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**RECEIVED**  
**MAY 20 2016**  
**PUBLIC SERVICE**  
**COMMISSION**

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May 20, 2016

Aaron Greenwell  
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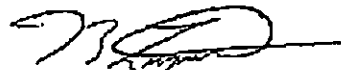
RE: WKG Storage, Inc.  
Case No. 2016-00053

Dear Mr. Gardner:

WKG Storage, Inc. submits for filing its responses to the Commission's Second Data Request. A copy of the responses has been served on the Attorney General.

If you have any questions concerning this, please let me know. Thank you.

Very truly yours,



T. Tommy Littlepage


Attachments

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

APPLICATION OF WKG STORAGE, )  
INC. FOR RATE ADJUSTMENT FOR ) Case No. 2016-00053  
SMALL UTILITIES PURSUANT TO )  
807 KAR 5:076 )

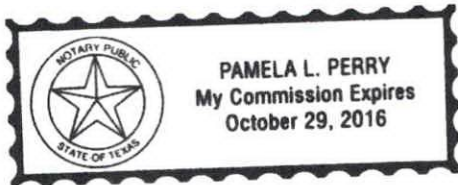
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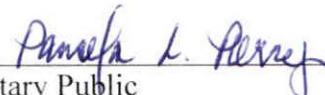
The Affiant, Joe T. Christian, being duly sworn, deposes and states that the attached responses to Commission Staff's second request for information are true and correct to the best of his knowledge and belief.

  
\_\_\_\_\_  
Joe. T. Christian

STATE OF TEXAS  
COUNTY OF DALLAS

SUBSCRIBED AND SWORN to before me by Joe T. Christian on this the 18th day of May, 2016.



  
\_\_\_\_\_  
Notary Public  
My Commission Expires: 10-29-16

**Case No. 2016-00053  
WKG Storage, Inc.  
Staff DR Set No. 2  
Question No. 2-01  
Page 1 of 1**

**REQUEST:**

Refer to WKG's COSSW, WP\_B-3 AD IT, page 10, specifically, lines 7 and 8 where the accumulated deferred income tax ("ADIT") liabilities ("DTL") related to the Fixed Asset Cost Adjustment and Depreciation Adjustment are listed. Explain the basis for the amounts, including the transaction that gave rise to the ADIT, and provide the accounting entries recording the transaction that gave rise to the ADIT and any other information related to the amounts.

**RESPONSE:**

Fixed Asset Cost adjustment - The capitalization of costs for 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, contributions in aid of construction, capitalization of overhead and capitalization of repair and maintenance expenses. In addition, tax legislation such as the enactment or extension of bonus depreciation results in cost basis differences.

Depreciation adjustment - Atmos Energy reverses any book depreciation and calculates tax depreciation in accordance with IRC §168. For federal income tax purposes, Atmos Energy depreciates assets using the modified accelerated cost recovery method promulgated by §168 of the Internal Revenue Code ("IRC"). For financial statement purposes, Atmos Energy follows a method of depreciation that is acceptable under generally accepted accounting principles ("GAAP"). 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. This difference results in a deferred tax liability early in the life of the assets. This deferred liability reverses as the assets are depreciated.

Respondent: Joe Christian

**Case No. 2016-00053**  
**WKG Storage, Inc.**  
**Staff DR Set No. 2**  
**Question No. 2-02**  
**Page 1 of 1**

**REQUEST:**

Refer to Case No. 2015-00343,1 the response to the Attorney General's Second Request for Information, Item 13, regarding the DTL and ADIT assets associated with Division 002, Shared Services. State whether WKG's position with respect to the DT As and DTLs is consistent with that of Atmos Energy Corporation ("Atmos") in the above-styled case. If not, provide an explanation on any area which WKG does not agree with Atmos.

**RESPONSE:**

WKG Storage Inc.'s position with respect to its DTAs and DTLs is consistent with that of Atmos Energy Corporation in the above-styled case.

Respondent: Joe Christian

**Case No. 2016-00053**  
**WKG Storage, Inc.**  
**Staff DR Set No. 2**  
**Question No. 2-03**  
**Page 1 of 1**

**REQUEST:**

Refer to the response to Staffs First Request for Information ("Staffs First Request"), Item 4. The information provided is only partially responsive to the request. Provide the cumulative impacts that bonus depreciation has on WKG's calendar year 2015 ADIT, rate base and revenue requirements.

**RESPONSE:**

Although the Company has not fully completed its 09/30/15 tax return, the WKG Storage, Inc. assets for the first nine months of 2015 have been analyzed and it has been determined that there were no additions during the 2015 that were eligible for bonus depreciation; therefore, there is not change for the impacts of bonus depreciation for WKG Storage Inc.'s calendar year 2015 ADIT, rate base or revenue requirement.

Respondent: Joe Christian

**Case No. 2016-00053  
WKG Storage, Inc.  
Staff DR Set No. 2  
Question No. 2-04  
Page 1 of 1**

**REQUEST:**

Refer to WKG's Revised Cost of Service Schedules and Workpapers ("COSSW"), Schedule B Rate Base, page 5, and the response to Staff's First Request, Item 5.b. Confirm that WKG's proposed rate base includes \$600,356 in Construction Work in Progress ("CWIP") and that, upon their classification, the assets recorded as CWIP will be transferred to Account 121 - Non-Utility Property.

**RESPONSE:**

The Company confirms that WKG Storage Inc.'s proposed rate base includes \$600,356 in construction work in progress. Please see the Company's response to the Staff DR No. 2-08 regarding Account 121-Non-Utility Property.

Respondent: Joe Christian

**Case No. 2016-00053  
WKG Storage, Inc.  
Staff DR Set No. 2  
Question No. 2-05  
Page 1 of 1**

**REQUEST:**

Refer to the response to Staff's First Request, Item 6.b.

- a. Provide a list of the specific projects and/or instances during the test year when services were provided to WKG through or by the "General Office Service Area (Division 002)."
- b. Explain why the Division 002 Distribution and Marketing Projects were included in the Revised COSSW when they were excluded from the original COSSW.

**RESPONSE:**

- a) No specific projects are provided during the test year; however, services are provided at the shared services level as described in Atmos Energy Corporation's Cost Allocation Manual ("CAM"). Specifically, please see page 11 of Attachment 1, for an example of the allocation of Division 002 services provided by Atmos Energy Corporation to WKG Storage, Inc. Some of the services described in this allocation are management committee, corporate accounting, corporate legal, corporate human resource, and corporate information technology.
- b) The Company had not broken out the Division 002 Distribution and Marketing Projects as of June 30, 2015. The Company established the Division 002 Distribution and Marketing Projects in December 2015; therefore, this additional breakout was utilized when preparing the Revised COSSW.

**ATTACHMENT:**

ATTACHMENT 1 - WKG Storage, Inc., Staff\_2-05\_Att1 - CAM.pdf, 44 Pages.

Respondent: Joe Christian

**ATMOS ENERGY CORPORATION**  
**COST ALLOCATION MANUAL**  
April 1, 2015



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**1. Introduction:**

**a. Corporate Structure**

Atmos Energy Corporation (Atmos or the Company) operates its Regulated Operations through seven operating divisions in 8 states. The seven operating divisions and their service areas are:

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

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

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

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

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

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

**b. Accounting:**

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

Atmos' account coding structure is as follows:

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

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

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

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

**c. Glossary of Terms:**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The following are divisions of Atmos Energy Corporation:

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

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

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

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

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

**Atmos Energy West Texas Division** is a regulated operating division that serves approximately 80 communities in West Texas, including the Amarillo, Lubbock and Midland areas. Like our Mid-Tex Division, each municipality we serve has original jurisdiction over all gas distribution rates, operations and services within its city limits,

with the RRC having exclusive appellate jurisdiction over the municipalities and exclusive original jurisdiction over rates and services provided to customers not located within the limits of a municipality.

