REQUEST:

Section 16. Applications for General Adjustments of Existing Rates.

(7) Each application requesting a general adjustment in rates supported by a fully forecasted test period shall include the following or a statement explaining why the required information does not exist and is not applicable to the utility's application:

(o) Complete monthly budget variance reports, with narrative explanations, for the twelve (12) months immediately prior to the base period, each month of the base period, and any subsequent months, as they become available;

RESPONSE:

Please see attachment FR_16(7)(o)_Att1 for the monthly reports for the period January 2016 through June 2017. Beginning in March 2015, Company management changed the reporting requirement for narrative explanations on internal monthly variance reports from a monthly basis to a quarterly basis. While variance information is still provided monthly, narrative explanations are now provided on a quarterly basis.

ATTACHMENT:

ATTACHMENT 1 - Atmos Energy Corporation, FR_16(7)(o)_Att1 - Budget Variance Reports Jan'16-Jun'17.pdf, 42 Pages.

Respondent: Greg Waller

ATMOS energy

Atmos Energy Corporation

Regulated Distribution Operations

Income Statement - Comparative

KY/Mid-States

For the Period Ended January 31, 2016

in $thousands	MTD Actual	MTD Budget	MTD Fav/ Unfav	MTD FY2015	YTD Actual	YTD Budget	YTD Fav/ Unfav	YTD FY2015
Gross profit:								
Delivered gas	$ 17,809	$ 17,898	$ (89)	$ 17,380	$ 53,271	$ 54,166	$ (895)	$ 53,110
Transportation	3,052	2,689	363	3,017	10,186	9,586	600	10,094
Other revenue	285	376	(91)	414	1,135	1,278	(143)	1,431
Total gross profit	21,146	20,963	183	20,811	64,592	65,030	(438)	64,635
Operating expenses:								
Direct BU O&M	2,531	2,617	86	4,237	10,584	10,676	92	12,686
Direct SSU Charges	268	346	78	338	1,127	1,280	153	1,256
SSU Allocations	1,453	1,231	(222)	1,560	4,960	5,228	268	5,124
Provision for bad debts	87	87	0	85	262	265	3	260
Total O&M expense	4,339	4,281	(58)	6,220	16,933	17,449	516	19,326
Depreciation & amortization	2,713	2,810	97	2,592	10,900	11,150	250	10,317
Taxes, other than income	1,399	1,405	6	1,288	5,147	5,126	(21)	4,485
Total operating expenses	8,451	8,496	45	10,100	32,980	33,725	745	34,128
Operating income	12,695	12,467	228	10,711	31,612	31,305	307	30,507
Other income (expense):								
Interest, net	1,167	1,221	54	1,123	4,654	4,775	121	4,515
Miscellaneous income (expense), net	(111)	(91)	20	(86)	(325)	(401)	(76)	31
Total other income (expense)	1,056	1,130	74	1,037	4,329	4,374	45	4,546
Income (loss) before income taxes	11,639	11,337	302	9,674	27,283	26,931	352	25,961
Provision/(Benefit) for income taxes	4,612	4,517	(95)	3,905	10,810	10,729	(81)	10,480
Net income (loss)	**$ 7,027**	**$ 6,820**	**$ 207**	**$ 5,769**	**$ 16,473**	**$ 16,202**	**$ 271**	**$ 15,481**

Volumes *(Mmcf)*:	MTD Actual	MTD Budget	MTD Fav/ Unfav	MTD FY2015	YTD Actual	YTD Budget	YTD Fav/ Unfav	YTD FY2015
Residential	3,083	4,124	(1,041)	4,026	6,427	8,635	(2,208)	9,072
Commercial	1,771	2,326	(555)	2,282	4,087	5,320	(1,233)	5,469
Industrial	330	423	(93)	271	821	1,202	(381)	929
Public Authorities	-	-	0	-	-	-	0	-
Irrigation	172	238	(66)	232	396	547	(151)	555
Unbilled	1,970	486	1,484	469	3,256	3,002	254	2,652
Total Gas Distribution volumes	7,326	7,597	(271)	7,280	14,987	18,706	(3,719)	18,677
Transportation volumes	4,804	4,004	800	4,531	14,646	14,888	(242)	15,452
Total Throughput	**12,130**	**11,601**	**529**	**11,811**	**29,633**	**33,594**	**(3,961)**	**34,129**

