
1402 SS Dallas Executive Compensation	217,713.56	10.35%	22,531	10.34%	22,512	**10.11%**	22,011
1403 SS Dallas Human Resources - Vice P	486,306.49	10.34%	50,284	10.34%	50,284	**10.11%**	49,166
1405 SS Dallas Compensation & Benefits	737,520.48	10.34%	76,260	10.34%	76,260	**10.11%**	74,563
1406 SS Dallas Employee Communications	293,315.84	10.34%	30,329	10.34%	30,329	**10.11%**	29,654
1407 SS Dallas Facilities	400,599.80	15.85%	63,495	10.34%	41,422	**10.11%**	40,501
1408 SS Dallas Employee Development	825,173.71	10.34%	85,323	10.34%	85,323	10.34%	85,323
1420 SS Dallas Eapc	41,908.39	21.40%	8,969	10.34%	4,333	10.34%	4,333
1463 SS HR Benefit Variance	-750,494.44	10.34%	(77,601)	10.34%	(77,601)	10.34%	(77,601)
1501 SS Dallas Legal	1,707,141.74	15.23%	259,998	10.11%	172,592	10.11%	172,592
1502 SS Dallas Corporate Secretary	1,584,390.89	10.11%	160,182	10.11%	160,182	10.11%	160,182
1503 SS Dallas Governmental Affairs	379,892.64	18.61%	70,698	10.34%	39,281	**10.11%**	38,407
1504 SS Dallas Central Records	337,642.94	21.40%	72,256	10.34%	34,912	**10.11%**	34,136
1505 SS Dallas Gas Contract Administrat	194,253.24	21.40%	41,570	21.40%	41,570	21.40%	41,570
1801 SS Franklin Nominations and Schedu	333,817.45	21.40%	71,437	21.40%	71,437	21.40%	71,437
1802 SS Dallas Gas Supply Planning	177,136.48	21.40%	37,907	21.40%	37,907	21.40%	37,907
1803 SS Dallas Gas Supply-Executive	271,304.60	21.40%	58,059	21.40%	58,059	21.40%	58,059
1804 SS Franklin Gas Control	898,884.54	26.83%	241,171	26.83%	241,171	26.83%	241,171
1805 SS Franklin Storage & Gas Control	93,406.14	26.83%	25,061	26.83%	25,061	26.83%	25,061

ATMOS ENERGY CORPORATION
RATE BASE REDUCTION RELATED TO ADJUSTED SHARED SERVICES ALLOCATION PERCENTAGE

Rate Base Items - 13 Month Averages	Source	Shared Services To Be Allocated	Georgia % Allocator As Filed	Georgia Rate Base Allocation As Filed	Adjust. 1 Adjusted % Allocation for TXU Oct-05 Update	Adjust. 1 Rate Base Over - Allocated to Georgia	Adjust. 2 Adjusted % Allocator for Staff Changes to Composite Factor	Adjust. 2 Rate Base Over - Allocated to Georgia
Plant In service	WP D1b-Plant	181,723,728	3.63%	6,594,443	2.26%	2,481,676	2.25%	32,090
Accumulated Depreciation	WP D1b-2	(99,043,741)	3.63%	(3,594,128)	2.26%	(1,352,572)	2.25%	(17,490)
Accumulated Deferred Income Tax	WP D1b-9	(32,912,803)	3.63%	(1,194,349)	2.26%	(449,468)	2.25%	(5,812)
Construction Work in Progress	WP D1b CWIP	10,377,825	3.63%	376,594	2.26%	141,723	2.25%	1,833
Materials & Supplies	WP D1b-4	1,105	3.63%	40	2.26%	15	2.25%	0
Prepayments	WP D1B-5	4,614,128	3.51%	161,815	2.33%	54,321	2.30%	1,149
Totals				2,344,414		875,695		11,770
			Company's Grossed Up Rate of Return			12.66%		12.66%
			Revenue Requirement Reduction			110,826		1,490

STF-6-1 Refer to the workpaper for accumulated deferred income tax provided in response to STF-4-23. Please provide a detailed description of each temporary difference included on each page.