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

The following are affiliates of Atmos Energy Corporation:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Service:** Capitalized overhead (general)

**Description:** Overhead related to capital expenditures

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

**Current Use of Service** Rate divisions

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

General Ledger Entries: Example Only

<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: center;">SSU BU 010</td></tr> <tr><td style="text-align: center;">Cash</td></tr> <tr><td style="text-align: center;">Acct. 131</td></tr> <tr><td style="text-align: right;">\$1,000<sup>(1)</sup></td></tr> </table>	SSU BU 010	Cash	Acct. 131	\$1,000 <sup>(1)</sup>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: center;">SSU BU 010</td></tr> <tr><td style="text-align: center;">Accounts Payable</td></tr> <tr><td style="text-align: center;">Acct. 232</td></tr> <tr><td style="text-align: left;">\$1,000</td></tr> <tr><td style="text-align: right;">\$1,000<sup>(1)</sup></td></tr> </table>	SSU BU 010	Accounts Payable	Acct. 232	\$1,000	\$1,000 <sup>(1)</sup>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: center;">SSU BU 010</td></tr> <tr><td style="text-align: center;">Office Supply and Expenses</td></tr> <tr><td style="text-align: center;">Acct. 921</td></tr> <tr><td style="text-align: center;">Cost Center XXXX *</td></tr> <tr><td style="text-align: left;">\$1,000</td></tr> </table>	SSU BU 010	Office Supply and Expenses	Acct. 921	Cost Center XXXX *	\$1,000	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: center;">SSU BU 010</td></tr> <tr><td style="text-align: center;">Administrative Expenses Transferred</td></tr> <tr><td style="text-align: center;">Acct. 922</td></tr> <tr><td style="text-align: center;">Cost Center XXXX</td></tr> <tr><td style="text-align: left;">\$800<sup>(3)</sup></td></tr> <tr><td style="text-align: right;">\$400<sup>(3a)</sup></td></tr> </table>	SSU BU 010	Administrative Expenses Transferred	Acct. 922	Cost Center XXXX	\$800 <sup>(3)</sup>	\$400 <sup>(3a)</sup>		
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\* Cap rate = 20%

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

Flow of Activity

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

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



**Service:** Stores overhead

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

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

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

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

**General Ledger Entries: Example Only**

<table border="1" style="width: 100%; border-collapse: collapse; margin-bottom: 10px;"> <tr><td style="text-align: center;"><b>SSU BU 010</b></td></tr> <tr><td style="text-align: center;">Cash</td></tr> <tr><td style="text-align: center;">Acct. 131</td></tr> <tr><td style="border-top: 1px solid black; border-bottom: 1px solid black;"> </td></tr> <tr><td style="text-align: right;">\$100 (1)</td></tr> <tr><td style="text-align: right;">\$2 (3a)</td></tr> </table> <table border="1" style="width: 100%; border-collapse: collapse; margin-bottom: 10px;"> <tr><td style="text-align: center;"><b>SSU BU 010</b></td></tr> <tr><td style="text-align: center;">Inventory</td></tr> <tr><td style="text-align: center;">Acct. 107</td></tr> <tr><td style="border-top: 1px solid black; border-bottom: 1px solid black;"> </td></tr> <tr><td style="text-align: left;">(1) \$100</td></tr> <tr><td style="text-align: right;">\$100 (2)</td></tr> </table> <table border="1" style="width: 100%; border-collapse: collapse; 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\*\* Many rate division offices exist within Mid-States in addition to Div 009.

**Flow of Activity**

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

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

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

**Current Provider Of Service:** Shared Services

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

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

**General Ledger Entries: Example Only**

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

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

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

**Flow of Activity**

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

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

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

**Description:** Includes O&M expenses in Shared Services – General Office. (Division 002)

**Current Provider Of Service** Shared Services

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

**Basis for allocation** Costs are allocated to affiliates and operating divisions based on a composite factor applied to the Shared Services departments. Shared Services departments which provide services to the Company's affiliates utilize a composite factor which includes the affiliates.

Shared Service departments that do not provide services to the Company's affiliates utilize a composite factor which does not include the Company's affiliates.

Other allocation methods used as appropriate include composite not including affiliates or Atmos Pipeline –Texas, composite not including affiliates, Atmos Pipeline-Texas or Mid States, composite using only West Texas, COKS, and MS utility divisions, composite using West Texas, Mid Tex, and Atmos Pipeline-Texas and Overhead rate.

From each operating division general office charges are allocated to rate divisions using the composite rate for each rate division.

See page 12 for General Ledger Entries: Example Only.

**General Ledger Entries: Example Only**

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

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

**Flow of Activity**

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

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

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

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

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

**Current Provider Of Services:** Shared Services

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

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

General Ledger Entries: Example Only

<table border="1" style="margin: auto; border-collapse: collapse;"> <tr><td style="text-align: center;">SSU BU 010</td></tr> <tr><td style="text-align: center;">Cash</td></tr> <tr><td style="text-align: center;">Acct. 131</td></tr> <tr><td style="text-align: right;">\$1,000 (1)</td></tr> </table>	SSU BU 010	Cash	Acct. 131	\$1,000 (1)	<table border="1" style="margin: auto; border-collapse: collapse;"> <tr><td style="text-align: center;">SSU BU 010</td></tr> <tr><td style="text-align: center;">Accounts Payable</td></tr> <tr><td style="text-align: center;">Acct. 232</td></tr> <tr><td style="text-align: left;">\$1,000 (1)</td></tr> <tr><td style="text-align: right;">\$1,000 (1)</td></tr> </table>	SSU BU 010	Accounts Payable	Acct. 232	\$1,000 (1)	\$1,000 (1)	<table border="1" style="margin: auto; border-collapse: collapse;"> <tr><td style="text-align: center;">SSU BU 010</td></tr> <tr><td style="text-align: center;">Taxes Other than Income Taxes</td></tr> <tr><td style="text-align: center;">Acct. 408.1</td></tr> <tr><td style="text-align: left;">\$1,000 (1)</td></tr> <tr><td style="text-align: right;">\$400 (2)</td></tr> <tr><td style="text-align: right;">\$600 (2a)</td></tr> </table>	SSU BU 010	Taxes Other than Income Taxes	Acct. 408.1	\$1,000 (1)	\$400 (2)	\$600 (2a)	<table border="1" style="margin: auto; border-collapse: collapse;"> <tr><td style="text-align: center;">General Office Remaining</td></tr> <tr><td style="text-align: center;">Taxes Other than Income Taxes</td></tr> <tr><td style="text-align: center;">Acct. 408.1</td></tr> <tr><td style="text-align: right;">\$600 (2a)</td></tr> </table>	General Office Remaining	Taxes Other than Income Taxes	Acct. 408.1	\$600 (2a)
SSU BU 010																						
Cash																						
Acct. 131																						
\$1,000 (1)																						
SSU BU 010																						
Accounts Payable																						
Acct. 232																						
\$1,000 (1)																						
\$1,000 (1)																						
SSU BU 010																						
Taxes Other than Income Taxes																						
Acct. 408.1																						
\$1,000 (1)																						
\$400 (2)																						
\$600 (2a)																						
General Office Remaining																						
Taxes Other than Income Taxes																						
Acct. 408.1																						
\$600 (2a)																						
<table border="1" style="margin: auto; border-collapse: collapse;"> <tr><td style="text-align: center;">General Office Mid States -Div 091</td></tr> <tr><td style="text-align: center;">Taxes Other than Income Taxes</td></tr> <tr><td style="text-align: center;">Acct. 408.1</td></tr> <tr><td style="text-align: left;">\$400 (2)</td></tr> <tr><td style="text-align: right;">\$100 (3)</td></tr> <tr><td style="text-align: right;">\$300 (3a)</td></tr> </table>	General Office Mid States -Div 091	Taxes Other than Income Taxes	Acct. 408.1	\$400 (2)	\$100 (3)	\$300 (3a)	<table border="1" style="margin: auto; border-collapse: collapse;"> <tr><td style="text-align: center;">Rate Div Office Mid States -Div 009**</td></tr> <tr><td style="text-align: center;">Taxes Other than Income Taxes</td></tr> <tr><td style="text-align: center;">Acct. 408.1</td></tr> <tr><td style="text-align: left;">\$100 (3)</td></tr> </table>	Rate Div Office Mid States -Div 009**	Taxes Other than Income Taxes	Acct. 408.1	\$100 (3)	<table border="1" style="margin: auto; border-collapse: collapse;"> <tr><td style="text-align: center;">Rate Div Office Mid States - Remaining</td></tr> <tr><td style="text-align: center;">Taxes Other than Income Taxes</td></tr> <tr><td style="text-align: center;">Acct. 408.1</td></tr> <tr><td style="text-align: left;">\$300 (3a)</td></tr> </table>	Rate Div Office Mid States - Remaining	Taxes Other than Income Taxes	Acct. 408.1	\$300 (3a)						
General Office Mid States -Div 091																						
Taxes Other than Income Taxes																						
Acct. 408.1																						
\$400 (2)																						
\$100 (3)																						
\$300 (3a)																						
Rate Div Office Mid States -Div 009**																						
Taxes Other than Income Taxes																						
Acct. 408.1																						
\$100 (3)																						
Rate Div Office Mid States - Remaining																						
Taxes Other than Income Taxes																						
Acct. 408.1																						
\$300 (3a)																						

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

Flow of Activity

- ✓ (1) Taxes Other than Income Taxes incurred
- ✓ (2) Allocating Shared Services Expenses to General Offices - 40% to Mid States BU - for illustration purposes
- (2a) Allocating to remaining division offices
- ✓ (3) Allocating Shared Services Expenses to Rate Division Office - 25% for Kentucky Rate Division Office - for illustration purposes only
- (3a) Allocating Shared Services Expenses to remaining Rate Division Offices

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

**Service:** **SSU – General Office taxes other than income taxes**

**Description:** Includes all taxes other than income tax charged in Shared Services – General Office.

**Current Provider Of Services** Shared Services

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

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

The percentage of Gross Direct Property Plant and Equipment in each 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.