ATMOS energy

Atmos Energy Corporation

Regulated Distribution Operations

Financial Results and Statistical Highlights

KY/Mid-States

For the Period Ended January 31, 2016

Financial Results in *$MM's*	MTD Actual	MTD Budget	MTD Fav/Unfav	MTD %		YTD Actual	YTD Budget	YTD Fav/Unfav	YTD %	
Net Income	$ 7.0	$ 6.8	$ 0.2	2.9%		$ 16.5	$ 16.2	$ 0.3	1.9%	
Gross Profit	21.1	21.0	0.1	0.5%		64.6	65.0	(0.4)	(0.6%)	
O&M - Direct BU	2.5	2.6	0.1	3.8%		10.6	10.7	0.1	0.9%	
Cap Rate	56.1%	56.2%	(0.1%)			57.0%	56.3%	0.7%		
Capital Spending Activities										
Capital Spending	$ 6.7	$ 7.2	$ (0.5)	(6.9%)		$ 32.4	$ 33.9	$ (1.5)	(4.4%)	

Statistical Information and Indicators *(in thousands except Headcount)*	Act	Bud	Inc/Dec	%		FY2015	Inc/Dec	%	
Customer Base Charge (1)	335	332	3	0.9%		333	2	0.6%	
						Sep-15			
Employee Headcount (2)	397	400	(3)	-0.8%		392	5	1.3%	
Direct O&M (3) per Customer Base Charge	$ 86.3	$ 96.1	$ (9.8)	-10.2%		$ 105.1	$ (18.8)	-17.9%	
Direct O&M (3) per Headcount	$ 72.8	$ 79.7	$ (6.9)	-8.7%		$ 89.3	$ (16.4)	-18.4%	

(1) Customer Base Charge is rolling 12-month average.
(2) Employee headcount is as of period end.
(3) Direct O&M excludes direct and allocated Shared Services costs and the provision for bad debt expense. Metric calculated on a rolling 12-month average.

Rate Base Information *in $MM's (as of period indicated)*	KY	TN	VA
December 31, 2015	$ 288.1	$ 247.9	$ 41.3
September 30, 2014	252.7	201.4	37.5
September 30, 2013	221.3	201.4	36.9

ATMOS energy

Atmos Energy Corporation

Regulated Distribution Operations

Financial Results and Statistical Highlights

KY/Mid-States

For the Period Ended February 29, 2016

Financial Results in *$MM's*	MTD Actual	MTD Budget	MTD Fav/ Unfav	MTD %		YTD Actual	YTD Budget	YTD Fav/ Unfav	YTD %	
Net Income	$ 5.2	$ 5.3	$ (0.1)	(1.9%)		$ 21.7	$ 21.5	$ 0.2	0.9%	
Gross Profit	17.8	18.2	(0.4)	(2.2%)		82.4	83.3	(0.9)	(1.1%)	
O&M - Direct BU	2.4	2.7	0.3	11.1%		13.0	13.3	0.3	2.3%	
Cap Rate	56.9%	56.2%	0.7%			57.0%	56.3%	0.7%		
Capital Spending Activities										
Capital Spending	$ 8.2	$ 7.2	$ 1.0	13.9%		$ 40.6	$ 41.1	$ (0.5)	(1.2%)	