Response:

Atmos Energy Corporation ("Atmos") follows Internal Revenue Code §461 for federal income tax purposes and does not deduct a liability until all events have occurred which establish the fact and amount of the liability and economic performance has occurred (i.e. the liability has been paid). This rule essentially places Atmos on the cash method for federal income tax purposes. For financial accounting purposes, Atmos is on the accrual method. The following temporary differences are the result of applying IRC §461 for federal income tax accounting verses the use of the accrual method for financial accounting:

- Directors Deferred Bonus
- Directors Deferred Comp
- Miscellaneous Accrued
- Self Insurance - Adjustment
- Vacation Accrual
- Workers Comp Insurance Reserve
- Clearing Account Adjustment
- Rate Case Accrual
- FAS106 Adjustment
- Accrued Environmental Asset
- Allowance for Doubtful Accounts

The deferred tax liability for the following temporary items reflect income tax deductions under IRC §461 that have not been expensed for financial accounting purposes. The deferred tax liability will be reversed in the fiscal year these costs are expensed for financial accounting purposes:

- Prepaid Dues
- Pension Expense

Atmos depreciates assets under the modified accelerated cost recovery method under IRC §168 for federal income tax purposes. Atmos depreciates assets under a slower method for financial accounting purposes. Use of the modified accelerated cost recovery method for tax purposes results in assets being depreciated faster for income tax accounting than for financial accounting resulting in a deferred tax liability early in the life of the assets. The following temporary differences are the result of accumulated differences in depreciation methods utilized for financial accounting and federal income tax accounting purposes:

- Fixed Asset Accum – True Up Item
- Book Depreciation – True Up Item
- Tax Depreciation – True Up Item
- Misc. Adjustments – Fixed Asset Related *(this item contains both accumulated depreciation and cost basis temporary differences)*

The cost basis of assets is treated differently for financial and income tax accounting purposes. Differences may arise from the acquisition of assets either through a stock or asset purchase and reflect the difference in treatment, cost allocation, or basis presentation of the acquired assets. Other cost basis differences are the result of differences in methods between book accounting and tax accounting for items such as capitalized interest, and capitalized interest, contributions in aid of construction, and capitalization of overhead. Cost basis differences are initially reflected within CWIP (Construction Work in Process). As projects within CWIP are completed and assets are placed in service, the basis difference moves to Misc. Adjustments – Fixed Asset Related. The following temporary differences reflect the cost basis differences between financial accounting and federal income tax accounting:

- Software Capitalized per Books
- Capitalized Interest Adjustment
- Capitalized Overhead Adjustment
- CWIP
- Capitalized Overhead – True Up
- Other Plant
- Fixed Asset Cost – True Up Item
- From Tax CWIP to Fixed Assets Costs
- Section 481(a) Cushion Gas
- Section 481(a) Line Pack Gas
- Capitalized Selling Expense
- Aid in Construction Adjustment
- Misc. Adjustments – Fixed Asset Related *(this item contains both accumulated depreciation and cost basis temporary differences)*

The difference in the gain/loss is a result of the differences discussed above for cost basis and accumulated depreciation. The gain/loss for federal income tax purposes is recognized into taxable income under IRC §§ 1245, 1250, & 1231. The following temporary differences reflect the difference in the gain/loss recognized on the disposition of an asset between financial accounting and income tax accounting purposes:

- Subs Gain/Loss on Vehicle Sales
- Amended Cost of Removal
- Tax Gain/Loss – True Up Item

The deferred tax liability for the following temporary items reflects the income tax deduction under IRC §162 for costs incurred by Atmos. These costs were capitalized for financial accounting purposes. The tax liability will paid in the fiscal years that the costs are either expensed or recuperated for financial accounting purposes:

- Amortization – LGS Acq. 1810.13523
- Amended Book Amortization
- Deferred Projects – ANG Acq.
- Deferred Expense Projects
- Deferred Projects – MVG Acq.
- Deferred Projects – One Oak Purchase
- Deferred Projects – TXU Acquisition
- ANG Acquisition Adjustment
- Investment Banking Adv. Fee (MVG)

The deferred tax asset for Merger and Integration Amortization relates to costs that were amortized for financial accounting purposes but were not deducted for federal income tax purposes. These costs were incurred during the merger of United Cities Gas Company. Due to an accounting error, the $13,145,282 deferred tax asset at the Mid States Admin Office (Div 91) should have been netted with the deferred tax liability of $13,145,282 at the Mid States Division Illinois Office (Div 92). Please see the Company's response to STF 5-45.