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

See page 13 for General Ledger Entry – Example Only.

**Service:** SSU – Customer Support depreciation

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

**Current Provider Of Services:** Shared Services

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

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

**General Ledger Entries: Example Only**

<table border="1" style="margin: auto; border-collapse: collapse;"> <tr><td style="padding: 2px;">SSU BU 010</td></tr> <tr><td style="padding: 2px;">Depreciation Exp</td></tr> <tr><td style="padding: 2px;">Acct. 403</td></tr> <tr><td style="border-top: 1px solid black; padding: 2px;">(1) \$5,000</td></tr> <tr><td style="border-top: 1px solid black; padding: 2px;">\$200 (2)</td></tr> <tr><td style="border-top: 1px solid black; padding: 2px;">\$4,800 (2a)</td></tr> </table>	SSU BU 010	Depreciation Exp	Acct. 403	(1) \$5,000	\$200 (2)	\$4,800 (2a)	<table border="1" style="margin: auto; border-collapse: collapse;"> <tr><td style="padding: 2px;">SSU BU 010</td></tr> <tr><td style="padding: 2px;">Depreciation Exp</td></tr> <tr><td style="padding: 2px;">Acct. 108</td></tr> <tr><td style="border-top: 1px solid black; padding: 2px;">\$5,000 (1)</td></tr> </table>	SSU BU 010	Depreciation Exp	Acct. 108	\$5,000 (1)	<table border="1" style="margin: auto; border-collapse: collapse;"> <tr><td style="padding: 2px;">Rate Div Office</td></tr> <tr><td style="padding: 2px;">Mid States -Div 009**</td></tr> <tr><td style="padding: 2px;">Depreciation Exp</td></tr> <tr><td style="padding: 2px;">Acct. 403</td></tr> <tr><td style="border-top: 1px solid black; padding: 2px;">(2) \$200</td></tr> <tr><td style="border-top: 1px solid black; padding: 2px;">(2a) \$4,800</td></tr> </table>	Rate Div Office	Mid States -Div 009**	Depreciation Exp	Acct. 403	(2) \$200	(2a) \$4,800
SSU BU 010																		
Depreciation Exp																		
Acct. 403																		
(1) \$5,000																		
\$200 (2)																		
\$4,800 (2a)																		
SSU BU 010																		
Depreciation Exp																		
Acct. 108																		
\$5,000 (1)																		
Rate Div Office																		
Mid States -Div 009**																		
Depreciation Exp																		
Acct. 403																		
(2) \$200																		
(2a) \$4,800																		

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

**Flow of Activity**

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

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

**Service:** **SSU – General Office depreciation**

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

**Current Provider  
Of Services** Shared Services

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

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

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

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

See page 15 for General Ledger Entry – Example Only.



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

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

**Current Provider of Service:** West Texas Division operating division general office

**Current Use of Service:** West Texas Division rate divisions

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

- (1) The percentage of Gross Direct Property Plant and Equipment in each division as a percentage of the total Direct Property Plant and Equipment in the West Texas Division rate divisions.
- (2) The number of customers in each rate division as a percentage of the total number of customers in the West Texas Division rate divisions.
- (3) 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.

See Page 18 for General Ledger Entries: Example Only.

General Ledger Entries: Example Only

General Office SSU - Div 002	
Cash Acct. 131	
	\$500 (1)
	\$400 (5)

General Office SSU - Div 002	
Accounts Payable Acct. 232	
(1)	\$500
(5)	\$400
	\$500 (1)
	\$400 (5)

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

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

Rate Div Office West Texas Div 020**	
Administrative Expenses Transferred Acct. 922	
(2)	\$200

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

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

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

Rate Div Office West Texas Div 020**	
Depreciation Exp Acct. 403	
(4)	\$15

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

Rate Div Office West Texas Div 020**	
Taxes Other than Income Taxes Acct. 408.1	
(6)	\$ 100

Rate Div Office West Texas -Remaining	
Taxes Other and Depreciation Acct. 408.1 and 403	
(4a)	\$85
(6a)	\$300

\* Many O&M expense accounts exist in addition to 921 that get cleared out of account 922.  
 \*\* Many rate division offices exist in addition to Div 020.

Flow of Activity

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

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

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

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

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

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

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

**General Ledger Entries: Example Only**

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

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

**Flow of Activity**

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

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

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

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

**Current Use of Service** Colorado-Kansas Division rate divisions

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

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

**General Ledger Entries: Example Only**

<table border="1" style="margin: auto; border-collapse: collapse;"> <tr><td style="padding: 5px;">General Office SSU – Div 002</td></tr> <tr><td style="padding: 5px;">Cash Acct. 131</td></tr> <tr><td style="border-top: 1px solid black; padding: 5px;">\$500 (1)</td></tr> </table>	General Office SSU – Div 002	Cash Acct. 131	\$500 (1)	<table border="1" style="margin: auto; border-collapse: collapse;"> <tr><td style="padding: 5px;">General Office SSU – Div 002</td></tr> <tr><td style="padding: 5px;">Accounts Payable Acct. 232</td></tr> <tr><td style="border-top: 1px solid black; padding: 5px;">(1) \$500      \$500 (1)</td></tr> </table>	General Office SSU – Div 002	Accounts Payable Acct. 232	(1) \$500      \$500 (1)	<table border="1" style="margin: auto; border-collapse: collapse;"> <tr><td style="padding: 5px;">State Div Office CO/KS BU 060</td></tr> <tr><td style="padding: 5px;">Office Supply and Expenses *</td></tr> <tr><td style="padding: 5px;">Acct. 921</td></tr> <tr><td style="border-top: 1px solid black; padding: 5px;">(1) \$500</td></tr> </table>	State Div Office CO/KS BU 060	Office Supply and Expenses *	Acct. 921	(1) \$500
General Office SSU – Div 002												
Cash Acct. 131												
\$500 (1)												
General Office SSU – Div 002												
Accounts Payable Acct. 232												
(1) \$500      \$500 (1)												
State Div Office CO/KS BU 060												
Office Supply and Expenses *												
Acct. 921												
(1) \$500												
<table border="1" style="margin: auto; border-collapse: collapse;"> <tr><td style="padding: 5px;">State Div Office CO/KS BU 060</td></tr> <tr><td style="padding: 5px;">Administrative Expenses Transferred Acct. 922</td></tr> <tr><td style="border-top: 1px solid black; padding: 5px;">\$200 (2) \$300 (2a)</td></tr> </table>	State Div Office CO/KS BU 060	Administrative Expenses Transferred Acct. 922	\$200 (2) \$300 (2a)	<table border="1" style="margin: auto; border-collapse: collapse;"> <tr><td style="padding: 5px;">Rate Div Office CO/KS Div 033 **</td></tr> <tr><td style="padding: 5px;">Administrative Expenses Transferred Acct. 922</td></tr> <tr><td style="border-top: 1px solid black; padding: 5px;">(2) \$200</td></tr> </table>	Rate Div Office CO/KS Div 033 **	Administrative Expenses Transferred Acct. 922	(2) \$200	<table border="1" style="margin: auto; border-collapse: collapse;"> <tr><td style="padding: 5px;">Rate Div Office CO/KS - Remaining</td></tr> <tr><td style="padding: 5px;">Administrative Expenses Transferred Acct. 922</td></tr> <tr><td style="border-top: 1px solid black; padding: 5px;">(2a) \$300</td></tr> </table>	Rate Div Office CO/KS - Remaining	Administrative Expenses Transferred Acct. 922	(2a) \$300	
State Div Office CO/KS BU 060												
Administrative Expenses Transferred Acct. 922												
\$200 (2) \$300 (2a)												
Rate Div Office CO/KS Div 033 **												
Administrative Expenses Transferred Acct. 922												
(2) \$200												
Rate Div Office CO/KS - Remaining												
Administrative Expenses Transferred Acct. 922												
(2a) \$300												

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

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

**Flow of Activity**

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

**Service:** Kentucky/Mid-States Division operating division general office O&M, depreciation and taxes other than income taxes, to rate division level

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

**Current Provider Of Service** Kentucky/Mid-States Division operating division general office

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

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

- (1) The percentage of Gross Direct Property Plant and Equipment in each rate division as a percentage of the total Direct Property Plant and Equipment in Kentucky/Mid-States Division.
- (2) The number of customers in each rate division as a percentage of the total number of customers in Kentucky/Mid-States Division.
- (3) The total direct O&M expense in each rate division as a percentage of the total direct O&M expense in Kentucky/Mid-States Division.

See Page 22 for General Ledger Entries: Example Only.