Statistical Information and Indicators *(in thousands except Headcount)*	Act	Bud	Inc/Dec	%		FY2015	Inc/Dec	%	
Customer Base Charge (1)	336	332	4	1.2%		333	3	0.9%	
						Sep-15			
Employee Headcount (2)	397	400	(3)	-0.8%		392	5	1.3%	
Direct O&M (3) per Customer Base Charge	$ 85.5	$ 96.5	$ (11.0)	-11.4%		$ 104.8	$ (19.3)	-18.4%	
Direct O&M (3) per Headcount	$ 72.4	$ 80.1	$ (7.7)	-9.6%		$ 89.0	$ (16.6)	-18.7%	

(1) Customer Base Charge is rolling 12-month average.
(2) Employee headcount is as of period end.
(3) Direct O&M excludes direct and allocated Shared Services costs and the provision for bad debt expense. Metric calculated on a rolling 12-month average.

Rate Base Information *In $MM's (as of period indicated)*	KY	TN	VA
December 31, 2015	$ 288.1	$ 247.9	$ 41.3
September 30, 2014	252.7	201.4	37.5
September 30, 2013	221.3	201.4	36.9

ATMOS energy

Atmos Energy Corporation

Regulated Distribution Operations

Income Statement - Comparative

KY/Mid-States

For the Period Ended February 29, 2016

in $thousands	MTD				YTD			
	Actual	Budget	Fav/ Unfav	FY2015	Actual	Budget	Fav/ Unfav	FY2015
Gross profit:								
Delivered gas	$ 14,843	$ 14,806	$ 37	$ 14,576	$ 68,114	$ 68,972	$ (858)	$ 67,686
Transportation	2,637	3,001	(364)	2,732	12,823	12,587	236	12,826
Other revenue	359	430	(71)	463	1,494	1,708	(214)	1,894
Total gross profit	17,839	18,237	(398)	17,771	82,431	83,267	(836)	82,406
Operating expenses:								
Direct BU O&M	2,416	2,662	246	2,594	13,001	13,338	337	15,280
Direct SSU Charges	361	384	23	362	1,488	1,664	176	1,618
SSU Allocations	1,206	1,139	(67)	1,128	6,166	6,367	201	6,252
Provision for bad debts	71	72	1	71	333	337	4	331
Total O&M expense	4,054	4,257	203	4,155	20,988	21,706	718	23,481
Depreciation & amortization	2,711	2,804	93	2,590	13,611	13,955	344	12,907
Taxes, other than income	1,264	1,278	14	1,142	6,411	6,404	(7)	5,627
Total operating expenses	8,029	8,339	310	7,887	41,010	42,065	1,055	42,015
Operating income	9,810	9,898	(88)	9,884	41,421	41,202	219	40,391
Other income (expense):								
Interest, net	1,158	1,207	49	1,103	5,811	5,982	171	5,617
Miscellaneous income (expense), net	(5)	(132)	(127)	(87)	(329)	(533)	(204)	(55)
Total other income (expense)	1,153	1,075	(78)	1,016	5,482	5,449	(33)	5,562
Income (loss) before income taxes	8,657	8,823	(166)	8,868	35,939	35,753	186	34,829
Provision/(Benefit) for income taxes	3,431	3,515	84	3,580	14,240	14,244	4	14,060
Net income (loss)	**$ 5,226**	**$ 5,308**	**$ (82)**	**$ 5,288**	**$ 21,699**	**$ 21,509**	**$ 190**	**$ 20,769**

Volumes *(Mmcf)*:								
Residential	3,698	3,849	(151)	3,896	10,125	12,484	(2,359)	12,969
Commercial	2,172	2,097	75	2,164	6,259	7,416	(1,157)	7,633
Industrial	432	371	61	308	1,253	1,574	(321)	1,237
Public Authorities	-	-	0	-	-	-	0	-
Irrigation	198	208	(10)	224	594	755	(161)	778
Unbilled	(1,738)	(1,014)	(724)	495	1,518	1,988	(470)	3,147
Total Gas Distribution volumes	4,762	5,511	(749)	7,087	19,749	24,217	(4,468)	25,764
Transportation volumes	4,126	4,438	(312)	3,957	18,772	19,326	(554)	19,409
Total Throughput	**8,888**	**9,949**	**(1,061)**	**11,044**	**38,521**	**43,543**	**(5,022)**	**45,173**