The deferred tax liability for Regulatory Asset – Atmos was established to accrue the increase in tax expense that will be incurred as non deductible tax costs associated with the UCG merger are recovered through the underlying regulatory asset. This deferred tax liability is an offset to the deferred tax asset for Merger and Integration Amortization. The deferred tax liability should have been allocated to rate divisions according to the underlying balance of the regulatory asset. The deferred liability at the Mid States Admin Office (Div 91) should have been $0 and the deferred liability at the Georgia Rate Division (Div 89 and Div 95) $1,828,299.

The deferred tax asset for the Rabbi Trust reflects the time lag in when the activity from the trust is recognized for financial accounting purposes and when it is recognized for federal income tax purposes. The time lag occurs because of the timing of when the trust statements are actually received and when the books are closed.

The deferred tax asset for the Rabbi Trust Amended Items reflects an inadvertent error discovered on a prior year income tax return. This return will be amended to correct the error. The error involved recognizing to much income for federal income tax accounting purposes over that recognized for financial accounting purposes. The error resulted in the overstatement of taxable income.

RSGP is an abbreviation for restricted stock grant plan. The deferred tax asset for RSGP reflects the difference in methods between financial accounting and income tax accounting purposes. For financial accounting purposes the grants are generally amortized over the restriction period. For federal income tax purposes, the grants are deducted when all of the restrictions have substantially lapsed.

SEBP is an abbreviation for Supplemental Executive Benefit Plan. The deferred tax asset for SEBP reflects the difference in methods between financial accounting and income tax accounting purposes. Atmos accrues supplemental executive benefits in accordance with a benefit plan. For tax purposes, Atmos does not deduct this accrual until paid under IRC §404.

The deferred tax liability for the SEBP Amended Item reflects an error discovered on a prior year income tax return. This return will be amended to correct the mistake. The error involved recognizing to much expense for federal income tax accounting purposes over that recognized for financial accounting purposes. The error resulted in the understatement of taxable income.

DIG is an abbreviation for deferred inter-company gain. The deferred tax liabilities with this abbreviation reflect the temporary basis difference in the underlying assets between financial accounting and federal income tax accounting purposes. The basis difference generally results when assets are transferred between entities inside the Atmos consolidated group

RAR is an abbreviation for Revenue Adjustment Report. RAR is associated with adjustments to taxable income resulting from an audit by the Internal Revenue Service. As a result of an audit of UCG's tax returns, UCG (and subsequently Atmos) are required to amortize specific costs that were capitalized for financial accounting purposes. The following temporary differences reflect these adjustments:

- RAR 91/93 Bond Cost Amortized
- RAR 91/93 Bond Cost Capitalized
- RAR 86/90 Lease Expense Amortiz.
- RAR CFWE 1990-1985

The deferred tax asset for UNICAP Section 263A Costs reflects the difference in methods of accounting for overhead costs related to inventory between financial accounting and income tax accounting purposes. Atmos is required under IRC §263A to capitalize certain overhead costs related to inventory. The capitalized costs are deducted with the inventory through cost of goods sold. Atmos does not capitalize these costs for financial accounting purposes.

The deferred tax asset for Deferred Gas Costs reflects the over recovery of gas costs that are recognized as expense for financial accounting purposes but not for tax accounting purposes. The deferred tax asset will reverse as over recovered amounts are returned.

The deferred tax asset for Customer Advances reflects cash received from developers that is included in taxable income for federal tax accounting purposes. For financial accounting purposes, the receipt or return of customer advances does not cause income or expense to be recognized. This deferred tax asset will reverse as advances are either returned or forfeited.