General Ledger Entries: Example Only

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

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

General Office Mid States - Div 091 Office Supply and Expenses *	
Acct. 921	
(1) \$500	

General Office Mid States - Div 091 Administrative Expenses Transferred Acct. 922	
	\$200 <sup>(2)</sup> \$300 (2a)

Rate Div Office Mid States Div 009 **	
Administrative Expenses Transferred Acct. 922	
(2) \$200	

Rate Div Office Mid States -Remaining Administrative Expenses Transferred Acct. 922	
(2a) \$300	

General Office Mid States - Div 091 Depreciation Exp Acct. 403	
(3) \$100	\$15 <sup>(4)</sup> \$85 (4a)

Mid States - Div 091 Accumulated Depreciation Acct. 108	
	\$100 <sup>(3)</sup>

Rate Div Office Mid States Div 009 ** Depreciation Exp Acct. 403	
(4) \$15	

General Office Mid States - Div 091 Taxes Other than Income Taxes Acct. 408.1	
(5) \$400	\$100 <sup>(6)</sup> \$300 (6a)

Rate Div Office Mid States Div 009 ** Taxes Other than Income Taxes Acct. 408.1	
(6) \$ 100	

Rate Div Office Mid States -Remaining Taxes Other and Depreciation Acct. 408.1 and 403	
(4a) \$85 (6a) \$300	

\* Many O&M expense accounts exist in addition to 921 that get cleared out of account 922.  
 \*\* Many rate division offices exist in addition to Div 009.

Flow of Activity

- ✓ (1) Purchase Office Supplies - Mid States Division General Office
- ✓ (2) Allocating General Office Expenses to Rate Division Office - 40% Allocation rate for illustration purposes only
  - (2a) Allocation to remaining division offices
- ✓ (3) Monthly Depreciation Expense is booked through Powerplant and interfaces with the Oracle general ledger.
- ✓ (4) Allocation from Division 091 - Mid States General Office to Mid States Rate Divisions - Allocated using the composite factor.
  - (4a) Allocation to remaining division offices
- ✓ (5) Taxes Other than Income Taxes incurred
- ✓ (6) Allocating General Office Expenses to Rate Division Office - 25% to Mid States Rate Division Office - for illustration purposes only
  - (6a) Allocation to remaining division offices

**Service:** Louisiana Division operating division general office O&M, depreciation and taxes other than income taxes, to rate division level

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

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

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

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

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

See Page 24 for General Ledger Entries: Example Only.

**General Ledger Entries: Example Only**

General Office SSU -- Div 002	
Cash Acct. 131	
	\$500 (1) \$400 (5)

General Office SSU -- Div 002	
Accounts Payable Acct. 232	
(1) \$500 (5) \$400	\$500 (1) \$400 (5)

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

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

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

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

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

LA - Div 107 Accumulated Depreciation	
Acct. 108	
	\$100 (3)

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

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

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

Rate Div Office LA Div 007 Taxes Other and Depreciation	
Acct. 408.1 and 403	
(4a) \$85 (6a) \$300	

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

**Flow of Activity**

- (1) Purchase Office Supplies - LA Division General Office
- (2) Allocating General Office Expenses to Rate Division Office - 40% Allocation rate for illustration purposes only
  - (2a) Allocation to remaining division offices
- (3) Monthly Depreciation Expense is booked through Powerplant and interfaces with the Oracle general ledger.
- (4) Allocation from Division 107 - LA General Office to LA Rate Divisions - Allocated using the composite factor.
  - (4a) Allocation to remaining division offices
- (5) Taxes Other than Income Taxes Incurred
- (6) Allocating General Office Expenses to Rate Division Office - 25% to LA Rate Division Office - for illustration purposes only
  - (6a) Allocation to remaining division offices



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

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

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

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

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

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

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

**Current Provider Of Service** Mid-Tex

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

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

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

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

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

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

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

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

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

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

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

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

**Flow of Activity:**

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

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

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

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

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

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

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

**Flow of Activity:**

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

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

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

**Current Provider Of Service:** Mid-Tex

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

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

General Ledger Entries: Transportation Expense (Example Only)

SSU – Div 002	
Cash	
Acct. 131	
	\$1,000 (1)

SSU – Div 002	
Accounts Payable	
Acct. 232	
(1)	\$1,000
	\$1,000 (1)

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

APT BU 180	
CWIP	
Acct. 107	
Cost Center 9XXX	
(3)	\$220

APT BU 180	
O&M Transportation	
Acct. 853	
Cost Center 4XXX	
(2)	\$780
	\$220 (3)

Flow of Activity

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

**Service:** Intercompany labor

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

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

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

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

General Ledger Entries: Example Only

<table border="1" style="margin: auto;"> <tr><td style="text-align: center;">SSU BU 010</td></tr> <tr><td style="text-align: center;">Cash</td></tr> <tr><td style="text-align: center;">Acct. 131</td></tr> <tr><td style="text-align: right;">\$500 (2a)</td></tr> </table>	SSU BU 010	Cash	Acct. 131	\$500 (2a)	<table border="1" style="margin: auto;"> <tr><td style="text-align: center;">SSU BU 010</td></tr> <tr><td style="text-align: center;">A/R from Assoc Co.</td></tr> <tr><td style="text-align: center;">Acct. 146</td></tr> <tr><td style="text-align: left;">\$500 (2b)</td></tr> </table>	SSU BU 010	A/R from Assoc Co.	Acct. 146	\$500 (2b)	<table border="1" style="margin: auto;"> <tr><td style="text-align: center;">SSU BU 010</td></tr> <tr><td style="text-align: center;">Accounts Payable</td></tr> <tr><td style="text-align: center;">Acct. 232</td></tr> <tr><td style="text-align: left;">\$500 (2a)</td></tr> <tr><td style="text-align: right;">\$500 (2b)</td></tr> </table>	SSU BU 010	Accounts Payable	Acct. 232	\$500 (2a)	\$500 (2b)	
SSU BU 010																
Cash																
Acct. 131																
\$500 (2a)																
SSU BU 010																
A/R from Assoc Co.																
Acct. 146																
\$500 (2b)																
SSU BU 010																
Accounts Payable																
Acct. 232																
\$500 (2a)																
\$500 (2b)																
<table border="1" style="margin: auto;"> <tr><td style="text-align: center;">Atmos Energy Services</td></tr> <tr><td style="text-align: center;">AES BU 301</td></tr> <tr><td style="text-align: center;">Mains &amp; Services Exp</td></tr> <tr><td style="text-align: center;">Acct. 8740</td></tr> <tr><td style="text-align: left;">\$500 (1)</td></tr> </table>	Atmos Energy Services	AES BU 301	Mains & Services Exp	Acct. 8740	\$500 (1)	<table border="1" style="margin: auto;"> <tr><td style="text-align: center;">Mid States BU 050-Div 002</td></tr> <tr><td style="text-align: center;">A/R from Assoc Co.</td></tr> <tr><td style="text-align: center;">Acct. 146</td></tr> <tr><td style="text-align: right;">\$500 (2b)</td></tr> </table>	Mid States BU 050-Div 002	A/R from Assoc Co.	Acct. 146	\$500 (2b)	<table border="1" style="margin: auto;"> <tr><td style="text-align: center;">Mid States BU 050-Div 091</td></tr> <tr><td style="text-align: center;">Accounts Payable</td></tr> <tr><td style="text-align: center;">Acct. 232</td></tr> <tr><td style="text-align: left;">\$500 (2b)</td></tr> <tr><td style="text-align: right;">\$500 (1)</td></tr> </table>	Mid States BU 050-Div 091	Accounts Payable	Acct. 232	\$500 (2b)	\$500 (1)
Atmos Energy Services																
AES BU 301																
Mains & Services Exp																
Acct. 8740																
\$500 (1)																
Mid States BU 050-Div 002																
A/R from Assoc Co.																
Acct. 146																
\$500 (2b)																
Mid States BU 050-Div 091																
Accounts Payable																
Acct. 232																
\$500 (2b)																
\$500 (1)																

Flow of Activity

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

**Service:** Adjustments to Uncollectible Accounts Expense

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

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

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

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

**General Ledger Entries: Example Only**

<table border="1" style="margin: auto; border-collapse: collapse;"> <tr><td style="padding: 2px;">Rate Division *</td></tr> <tr><td style="padding: 2px;">Accumulated Provision for Uncollectible Accounts Acct. 144 sub xxxxx</td></tr> <tr><td style="padding: 2px;">(2) \$ 250   \$ 1,000 (1)</td></tr> </table>	Rate Division *	Accumulated Provision for Uncollectible Accounts Acct. 144 sub xxxxx	(2) \$ 250   \$ 1,000 (1)	<table border="1" style="margin: auto; border-collapse: collapse;"> <tr><td style="padding: 2px;">Rate Division</td></tr> <tr><td style="padding: 2px;">Customer Accounts - Uncollectible Accounts Acct. 904</td></tr> <tr><td style="padding: 2px;">(1) \$ 1,000</td></tr> </table>	Rate Division	Customer Accounts - Uncollectible Accounts Acct. 904	(1) \$ 1,000	<table border="1" style="margin: auto; border-collapse: collapse;"> <tr><td style="padding: 2px;">Rate Division</td></tr> <tr><td style="padding: 2px;">Customer Accounts Receivable Acct. 142 sub xxxxx</td></tr> <tr><td style="padding: 2px;">  \$ 250 (2)</td></tr> </table>	Rate Division	Customer Accounts Receivable Acct. 142 sub xxxxx	\$ 250 (2)
Rate Division *											
Accumulated Provision for Uncollectible Accounts Acct. 144 sub xxxxx											
(2) \$ 250   \$ 1,000 (1)											
Rate Division											
Customer Accounts - Uncollectible Accounts Acct. 904											
(1) \$ 1,000											
Rate Division											
Customer Accounts Receivable Acct. 142 sub xxxxx											
\$ 250 (2)											

\* Each rate division has a different allocation rate.