ATMOS energy

Atmos Energy Corporation

Regulated Distribution Operations
Financial Results and Statistical Highlights
KY/Mid-States

For the Period Ended March 31, 2016

Financial Results in $MM's	QTD Actual	QTD Budget	QTD Fav/ Unfav	QTD %		YTD Actual	YTD Budget	YTD Fav/ Unfav	YTD %	
Net Income	$ 16.4	$ 16.5	$ (0.1)	(0.6%)		$ 25.8	$ 25.9	$ (0.1)	(0.4%)	
Gross Profit	55.8	56.3	(0.5)	(0.9%)		99.2	100.4	(1.2)	(1.2%)	
O&M - Direct BU	8.0	8.0	0.0	0.0%		16.0	16.0	0.0	0.0%	
Cap Rate	56.9%	56.3%	0.6%			57.1%	56.3%	0.8%		
Capital Spending Activities										
Capital Spending	$ 25.3	$ 22.5	$ 2.8	12.4%		$ 51.1	$ 49.2	$ 1.9	3.9%	

Statistical Information and Indicators *(in thousands except Headcount)*	Act	Bud	Inc/Dec	%		FY15	Inc/Dec	%	
Customer Base Charge [1]	336	333	3	0.9%		333	3	0.9%	
						Sep-15			
Employee Headcount [2]	397	400	(3)	-0.8%		392	5	1.3%	
Direct O&M [3] per Customer Base Charge	$ 87.2	$ 96.0	$ (8.8)	-9.2%		$ 103.7	$ (16.5)	-15.9%	
Direct O&M [3] per Headcount	$ 73.8	$ 79.9	$ (6.1)	-7.7%		$ 88.1	$ (14.3)	-16.2%	

(1) Customer Base Charge is rolling 12-month average.
(2) Employee headcount is as of period end.
(3) Direct O&M excludes direct and allocated Shared Services costs and the provision for bad debt expense. Metric calculated on a rolling 12-month average.

Rate Base Information *in $MM's (as of period indicated)*	KY	TN	VA
March 31, 2016	$ 314.4	$ 247.9	$ 42.9
September 30, 2014	252.7	201.4	37.5
September 30, 2013	221.3	201.4	36.9

ATMOS energy

Atmos Energy Corporation

Regulated Distribution Operations
Financial Results and Statistical Highlights
KY/Mid-States

For the Period Ended March 31, 2016

Quarter-to-Date

- **Gross Profit:** Primary driver is transportation variance of ($374K) due to special contracts in Kentucky and Tennessee. Forfeited discounts are ($199K) less than budget due to lower natural gas prices.

- **O&M:** O&M was on budget QTD. Labor was over slightly due to overtime and PTO accrual. Benefits were over due to the Tennessee pension regulated asset expense (offsetting entry in Amortization). Materials were under due to timing. Miscellaneous was over due to newspaper notifications for Tennessee and Kentucky rate cases. Vehicles were under budget due to lower leases and fuel costs.

- **Capital Spending:** Kentucky capital spend is ahead of budget due to Shelbyville Aiken Rd 12 Inch Phase II project. We completed Phase 1 of the 12 inch project (replacing 8" line) and were able to get a start on the bores for Phase II of this replacement putting us $1,909K ahead of QTD budget.
Tennessee capital spend variance is primarily driven by the timing of WMR endpoints purchase in Murfreesboro ($666K). Order time on endpoints is 4 to 6 weeks. We ordered the endpoints anticipating the invoice and delivery would occur in April. Actual delivery and invoicing was late March.

Year-to-Date

- **Gross Profit:** Primary driver is weather/consumption variance of ($823K) due to 21% less HDD than normal. Forefeited discounts are ($262K) less than budget due to lower natural gas prices.