When Atmos Energy (and its predecessor within Georgia, United Cities Gas Company) adopted FAS 109, the cumulative adjustment from the accounting method change resulted in an overall excess deferred tax liability. The excess deferred tax liability was to be returned to the ratepayers through a reduction in future rate revenues. Accordingly the excess deferred tax liability was reclassified on the balance sheet into a regulatory liability. Upon the recording of the regulatory liability, FAS 109 stipulated that a deferred tax asset be recorded to account for the fact that there was no basis in the regulatory liability. The following temporary differences relate to the change in accouting method to FAS109:

- Regulatory Liability – Atmos 109
- Regulatory Liability – UCGC 109
- Regulatory Liability – UCGC Rate

Atmos Energy (and its predecessor within Georgia, United Cities Gas Company) received investment tax credits resulting from qualified investments and utilized these credits on its income tax returns in accordance with IRC §46 as reductions to income tax liability. Under IRC §46(f)(1), Atmos Energy deferred the benefit associated with the investment credit by recording a regulatory liability for the amount of the credit and amortized it over the life of the property that gave rise to the credit. Upon the adoption of FAS109, a deferred tax asset was recorded to account for the fact that there was no basis in the regulatory liability. The following temporary differences relate to the amortization of the investment tax credit under IRC §46(f)(1):

- Deferred ITC – UCG Non-utility
- Deferred ITC – UCG

Among the assets acquired from United Cities Gas Company were pre-existing non compete agreements for Union Gas, Monarch, and Palmyra. These non compete agreements are amortized for tax accounting purposes over a longer period than for financial accounting purposes. The deferred tax asset for these non compete agreements represents the excess of accumulated amortization for financial accounting purposes over the accumulated amortization for tax accounting purposes.

The deferred tax liability for the IRS Audit Interest Assessment reflects the estimated interest due from an IRS audit that has not been finalized. Atmos' income tax returns for the fiscal years '99-'01 are currently under IRS audit.

The deferred tax asset for State Bonus Depreciation reflects the difference in methods of accounting for the bonus depreciation between federal income tax accounting and certain state income tax accounting purposes. Bonus depreciation is an additional amount of accelerated (30% - 50%) depreciation on qualified property. Some states do not allow bonus depreciation, thereby creating a difference between federal and state deferred taxes. This asset basically represents the future depreciation deduction for those states that don't allow the bonus depreciation that has already been deducted for federal tax accounting purposes.

The deferred tax asset for Treasury Lock reflects the hedged positions held on certain long-term financing arrangements for the LSG (TXU Gas) acquisition. FASB 133 prescribes the accounting for the change in value of these securities in Other comprehensive Income (OCI). This includes the recording of deferred taxes on the activity in accordance with FAS 109.

The deferred tax liability for R & D (research and development) Credit Valuation Allowance reflects the uncertainty of the utilization of the RD Credit on Atmos' federal income tax return. The research and development credit is an income tax credit allowed under IRC §174 and underlying regulations for qualified research and development expenditures incurred by a taxpayer. The credit is used to reduce regular federal income tax and may carry forward 20 years. The reason for the deferred tax liability is while Atmos believes the asset may be utilized to reduce federal regular income taxes, the calculation and underlying facts of the credit may be examined by the IRS thereby creating uncertainty as to its utilization.

The deferred tax asset for the AMT Credit Carryforward was generated when federal alternative minimum tax (AMT) was greater than regular federal income tax. The AMT credit will be used in future years to reduce Atmos tax liability when the regular federal income tax is greater than the alternative minimum tax.

The deferred tax asset for State Net Operating Loss represents the tax effected future deduction of state net operating loss carry forwards and carry backs. The state net operating losses will be used in future years to reduce state income tax liability.

Respondent: Pace McDonald

STF-5-38 In February 2005, Atmos Energy Corp. consolidated the Kentucky and Mid-States Divisions. Please provide a copy of all studies, analyses, and computations to determine the areas of potential savings and the quantifications of those savings. If none, then please state that no such studies or quantifications were performed.

Response:

The Company has not consolidated the Kentucky and Mid-States Divisions.

Respondent: Jim Cagle

Atmos Energy Corporation
Georgia Division
Response to Staff Fifth Data Requests
Docket 20298-U

STF-5-50 Please refer to Schedule B-9 and WP B1.3.9 Adj. related to the annualization of costs allocated from Atmos Energy Services ("AES"):

a. Please describe the services received from AES and why costs were not allocated to Georgia for the entirety of 2004.