**Flow of Activity**

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

**Service:** Intra-company labor allocation – other than operating division general office labor

**Description:** Certain employee activities cross multiple rate divisions within an operating division. The costs associated with such activities include labor, benefits and associated taxes.

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

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

**Basis of Intra-company Allocations** Labor associated with cross-jurisdictional activities is charged to each jurisdiction based on the level of employee activity. The costs are captured either through direct time sheet entries or fixed labor distribution percentages.

General Ledger Entries: Example Only

<table border="1" style="margin: auto; border-collapse: collapse;"> <tr><td style="text-align: center;">SSU BU 010</td></tr> <tr><td style="text-align: center;">Cash</td></tr> <tr><td style="text-align: center;">Acct. 131</td></tr> </table>	SSU BU 010	Cash	Acct. 131	<table border="1" style="margin: auto; border-collapse: collapse;"> <tr><td style="text-align: center;">SSU BU 010</td></tr> <tr><td style="text-align: center;">A/R from Assoc Co.</td></tr> <tr><td style="text-align: center;">Acct. 146</td></tr> </table>	SSU BU 010	A/R from Assoc Co.	Acct. 146	<table border="1" style="margin: auto; border-collapse: collapse;"> <tr><td style="text-align: center;">SSU BU 010</td></tr> <tr><td style="text-align: center;">Accounts Payable</td></tr> <tr><td style="text-align: center;">Acct. 232</td></tr> </table>	SSU BU 010	Accounts Payable	Acct. 232						
SSU BU 010																	
Cash																	
Acct. 131																	
SSU BU 010																	
A/R from Assoc Co.																	
Acct. 146																	
SSU BU 010																	
Accounts Payable																	
Acct. 232																	
\$500 (2a)	\$500 (2b)	\$500 (2a)	\$500 (2b)														
<table border="1" style="margin: auto; border-collapse: collapse;"> <tr><td style="text-align: center;">Kentucky Division</td></tr> <tr><td style="text-align: center;">Mid-States BU 050-Div 009</td></tr> <tr><td style="text-align: center;">Mains &amp; Services Exp</td></tr> <tr><td style="text-align: center;">Acct. 8740</td></tr> </table>	Kentucky Division	Mid-States BU 050-Div 009	Mains & Services Exp	Acct. 8740	<table border="1" style="margin: auto; border-collapse: collapse;"> <tr><td style="text-align: center;">Tennessee Division</td></tr> <tr><td style="text-align: center;">Mid-States BU 050-Div 093</td></tr> <tr><td style="text-align: center;">Mains &amp; Services Exp</td></tr> <tr><td style="text-align: center;">Acct. 8740</td></tr> </table>	Tennessee Division	Mid-States BU 050-Div 093	Mains & Services Exp	Acct. 8740	<table border="1" style="margin: auto; border-collapse: collapse;"> <tr><td style="text-align: center;">Mid-States BU 050-Div 002</td></tr> <tr><td style="text-align: center;">A/R from Assoc Co.</td></tr> <tr><td style="text-align: center;">Acct. 146</td></tr> </table>	Mid-States BU 050-Div 002	A/R from Assoc Co.	Acct. 146	<table border="1" style="margin: auto; border-collapse: collapse;"> <tr><td style="text-align: center;">Mid-States BU 050-Div 091</td></tr> <tr><td style="text-align: center;">Accounts Payable</td></tr> <tr><td style="text-align: center;">Acct. 232</td></tr> </table>	Mid-States BU 050-Div 091	Accounts Payable	Acct. 232
Kentucky Division																	
Mid-States BU 050-Div 009																	
Mains & Services Exp																	
Acct. 8740																	
Tennessee Division																	
Mid-States BU 050-Div 093																	
Mains & Services Exp																	
Acct. 8740																	
Mid-States BU 050-Div 002																	
A/R from Assoc Co.																	
Acct. 146																	
Mid-States BU 050-Div 091																	
Accounts Payable																	
Acct. 232																	
(1) \$250	(1) \$250	\$500 (2b)	(2b) \$500 (1)														

Flow of Activity

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

**Service:** Other income and interest expense (All below the line accounts)

**Description:** Allocation of Shared Services' other income and interest expense (All below the line accounts)

**Current Provider of Service:** Shared Services

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

**Basis for allocation:** Interest Expense, Interest Income and Other Non-Operating Income in shared services are allocated to each utility division based on the budget allocation percentages. The budget allocation is based on projected average net investment by rate division for the budget year. For this purpose, 'net investment' is defined as regulatory rate base + goodwill. These allocation factors are the same throughout the fiscal year. The allocation stays in the account the charge was originally booked in. Headquarter allocation of below the line accounts to rate divisions follows the same process as described above.

See page 33 for General Ledger Entries: Example Only.

**General Ledger Entries: Example Only**

<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: center;">SSU BU 010</td></tr> <tr><td style="text-align: center;">Cash</td></tr> <tr><td style="text-align: center;">Acct. 131</td></tr> <tr><td style="text-align: center;">\$1,000</td></tr> </table>	SSU BU 010	Cash	Acct. 131	\$1,000	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: center;">SSU BU 010</td></tr> <tr><td style="text-align: center;">Accounts Receivable</td></tr> <tr><td style="text-align: center;">Acct. 143</td></tr> <tr><td style="text-align: center;">(1) \$1,000      \$1,000 (1)</td></tr> </table>	SSU BU 010	Accounts Receivable	Acct. 143	(1) \$1,000      \$1,000 (1)	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: center;">SSU BU 010</td></tr> <tr><td style="text-align: center;">Interest and Dividend Income</td></tr> <tr><td style="text-align: center;">Acct. 419</td></tr> <tr><td style="text-align: center;">(2) \$20      \$1,000 (1)</td></tr> </table>	SSU BU 010	Interest and Dividend Income	Acct. 419	(2) \$20      \$1,000 (1)	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: center;">Div 033</td></tr> <tr><td style="text-align: center;">Interest and Dividend Income</td></tr> <tr><td style="text-align: center;">Acct. 419</td></tr> <tr><td style="text-align: center;">\$20</td></tr> </table>	Div 033	Interest and Dividend Income	Acct. 419	\$20		
SSU BU 010																					
Cash																					
Acct. 131																					
\$1,000																					
SSU BU 010																					
Accounts Receivable																					
Acct. 143																					
(1) \$1,000      \$1,000 (1)																					
SSU BU 010																					
Interest and Dividend Income																					
Acct. 419																					
(2) \$20      \$1,000 (1)																					
Div 033																					
Interest and Dividend Income																					
Acct. 419																					
\$20																					
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: center;">SSU BU 010</td></tr> <tr><td style="text-align: center;">Cash</td></tr> <tr><td style="text-align: center;">Acct. 131</td></tr> <tr><td style="text-align: center;">\$2,000 (3)</td></tr> </table>	SSU BU 010	Cash	Acct. 131	\$2,000 (3)	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: center;">SSU BU 010</td></tr> <tr><td style="text-align: center;">Accounts Receivable</td></tr> <tr><td style="text-align: center;">Acct. 143</td></tr> <tr><td style="text-align: center;">(3) \$2,000      \$2,000 (3)</td></tr> </table>	SSU BU 010	Accounts Receivable	Acct. 143	(3) \$2,000      \$2,000 (3)	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: center;">SSU BU 010</td></tr> <tr><td style="text-align: center;">Other Deductions *</td></tr> <tr><td style="text-align: center;">Acct. 426.5</td></tr> <tr><td style="text-align: center;">(3) \$2,000      \$40 (4)</td></tr> </table>	SSU BU 010	Other Deductions *	Acct. 426.5	(3) \$2,000      \$40 (4)	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: center;">Div 033</td></tr> <tr><td style="text-align: center;">Other Deductions</td></tr> <tr><td style="text-align: center;">Acct. 426.5</td></tr> <tr><td style="text-align: center;">(4) \$40</td></tr> </table>	Div 033	Other Deductions	Acct. 426.5	(4) \$40		
SSU BU 010																					
Cash																					
Acct. 131																					
\$2,000 (3)																					
SSU BU 010																					
Accounts Receivable																					
Acct. 143																					
(3) \$2,000      \$2,000 (3)																					
SSU BU 010																					
Other Deductions *																					
Acct. 426.5																					
(3) \$2,000      \$40 (4)																					
Div 033																					
Other Deductions																					
Acct. 426.5																					
(4) \$40																					
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: center;">SSU BU 010</td></tr> <tr><td style="text-align: center;">Cash</td></tr> <tr><td style="text-align: center;">Acct. 131</td></tr> <tr><td style="text-align: center;">\$3,000 (5)</td></tr> </table>	SSU BU 010	Cash	Acct. 131	\$3,000 (5)	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: center;">SSU BU 010</td></tr> <tr><td style="text-align: center;">Accounts Receivable</td></tr> <tr><td style="text-align: center;">Acct. 143</td></tr> <tr><td style="text-align: center;">(5) \$3,000      \$3,000 (5)</td></tr> </table>	SSU BU 010	Accounts Receivable	Acct. 143	(5) \$3,000      \$3,000 (5)	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: center;">SSU BU 010</td></tr> <tr><td style="text-align: center;">Interest Expense</td></tr> <tr><td style="text-align: center;">Acct. 431</td></tr> <tr><td style="text-align: center;">(Short Term)</td></tr> <tr><td style="text-align: center;">(5) \$600      \$12 (6)</td></tr> </table>	SSU BU 010	Interest Expense	Acct. 431	(Short Term)	(5) \$600      \$12 (6)	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: center;">Div 033</td></tr> <tr><td style="text-align: center;">Interest Expense</td></tr> <tr><td style="text-align: center;">Acct. 431</td></tr> <tr><td style="text-align: center;">(Short Term)</td></tr> <tr><td style="text-align: center;">(6) \$ 12</td></tr> </table>	Div 033	Interest Expense	Acct. 431	(Short Term)	(6) \$ 12
SSU BU 010																					
Cash																					
Acct. 131																					
\$3,000 (5)																					
SSU BU 010																					
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SSU BU 010																					
Interest Expense																					
Acct. 431																					
(Long Term)																					
(5) \$2,400      \$48 (6)																					
Div 033																					
Interest Expense																					
Acct. 431																					
(Long Term)																					
(6) \$ 48																					