- **O&M:** O&M was on budget YTD. Labor was over due to overtime, severance pay and PTO accural. Benefits were over due to the Tennessee pension reg asset expense (offsetting entry in Amortization). Materials were under budget due to timing of purchases. Miscellaneous was over due to newspaper adds for Tennesee and Kentucky rate case notifications. Vehicles were under due to lower leases and fuel costs.

- **Capital Spending:** Kentucky capital spend is ahead of budget due to Shelbyville Aiken Rd 12 Inch Phase II project. We completed Phase 1 of the 12 inch project (replacing 8" line) and were able to get a start on the bores for Phase II of this replacement putting us $1,236K ahead of YTD budget.
Tennessee capital spend variance is primarily driven by the timing of WMR endpoints purchase in Murfreesboro ($666K). Order time on endpoints is 4 to 6 weeks. We ordered the endpoints anticipating the invoice and delivery would occur in April. Actual delivery and invoicing was late March.

ATMOS energy

Atmos Energy Corporation

Regulated Distribution Operations

Income Statement - Comparative

KY/Mid-States

For the Period Ended March 31, 2016

in $thousands	QTD				YTD			
	Actual	Budget	Fav/ Unfav	FY2015	Actual	Budget	Fav/ Unfav	FY2015
Gross profit:								
Delivered gas	$ 46,616	$ 46,516	$ 100	$ 45,850	$ 82,079	$ 82,785	$ (706)	$ 81,581
Transportation	8,187	8,561	(374)	8,302	15,321	15,458	(137)	15,379
Other revenue	999	1,220	(221)	1,334	1,848	2,120	(272)	2,350
Total gross profit	55,802	56,297	(495)	55,486	99,248	100,363	(1,115)	99,310
Operating expenses:								
Direct BU O&M	7,974	7,982	8	9,300	16,027	16,041	14	17,750
Direct SSU Charges	954	1,058	104	1,050	1,813	1,992	179	1,967
SSU Allocations	4,131	3,846	(285)	4,030	7,638	7,842	204	7,594
Provision for bad debts	227	225	(2)	388	401	403	2	563
Total O&M expense	13,286	13,111	(175)	14,768	25,879	26,278	399	27,874
Depreciation & amortization	8,178	8,445	267	7,799	16,366	16,785	419	15,524
Taxes, other than income	3,877	3,941	64	3,564	7,625	7,662	37	6,761
Total operating expenses	25,341	25,497	156	26,131	49,870	50,725	855	50,159
Operating income	30,461	30,800	(339)	29,355	49,378	49,638	(260)	49,151
Other income (expense):								
Interest, net	3,491	3,637	146	3,337	6,977	7,192	215	6,729
Miscellaneous income (expense), net	(176)	(276)	(100)	(173)	(390)	(587)	(197)	(56)
Total other income (expense)	3,315	3,361	46	3,164	6,587	6,605	18	6,673
Income (loss) before income taxes	27,146	27,439	(293)	26,191	42,791	43,033	(242)	42,478
Provision/(Benefit) for income taxes	10,754	10,931	177	10,326	16,954	17,144	190	16,901
Net income (loss)	$ 16,392	$ 16,508	$ (116)	$ 15,865	$ 25,837	$ 25,889	$ (52)	$ 25,577

Volumes *(Mmcf)*:								
Residential	9,292	10,891	(1,599)	11,880	12,636	15,402	(2,766)	16,926
Commercial	5,418	6,066	(648)	6,688	7,734	9,059	(1,325)	9,875
Industrial	1,028	1,263	(235)	988	1,519	2,042	(523)	1,646
Public Authorities	-	-	0	-	-	-	0	-
Irrigation	506	623	(117)	680	730	931	(201)	1,003
Unbilled	(19)	(1,050)	1,031	(541)	1,267	1,466	(199)	1,642
Total Gas Distribution volumes	16,225	17,793	(1,568)	19,695	23,886	28,900	(5,014)	31,092
Transportation volumes	12,691	12,654	37	12,540	22,533	23,539	(1,006)	23,461
Total Throughput	28,916	30,447	(1,531)	32,235	46,419	52,439	(6,020)	54,553