Response:

Attached is the service agreement between AES and Atmos Energy Corporation(Mid States Division. The agreement between the two parties became effective April 1, 2004.

b. Please confirm whether the services received from AES during the second part of 2004 were received from another affiliate or company prior to this date or were performed with in-house personnel that were no longer needed.

Response:

Services prior to the agreement between AES and Atmos Energy Corporation were performed in-house as part of shared services.

c. If services were received from another affiliate or company prior to the second part of 2004, please quantify the 2004 amount related to those services that was allocated to the Georgia operations.

Response: Not Applicable.

d. If in-house personnel were no longer needed or transferred to AES, please quantify the 2004 savings related to those personnel changes that would have been allocated to the Georgia operations.

Response:

Please see attached.

C. Termination of this Agreement. The Company may terminate this Agreement with AES by providing sixty (60) days advance written notice of such termination to AES.

This Agreement shall be subject to the requirements of the State of Georgia.

6. NOTICE. Where written notice is required by this Agreement, said notice shall be deemed given when mailed by United States registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

A. To the Company:

Atmos Energy Corporation
810 Crescent Centre Drive, Suite 600
Franklin, TN 37067-6226
Attn: Mr. Tom Blose
Phone: (615) 771-8305
Fax: (615) 771-9704

B. To AES:

Atmos Energy Services, LLC
1515 Poydras St., Suite 2180
New Orleans, Louisiana 70112
Attn: Mr. Mark Bergeron
(504) 522-2614
(540) 522-6094 (Fax)

7. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of Texas, without regard to any conflict of laws provisions.

8. ENTIRE AGREEMENT. This Agreement, together with its exhibits, constitutes the entire understanding and agreement of the parties with respect to its subject matter, and effective upon the execution of this Agreement by the respective parties hereof and thereto, any and all prior agreements, understandings or representations with respect to this subject matter are hereby terminated and cancelled in their entirety and of no further force or effect.

9. WAIVER. No waiver by any party hereto of a breach of any provision of this Agreement shall constitute a waiver of any preceding or succeeding breach of the same or any other provision hereof.

10. ASSIGNMENT. This Agreement shall inure to the benefit of and shall be binding upon the parties and their respective successors and assigns. No assignment of this Agreement or any party's rights, interests or obligations hereunder may be made without the other party's consent, which shall not be unreasonably withheld, delayed or conditioned.

11. SEVERABILITY. If any provision or provisions of this Agreement shall be held to be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions shall in no way be affected or impaired thereby.

12. EFFECTIVE DATE. This Agreement is effective as of May 1, 2004

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed as of the date first above mentioned.

Attest: Pamela Todd

ATMOS ENERGY CORPORATION

By: Tom Blose

Name: Tom Blose

Title: President, Mid-States Division

Date: April 23, 2004

Attest: Mark A. Martin

ATMOS ENERGY SERVICES, LLC:

By: Mark S. Bergeron

Name Mark S. Bergeron

Title: Sr. Vice President

Date: April 23, 2004

EXHIBIT I

Cost Accumulation and Assignment, Allocation Methods, and Description of Services Offered by AES

This document sets forth the methodologies used to accumulate the costs of Atmos requested services performed by AES and to assign or allocate such costs within Atmos.

Cost of Services Performed

The direct costs of these services will be determined based upon applicable employee's labor distribution. The full cost of providing services also includes certain indirect costs, e.g., departmental overheads, administrative and general costs, and taxes. Indirect costs are associated with the services performed in proportion to the direct costs of the services or other relevant cost allocators.

Cost Assignment and Allocation

AES' costs will be directly assigned, distributed or allocated to Atmos in the manner described below:

1. Specific costs from third parties will be directly assigned or charged to Atmos;

2. Costs will be allocated to Atmos' operating divisions based upon the applicable labor distribution of the employees of Atmos Energy Holdings that perform the agreed-upon services. Other indirect costs, including those from Atmos Energy Marketing, will be charged based upon the proportion of distributed labor to total labor;

3. Costs attributable to more than one rate division within an operating division will be allocated using methods determined on a case-by-case basis consistent with the nature of the work performed; and

4. Labor distribution studies will be reviewed annually and may be adjusted for any known and reasonably quantifiable events, or at such time as may be required due to significant changes.