\* Includes various accounts but cleared out of account 426.5

**Flow of Activity**

- (1) Interest and Dividend Income generated
- (2) Allocating Shared Services Income and Dividend Income to Div33 only - Assume 2% allocation rate
- (3) Other Income and Expenses generated
- (4) Allocating Shared Services Other Deductions to Div33 only - Assume 2% allocation rate
- (5) Interest Expense generated
- (6) Allocating Shared Services Interest Expense to Div33 only - Assume 2% allocation rate



**Service:** Gas cost between state jurisdictions for contiguous systems

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

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

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

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

**Atmos Energy Corporation**

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

<p>SSU BU 010 Cash Acct. 131</p> <hr style="border: 0.5px solid black;"/> <p style="text-align: right;">\$1,000 (1)</p>	<p>SSU BU 010 Accounts Payable Acct. 232</p> <hr style="border: 0.5px solid black;"/> <p style="text-align: left;">(1) \$1,000</p> <hr style="border: 0.5px solid black;"/> <p style="text-align: right;">\$1,000 (2)</p>
<p>Various BU's &amp; Svc Areas Natural Gas City Gate Purchase Acct. 804</p> <hr style="border: 0.5px solid black;"/> <p>(2) \$1,000</p>	

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

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

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

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

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

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

**General Ledger Entries: Example Only**

<b>WKG Storage BU 233</b> Other Gas Revenues Acct. 495		<b>KY/Mid-State BU 050, Div 009</b> Transportation to City Gate Acct. 8580	
\$100 (1)		\$100 (1)	
<b>WKG Storage BU 233, Div 002</b> A/R from Assoc Co. Acct. 146		<b>KY/Mid-State BU 050, Div 002</b> A/R from Assoc Co. Acct. 146	
\$100 (2)		\$100 (2)	

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

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

<b>UCG Storage BU 232</b> Other Gas Revenues Acct. 495		<b>KY/Mid-State BU 050, Div 009</b> Other gas supply expenses Acct. 813	
\$100 (1)		\$100 (1)	
<b>WKG Storage BU 232, Div 002</b> A/R from Assoc Co. Acct. 146		<b>KY/Mid-State BU 050, Div 002</b> A/R from Assoc Co. Acct. 146	
\$100 (2)		\$100 (2)	

**Flow of Activity - Barnsley Storage Facility**

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

**Service:** Working capital funds management (Intercompany account)

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

Current Provider of Service:	Atmos Energy Corporation	Atmos Energy Holdings, Inc.	Atmos Energy Holdings, Inc.
Current Use of Service:	Atmos Energy Holdings, Inc.	Atmos Energy Marketing Services, LLC	Atmos Energy Corporation
Interest Income/Expense Calculation (See Below)	A	B	C

**Basis for allocation** Interest income or expense is recognized each month at the subsidiaries' level based on the total average outstanding balance of all intercompany receivable/payable balances using the following rates:

A (AEH is the borrower)

Expense – One month LIBOR (last day of the month) plus 300 basis points  
Income – One month LIBOR (last day of the month)

B (AEM is the borrower)

Expense – One month LIBOR (last day of the month) plus 300 basis points  
Income – One month LIBOR (last day of the month)

C (AEC is the borrower)

Expense – The lowest outstanding CP rate or the Eurodollar rate under the AEC Credit Facility (RBS), which is LIBOR plus 100  
Income – One month LIBOR (last day of the month)

**Atmos Energy Corporation**

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

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

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

**Service:** Gas storage services provided between affiliates

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

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

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

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

**General Ledger Entries: Example Only**

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

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

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

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

**Service:** AEM – Salaries and FICA Cost Allocation

**Description:** Salaries and FICA cost allocations between affiliates.

**Current Provider of Service:** Atmos Energy Marketing, LLC

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

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

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

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

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

**Service:** AEM – Operation and Maintenance cost allocation

**Description:** O&M expense cost allocations between affiliates.

**Current Provider of Service:** Atmos Energy Marketing, LLC

**Current Use of Service:** Atmos Energy Services, LLC

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

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

Labor & Benefits

Atmos Energy Marketing, LLC BU 212 Administrative Expenses Transferred - CR Acct. 922	
	\$1,000 (1)

Atmos Energy Holdings, Inc. BU 312 Administrative Expenses Transferred - CR Acct. 922	
(1)	\$1,000
	\$1,000 (1)

Atmos Energy Services, LLC BU 301 Administrative Expenses Transferred - CR Acct. 922 - Multiple Svc Areas for different states	
(1)	\$1,000

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

**Service:** Property Insurance

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

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

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

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

General Ledger Entries: Example Only

<table border="0"> <tr><td colspan="2">SSU BU 010</td></tr> <tr><td colspan="2">Cash</td></tr> <tr><td style="border-top: 1px solid black;">Acct. 131</td><td style="border-top: 1px solid black;">\$1,200 (1)</td></tr> <tr><td style="border-top: 1px solid black;"> </td><td style="border-top: 1px solid black;"> </td></tr> </table>	SSU BU 010		Cash		Acct. 131	\$1,200 (1)			<table border="0"> <tr><td colspan="2">SSU BU 010</td></tr> <tr><td colspan="2">Accounts Payable</td></tr> <tr><td style="border-top: 1px solid black;">Acct. 232</td><td style="border-top: 1px solid black;">\$1,200 (1)</td></tr> <tr><td style="border-top: 1px solid black;"> </td><td style="border-top: 1px solid black;"> </td></tr> </table>	SSU BU 010		Accounts Payable		Acct. 232	\$1,200 (1)			<table border="0"> <tr><td colspan="2">SSU BU 010</td></tr> <tr><td colspan="2">Prepayments</td></tr> <tr><td style="border-top: 1px solid black;">Acct. 165</td><td style="border-top: 1px solid black;">\$100 (2)</td></tr> <tr><td style="border-top: 1px solid black;"> </td><td style="border-top: 1px solid black;"> </td></tr> </table>	SSU BU 010		Prepayments		Acct. 165	\$100 (2)		
SSU BU 010																										
Cash																										
Acct. 131	\$1,200 (1)																									
SSU BU 010																										
Accounts Payable																										
Acct. 232	\$1,200 (1)																									
SSU BU 010																										
Prepayments																										
Acct. 165	\$100 (2)																									
<table border="0"> <tr><td colspan="2">General Office</td></tr> <tr><td colspan="2">GOMS BU 089</td></tr> <tr><td colspan="2">Property Insurance</td></tr> <tr><td style="border-top: 1px solid black;">Acct. 924</td><td style="border-top: 1px solid black;">\$100 (2) (3)</td></tr> <tr><td style="border-top: 1px solid black;"> </td><td style="border-top: 1px solid black;"> </td></tr> </table>			General Office		GOMS BU 089		Property Insurance		Acct. 924	\$100 (2) (3)																
General Office																										
GOMS BU 089																										
Property Insurance																										
Acct. 924	\$100 (2) (3)																									

**Flow of Activity**

- (1) Purchase of property insurance
- (2) Monthly amortization to rate divisions
- (3) Amounts remaining in SSU cost centers are allocated to the divisions using the method described on pages 11 and 12.