Description of Services

A description of each of the services performed by AES pursuant to this Agreement for Company, which may be modified from time to time, is presented below. As discussed above, where identifiable, costs will be directly assigned or distributed to the Company. For costs accumulated in Account Codes which are for services of a general nature that cannot be directly assigned or distributed, the method or methods of allocation are also set forth. Substitution or changes may be made in the methods of allocation hereinafter specified, and will be provided to each applicable state regulatory agency and Company.

Gas Supply Procurement

Hedging Administration - Develop and recommend hedging strategy for BU(s) and assist in the development of regulatory hedging filings. Execute filed hedge plan and provide monthly reporting illustrating volumes hedged, price and mark to market value to BU and corporate management. Provide support to BU regulatory and leadership team as it pertains to hedging reporting, performance, compliance and data request. Maintain and develop financial vendor relationships.

Supply and pipeline capacity planning - Develop and provide design day studies utilizing historical daily actual to support design day pipeline, as well as, storage capacity requirements.

Procurement Plans - Develop daily and monthly requirements by pipeline utilizing historical data. Plan annual load requirements, pipeline utilization and storage injection/withdrawal plans. Assist BU regulatory teams as needed for compliance filings with state commissions (Data request, etc.).

Procurement / Contracting - Develop and administer the RFP process for firm supply, transportation, storage services and agency services. Provide an evaluation of bids and recommendation of best options based on price, reliability, flexibility and supplier capabilities. Negotiate and coordinate local production tie-ins and pricing.

Portfolio Management - Evaluate BU(s) options of supply, transportation and storage to optimize most effective and efficient means to serve BU's firm load requirements.

Contract Information Management – Provide for a central distribution of supplier, transport, storage and all other gas supply related contracts.

Contract Negotiations and Execution – Negotiate and evaluate contracts for accuracy before execution. Route to appropriate BU VP Rates for execution by the BU President. Monitor all supply contract expiration and notice dates. Corporate Contracts Administration to distribute executed contract copies to key personnel.

Supplier Relations - Maintain good working relationships with suppliers and service providers in conjunction with BU Presidents. Monitor any changes in supplier organizations that may affect service reliability and accuracy.

Manage Third-party Agency Contracts - Monitor and review all natural gas supply, transportation and storage agency activities provided by a third-party. Act as liaison between gas control and all service agents.

System Load Management

Short term plan forecast - Based on actual daily historical load and weather data; provide daily and monthly requirements by city-gate. Communicate where applicable to gas control daily the supply dispatch plan.

Dispatch & Balancing - Nominate monthly, daily load requirements to all upstream pipelines, suppliers and storage facilities of the BU(s). Forecast and analyze daily current month load requirements vs. nominations to maintain pipeline imbalance percentages with in pipeline tolerance and maintain storage withdrawal and injection plans.

Local Production – Manage accounts, invoice and report local production activities related to volume, cost and un-accounted for where applicable.

Weather Database - Archive daily weather highs and lows by weather area in BU. Calculate and archive average temperatures and heating degree days (HDD). Develop reports current day, month and year to historical averages and peaks.

Load Database - Archive actual city-gate deliveries to third-party transporters and R&C usage by pipeline and weather area. This data is to be utilized for capacity planning, monthly and daily load forecasting.

Pricing Database - Archive pricing related indexes as published by monthly and daily industry publications including NYMEX.

Capacity Management - Utilize forecasted monthly and daily load to evaluate capacity utilization. Execute steps to maximize the value of idle capacity in release markets and asset optimization plans.

Storage management - Develop and execute injection and withdrawal plans by pipeline to minimize utilization of daily market volatility and support system integrity.

Regulatory Compliance

PGA Reporting Support - Complete actual gas cost schedules to be used in the Regulatory team's monthly PGA filings.

Purchase Gas Cost Estimate - Provide corporate accounting and BU regulatory team with gas cost estimate of current month.

L&U Reporting - Provide BU's regulatory team and operations team with monthly total city-gate receipts data in a Lost and Unaccounted for report.

FERC Regulatory Affairs - Monitor all pipeline compliance and related filings. Advise and support corporate legal and BU leadership of any potential issues that may impact the enterprise and our customers.

Commission Data Response Support - Assist BU regulatory team related to gas supply issues.

Testimony support – Provide regulatory testimony as it pertains to gas procurement services provided.

Accounting Administration

Supplier Invoice reconciliation - Reconcile supplier invoices with transportation deliveries. Further reconcile transportation and storage deliveries and activities with daily nominations. Approve for accuracy and/or make all appropriate adjustments.

Supplier Invoice Reporting and Coding - Provide cover sheet approvals and account coding for all supplier invoices. Gas cost accounting - Develop and provide supporting schedules and reports to BU and gas supply operation summarizing previous month actual purchase activity. Develop and provide supporting schedules and reports to BU and gas supply operation summarizing current month estimates of purchase activity. Maintain and reconcile invoice log.

Local Production – Manage accounts, invoice and report local production activities related to volume, cost and un-accounted for where applicable.

Gas supply record retention - Maintain three years of purchase backup per BU for data request, prudence review and management studies. Facilitate the archiving of historical data past three years in central records.

Gas supply procedures manual - Maintain gas supply procedures manual.

Atmos Energy Corporation
Attachment to Response to STF 5-50

Line No.	Description	Gross Salaries	Allocation to Georgia	Mid-States to Georgia Amount	Shared Services to Georgia Amount	Total
1	A	$70,936	22.84%	$16,202		
2	B	46,067	22.84%	10,522		
3	C	56,300	4.98%		$2,803	
4	D	69,019	4.98%		3,437	
5	E	41,593	4.98%		2,071	
6	F	32,082	4.98%		1,597	
7						
8	Total	315,997		26,723	9,908	
9						
10	Benefits Percentage			29.7%	24.8%	
11						
12	Benefits Expense			7,937	2,457	
13						
14	Total Labor and Benefits Expense (Line 12 + Line 8)			$34,660	$12,365	$47,026

Atmos Energy Corporation
Computation of Short Term Capital Percentage
For the Test Year Ended June 19, 2006

Projected Short Term Capital Components

Construction Work in Progress	2,754,536
Miscellaneous Prepayments	192,289
Materials and Supplies	79,497
Storage Gas - Computed Below	5,256,957
Total Short Term Capital Components	8,283,279
Total Rate Base Requested, Excluding PRP	60,307,902
Short Term Capital Percentage	13.7%

Storage Gas (Ref. WP D1b-6-1)

13 Month Avg. for 13 Months ended December 31, 2004	7,421,790
Lowest Balance During Same Period	3,411,353
Amount Financed With Short Term Debt	4,010,437
STD as a % of Total Storage Gas Avg. Inventory	54.0%
Projected Test Year Storage Gas Inventory	9,728,624
Projected Amount Financed With Short Term Debt	5,256,957

Atmos Energy Corporation, Inc.
Calculation of Long-Term Debt Rate
D-1(a)-1 - As Adjusted by Adversary Staff
June 19, 2006 Projected