**Service:** AES Retail Services

**Description:** AES Retail services monthly revenue

**Current Provider Of Services:** Atmos Energy Services, LLC  
West Texas Rate Divisions

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

**Basis for allocation**

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

**General Ledger Entries: Example Only**

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

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

**Flow of Activity**

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



**Service:** Intercompany Interest on Notes Payable

**Description:** Intercompany Interest on Notes Payable

**Current Provider Of Services:** Shared Services

**Current Use of Service:** Atmos Energy Holdings, Inc.

<b>Current Provider of Service:</b>	Atmos Energy Corporation	Atmos Energy Holdings, Inc.	Atmos Energy Holdings, Inc.
<b>Current Use of Service:</b>	Atmos Energy Holdings, Inc.	Atmos Energy Marketing Services, LLC	Atmos Energy Corporation
<b>Interest Income/Expense Calculation (See Below)</b>	A	B	C

**Basis for allocation:** Interest income and expense is recognized each month at the subsidiaries' level using the following rates:

**A (AEH is the borrower)**  
Expense – One month LIBOR (last day of the month) plus 300 basis points  
Income – One month LIBOR (last day of the month)

**B (AEM is the borrower)**  
Expense – One month LIBOR (last day of the month) plus 300 basis points  
Income – One month LIBOR (last day of the month)

**C (AEC is the borrower)**  
Expense – The lowest outstanding CP rate or the Eurodollar rate under the AEC Credit Facility (RBS), which is LIBOR plus 100  
Income – One month LIBOR (last day of the month)

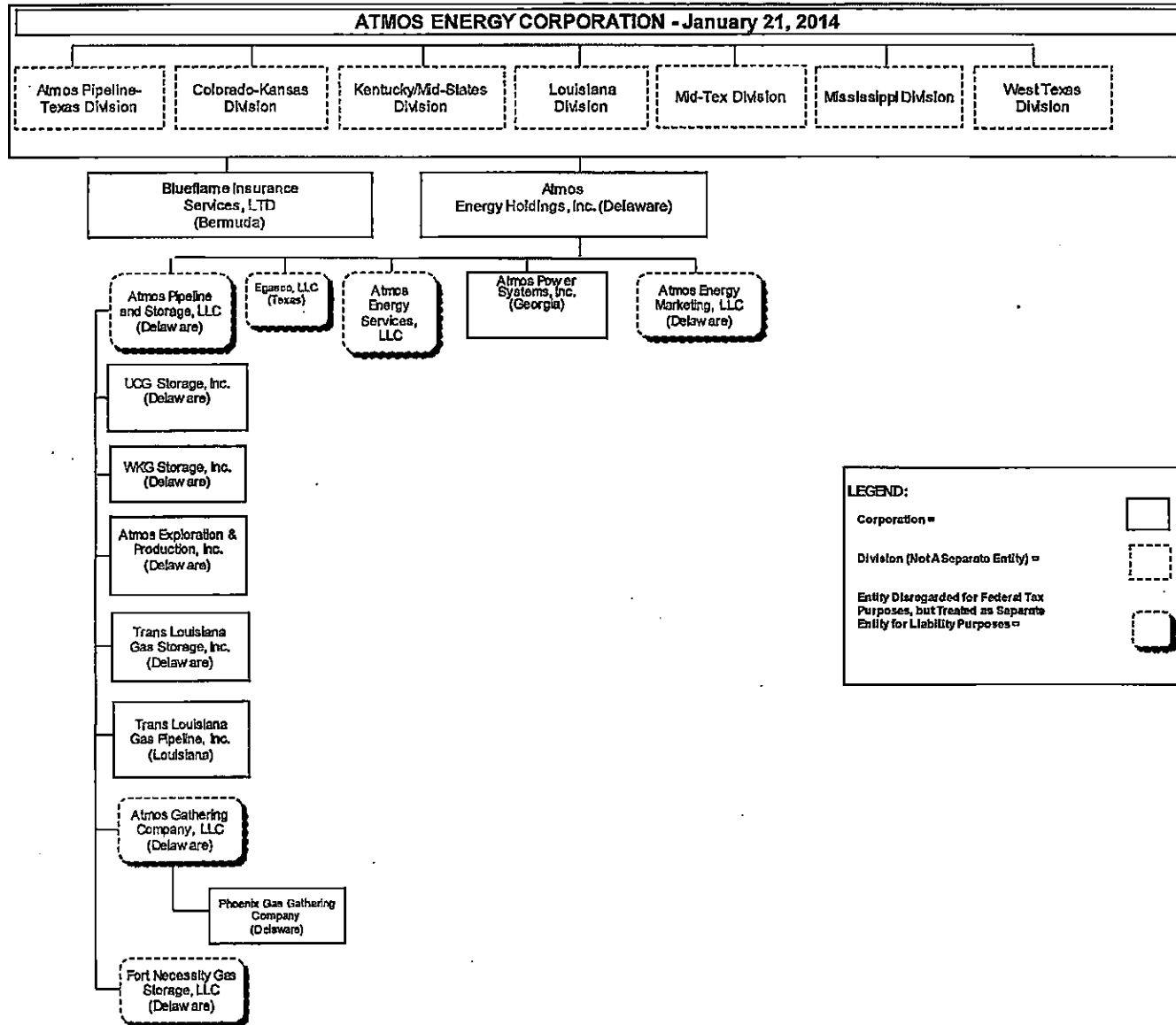
**General Ledger Entries: Example Only**

<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: center;"><b>Shared Services</b></td></tr> <tr><td style="text-align: center;">Accounts Receivable from Associated Company</td></tr> <tr><td style="text-align: center;">Acct. 146</td></tr> <tr><td style="text-align: right; border-top: 1px solid black;">\$1,000 (1)</td></tr> </table>	<b>Shared Services</b>	Accounts Receivable from Associated Company	Acct. 146	\$1,000 (1)	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: center;"><b>Shared Services</b></td></tr> <tr><td style="text-align: center;">Interest on Debt to Associated Companies</td></tr> <tr><td style="text-align: center;">Acct. 431</td></tr> <tr><td style="text-align: left; border-top: 1px solid black;">\$1,000 (1)</td></tr> </table>	<b>Shared Services</b>	Interest on Debt to Associated Companies	Acct. 431	\$1,000 (1)
<b>Shared Services</b>									
Accounts Receivable from Associated Company									
Acct. 146									
\$1,000 (1)									
<b>Shared Services</b>									
Interest on Debt to Associated Companies									
Acct. 431									
\$1,000 (1)									
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: center;"><b>Atmos Energy Holdings, Inc.</b></td></tr> <tr><td style="text-align: center;">Accounts Receivable from Associated Company</td></tr> <tr><td style="text-align: center;">Acct. 146</td></tr> <tr><td style="text-align: left; border-top: 1px solid black;">(1) \$1,000</td></tr> </table>	<b>Atmos Energy Holdings, Inc.</b>	Accounts Receivable from Associated Company	Acct. 146	(1) \$1,000	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: center;"><b>Atmos Energy Holdings, Inc.</b></td></tr> <tr><td style="text-align: center;">Interest and Dividend Income</td></tr> <tr><td style="text-align: center;">Acct. 419</td></tr> <tr><td style="text-align: right; border-top: 1px solid black;">\$1,000 (1)</td></tr> </table>	<b>Atmos Energy Holdings, Inc.</b>	Interest and Dividend Income	Acct. 419	\$1,000 (1)
<b>Atmos Energy Holdings, Inc.</b>									
Accounts Receivable from Associated Company									
Acct. 146									
(1) \$1,000									
<b>Atmos Energy Holdings, Inc.</b>									
Interest and Dividend Income									
Acct. 419									
\$1,000 (1)									

**Flow of Activity**

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

## Appendix A



**Case No. 2016-00053  
WKG Storage, Inc.  
Staff DR Set No. 2  
Question No. 2-06  
Page 1 of 1**

**REQUEST:**

Refer to the response to Staff's First Request, Item 7.d. Provide a schedule of rate case expenses incurred to date and an updated estimate, if applicable, of the total rate case expense for this proceeding.