Line No.	Description (a)	Coupon Rate (b)	Fiscal 2006 May (c)	Unamortized Discount and Issuance Costs (d)	Net Proceeds Outstanding (e)	Amortization of Discount and Issuance Costs (f)	Annualized Cost % (g)	Debt Service Requirement (h)
	Atmos - As Filed							
1	Bonds - Fmb Series P 2210-20004	10.430%	$8,750,000	($140,578)	$8,609,422	$12,224	10.74%	$924,849
2	Bonds - Fmb Series Q 2210-20005	9.750%	14,000,000	(168,176)	13,831,824	11,838	10.04%	1,376,838
3	Bonds - Fmb Series T 2210-20007	9.320%	16,875,000	(77,142)	16,797,858	5,143	9.42%	1,577,893
4	Bonds - Fmb Series U 2210-20008	8.770%	20,000,000	(235,263)	19,764,737	14,781	9.02%	1,768,781
5	Bonds - Fmb Series V 2210-20009	7.500%	833,332	(22,552)	810,780	14,780	11.35%	77,279
6	Bonds - 1St Mrtg Bnds 9.4 p 2210-20013	9.400%	17,000,000	(340,486)	16,659,514	22,572	9.86%	1,620,572
7	Bonds - LTD-Leasing 2210-20016	7.900%	982,142	0	982,142	0	7.90%	77,589
8	Bonds - LTD-Pulaski-Ingram 2210-20017	4.000%	125,000	0	125,000	0	4.00%	5,000
9	Bonds - LTD-Evensville,TN-- 2210-20024	7.000%	168,125	0	168,125	0	7.00%	11,769
10	Bonds - LTD-Pulask--Carvell 2210-20027	4.000%	125,000	0	125,000	0	4.00%	5,000
11	Other long-Term - Med Term Notes 2240-20200	6.670%	10,000,000	(153,107)	9,846,893	7,790	6.93%	674,790
12	Other long-Term - Med Term Notes 2240-20201	6.270%	10,000,000	(71,861)	9,928,139	15,441	6.63%	642,441
13	Other long-Term - 10 percent Notes Pa 2240-20204	10.000%	1,151,654	0	1,151,654	0	10.00%	115,165
14	Other long-Term - 10 percent Notes Pa 2240-20205	10.000%	1,151,654	0	1,151,654	0	10.00%	115,165
15	Other long-Term - LTD Wells Fargo Equ 2240-20206	5.650%	2,180,859	0	2,180,859	0	5.65%	123,219
16	Other long-Term - LTD US Bank Equipme 2240-20207	5.290%	3,075,635	0	3,075,635	0	5.29%	162,701
17	Other long-Term - Debentures 6.75 2240-20223	6.750%	150,000,000	(2,215,297)	147,784,703	99,938	6.99%	10,224,938
18	Other long-Term - 5.125% Sr Notes Due 2240-20226	5.125%	250,000,000	(7,067,556)	242,932,444	1,033,655	6.13%	13,846,155
19	Other long-Term - 7.375 % Senior Note 2240-20228	7.375%	350,000,000	(2,468,485)	347,531,515	502,339	7.72%	26,314,839
20	Other long-Term - Floating Rate Senio 2240-20229 [a]	4.025%	300,000,000	(847,643)	299,152,357	598,336	4.44%	12,673,336
21	Other long-Term - 4.00% Senior Notes 2240-20230	4.000%	400,000,000	(3,384,290)	396,615,710	990,524	4.53%	16,990,524
22	Other long-Term - 4.95% Senior Notes 2240-20231	4.950%	500,000,000	(3,786,038)	496,213,962	449,826	5.17%	25,199,826
23	Other long-Term - 5.95% Senior Notes 2240-20232	5.950%	200,000,000	(3,275,811)	196,724,189	115,278	6.17%	12,015,278
24	Amortizaiton of costs from early retirment of Senior Notes			(143,295)		55,445		55,445
25								
26	Long-Term debt (including current maturities) - AS FILED		$2,256,418,400	($24,397,581)	$2,232,164,115	$3,949,909	5.67%	$126,599,392
	Adversary Staff Adjustments							
	6/30/05 Redemptions & Other Reductions							
Redemp	Bonds - Fmb Series Q 2210-20005	9.750%	14,000,000	(168,176)	13,831,824	11,838	10.04%	1,376,838
Redemp	Bonds - Fmb Series T 2210-20007	9.320%	16,875,000	(77,142)	16,797,858	5,143	9.42%	1,577,893
Redemp	Bonds - Fmb Series U 2210-20008	8.770%	20,000,000	(235,263)	19,764,737	14,781	9.02%	1,768,781
Redemp	Bonds - Fmb Series V 2210-20009	7.500%	833,332	(22,552)	810,780	14,780	11.35%	77,279
	Other long-Term - 10 percent Notes Pa 2240-20204	10.000%	1,151,654	0	1,151,654	0	10.00%	115,165
	Other long-Term - 10 percent Notes Pa 2240-20205	10.000%	1,151,654	0	1,151,654	0	10.00%	115,165
Redemp	Bonds - 1St Mrtg Bnds 9.4 p 2210-20013	9.400%	17,000,000	(340,486)	16,659,514	22,572	9.86%	1,620,572
	Total 6/30/05 Redemptions		71,011,640	(843,619)	70,168,021	69,113		6,651,694
	Adjusted Long-term debt after Redemptions & Other Reductions		$2,185,406,760	($23,553,962)	$2,161,996,094	$3,880,796	5.55%	$119,947,699