**RESPONSE:**

WKG Storage, Inc. has not revised its estimate as provided in the Company's response to Staff DR No. 1-07 subpart (d).

Respondent: Joe Christian

**Staff 2-07**

Refer to the response to Staff's First Request, Items S.c. (1) and (2).

- a. Provide a schedule separately showing the number and cost of well workovers and plugged wells for the ten-year period ending December 31 , 2015. State whether the amounts were expensed or capitalized.
- b. Provide a schedule showing separately the projected number and cost of well workovers and plugged wells for 2016 and 2017. Include an explanation of what determines the need for well workovers and/or plugging wells.
- c. Provide a schedule showing separately the amount of expense in Account 923 for well workover and plugged well expense the calendar years 2006 through 2013.
- d. Explain why well workover and plugged well costs are not capitalized on WKG's books.
- e. Refer to Attachment 1-08 for Account 923 for Calendar Year 2015. Explain the basis for the credits to Account 923 under the Net Amount column.
- f. Also refer to the response to Staff's First Request, Item 15.a.
  - (1) Provide the number of wells that WKG owned, operated, or otherwise acquired since its inception.
  - (2) Provide the dates the wells were drilled, leased, or otherwise acquired by WKG.
  - (3) Provide the dates that any of the wells were sold, abandoned, or otherwise disposed of by WKG.
  - (4) Provide the amount of asset impairment expense WKG recognized in 2015 and the account to which the impairment was recorded.
  - (5) State whether the asset impairment expense is reflected in WKG's operation and maintenance expenses for the test year contained on Schedule E of the statement of adjusted operations in the application.

**RESPONSE:**

- a) Please see the following for the available well workover and plugged well information since 2010. The Company does not have the information prior to 2010.

<u>Year</u>	<u>Workover/Plugged</u>	<u>Expensed</u>	<u>Capital</u>
2010	5 workovers	175,301	
2011	3 workovers	71,744	
2012	0 workovers	-	79,832
2013	1 plugged	25,760	79,194
2014	2 workovers	320,000	
2015	3 workovers	515,763	

- b) The Company plans to plug six wells in 2016. There are no current plans for plugging or wells workovers in 2017. There are multiple factors in deciding whether to workover or plug wells, but the primary driver is well integrity.
- c) \$512,638.96 was recorded in account 923 for the period 2006 through 2013.
- d) If the workover is to improve efficiency, the workover is capitalized. If the workover is due to maintenance, the cost is expensed. Plugged wells are not capitalized because there no longer is an asset generating benefits to the Company.

e) There is no significance to the credits. For each credit there are equal and opposite debits. They occurred as part of the monthly close process.

f)

1) There are 20 wells under WKG Storage, Inc. Bond.

2)	Ames 1	08/12/71
	Dozier 1	09/14/71
	Dozier 2	01/07/72
	Dozier 3	03/01/92
	Dozier 4	12/23/71
	Kypsco 1	03/08/92
	Kypsco 2	04/09/92
	Kypsco 3	04/01/92
	Kypsco 4	08/13/92
	Kypsco 5	03/20/94
	Kypsco 6	10/31/94
	Kypsco 7	08/04/95
	Kypsco 8	10/25/95
	Island Creek Coal 1	09/14/71
	Island Creek Coal 2	10/18/71
	Fletcher Slaton 1	03/19/71
	Fletcher Slaton 2	11/24/71
	Fletcher Slaton 3	05/10/72
	Wilson 1	08/31/71
	Wilson 2	11/12/72
	Wilson 3	12/02/71
	Noffsinger 1	Transferred 2015
	Owens 1	Plugged 2015

3) Noffsinger 1 Transferred 2015  
Owen 1 Plugged 2015  
Fletcher Slaton 1 Plugged 2013

4) In 2015, WKG Storage, Inc. recognized \$154,895 to write down the value of assets. Additionally, WKG Storage, Inc. recognized \$725,000 related to the future remediation of these written down assets. Of this \$725,000, \$500,000 was misclassified in WKG Storage, Inc. and should have been reported in another entity. This was recognized in account 9210-07590 misc expenses.

5) The asset impairment expense is not reflected in WKG's operation and maintenance expenses for the test year contained on Schedule E. Please see WP\_E-1 Expense (Page 18 of 26) for the removal of this expense.

Respondent: Joe Christian

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**REQUEST:**

Refer to WKG's 2015 annual report filed as part of its application, pages 110 and 209, and the response to Staff's First Request, Items 13 and 14.

- a. Confirm that the balance of Gas Utility Plant in Service as the end of the test year, December 31 , 2015, was \$453,197
- b. State whether Atmos Energy Holdings' non-regulated status is the only reason that assets of WKG are recorded as non-utility property.
- c. Confirm that, of the Total Gross Plant of \$14,882,143 included in the proposed rate base, \$14,428,949 is not considered Gas Utility Plant in Service.
- d. Explain why the cost rate for long-term debt in Attachment 1 of the response to Staff's First Request, based on the 13-month average at December 31, 2015, is 5.90 percent, when in the COSSW, on Schedule I, page 25, also based on the 13-month average at December 31 , 2015, the cost rate for long-term was 5.31 percent.
- e. Explain whether WKG has performed an analysis of its risks as compared to those of a gas distribution utility such as Atmos's Kentucky operations.
- f. From a regulated ratemaking perspective, explain why WKG should be authorized to earn a return on plant that is classified as non-utility property.

**RESPONSE:**

- a) Confirm, the balance recorded in the Utility Plant Account is \$453,197.
- b) Confirm. In order to clear up the issue of Gas Utility Plant/Non-utility plant raised as part of this docket, the Company plans on moving all of WKG Storage, Inc. assets to Utility Plant at the conclusion of this proceeding to avoid the disconnect that exists between the Utility Plant reported on the Annual Report and the Plant in Service reported on Schedule B of the filing.
- c) Deny. As indicated in the Company's response to Staff DR No. 1-14, the original purchase was recorded as non-utility property because of where WKG Storage, Inc. fit in the Atmos Energy organizational structure. As discovery in this docket has demonstrated, these are in fact Utility Plant assets and should therefore be reclassified from Account 121 to Account 101.

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- d) On Attachment 1 to the Company's response to Staff DR No. 1-13, the 5.90% represents the 13 month average cost rate for long-term debt only. The 5.31% reflected on Schedule I of the filed COSSW and Attachment 1 to the Company's response to Staff DR No. 1-13 represents the 13 month average weighted cost of debt, which includes both short-term and long-term debt (using both long-term and short-term debt in the capital structure is consistent with the final order in Docket 2013-00148).
- e) No. As indicated in Footnote No. 2 of Schedule I and as noted in the Company's response to Staff DR No. 1-13 subpart (a), the Company has utilized the last authorized return on equity for its distribution assets. Using the distribution assets last authorized return on equity (9.8%, until/if changed in Docket No. 2015-00343) is appropriate given WKG Storage, Inc.'s small rate base (\$9.5 million) and the cost performing a full return on equity analysis would cost \$36,425 (based on the estimated provided in Docket No. 2015-00343).
- f) Please see responses to subparts (b) and (c). The referenced plant simply needs to be reclassified on WKG Storage, Inc.'s books to Account 101 to reflect that it is indeed utility property and from a ratemaking perspective includable in rate base.

Respondent: Joe Christian



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**REQUEST:**

Based upon all changes since the filing of its application, provide updated schedules for WKG's rate base, revenue requirements, and all other affected schedules. Identify and explain all adjustments.

**RESPONSE:**

The Company has not identified any changes since the filing of its application; therefore, there is nothing to update beyond what was provided on March 1, 2016.

Respondent: Joe Christian

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**REQUEST:**

Provide a schedule listing the rates of unaffiliated entities that provide storage services comparable to those provide by WKG.

**RESPONSE:**

WKG Storage, Inc. has identified two unaffiliated entities that provide storage services comparable to those provided by WKG Storage, Inc.: (1) ANR Pipeline Company (ANR) and (2) Texas Gas Transmission, LLC (TX Gas). These entities both provide no-notice service that would be able to replicate the storage service provided by WKG Storage, Inc.

Please note that ANR's currently effective rates could be impacted by the pending rate case at the Federal Energy Regulatory Commission (in which ANR is seeking a reservation rate increase of over 15%).

<b>ANR Pipeline Company - NNS</b>	
Reservation Rate - Monthly	\$6.2500
Commodity Rate	\$0.0150
Overrun Service Rate	\$0.3232
Capacity Release Daily Reservation Rate	\$0.2055
<b>Texas Gas Transmission, LLC - NNS</b>	
Zone 3 Daily Demand	\$0.3543
Commodity	\$0.0490
Overrun	\$0.4033

Respondent: Joe Christian