ATMOS energy

Atmos Energy Corporation

Regulated Distribution Operations

Financial Results and Statistical Highlights

KY/Mid-States

For the Period Ended April 30, 2016

Financial Results in *$MM's*	MTD Actual	MTD Budget	MTD Fav/ Unfav	MTD %		YTD Actual	YTD Budget	YTD Fav/ Unfav	YTD %	
Net Income	$ 1.2	$ 2.3	$ (1.1)	(47.8%)		$ 27.1	$ 28.2	$ (1.1)	(3.9%)	
Gross Profit	11.6	13.0	(1.4)	(10.8%)		110.8	113.3	(2.5)	(2.2%)	
O&M - Direct BU	3.0	2.6	(0.4)	(15.4%)		19.0	18.7	(0.3)	(1.6%)	
Cap Rate	57.5%	56.2%	1.3%			57.2%	56.3%	0.9%		
Capital Spending Activities										
Capital Spending	$ 6.6	$ 9.0	$ (2.4)	(26.7%)		$ 57.7	$ 58.2	$ (0.5)	(0.9%)	

Statistical Information and Indicators *(in thousands except Headcount)*	Act	Bud	Inc/Dec	%		FY2015	Inc/Dec	%	
Customer Base Charge (1)	336	334	2	0.6%		333	3	0.9%	
						Sep-15			
Employee Headcount (2)	394	400	(6)	-1.5%		392	2	0.5%	
Direct O&M (3) per Customer Base Charge	$ 100.4	$ 95.6	$ 4.8	5.1%		$ 90.0	$ 10.4	11.6%	
Direct O&M (3) per Headcount	$ 85.7	$ 79.8	$ 5.8	7.3%		$ 76.5	$ 9.2	12.0%	

(1) Customer Base Charge is rolling 12-month average.

(2) Employee headcount is as of period end.

(3) Direct O&M excludes direct and allocated Shared Services costs and the provision for bad debt expense. Metric calculated on a rolling 12-month average.

Rate Base Information *in $MM's (as of period indicated)*	KY	TN	VA
March 31, 2016	$ 288.1	$ 247.9	$ 41.3
September 30, 2014	252.7	201.4	37.5
September 30, 2013	221.3	201.4	36.9

ATMOS energy

Atmos Energy Corporation

Regulated Distribution Operations

Income Statement - Comparative

KY/Mid-States

For the Period Ended April 30, 2016

in $thousands	MTD Actual	MTD Budget	MTD Fav/ Unfav	MTD FY2015	YTD Actual	YTD Budget	YTD Fav/ Unfav	YTD FY2015
Gross profit:								
Delivered gas	$ 9,085	$ 9,909	$ (824)	$ 9,284	$ 91,163	$ 92,693	$ (1,530)	$ 90,864
Transportation	2,252	2,722	(470)	2,169	17,573	18,180	(607)	17,548
Other revenue	237	336	(99)	443	2,086	2,458	(372)	2,794
Total gross profit	11,574	12,967	(1,393)	11,896	110,822	113,331	(2,509)	111,206
Operating expenses:								
Direct BU O&M	3,012	2,631	(381)	(1,445)	19,039	18,671	(368)	16,305
Direct SSU Charges	338	306	(32)	321	2,151	2,299	148	2,288
SSU Allocations	1,174	1,249	75	1,228	8,812	9,092	280	8,822
Provision for bad debts	44	48	4	45	445	452	7	608
Total O&M expense	4,568	4,234	(334)	149	30,447	30,514	67	28,023
Depreciation & amortization	2,763	2,831	68	2,629	19,129	19,616	487	18,153
Taxes, other than income	1,315	1,309	(6)	1,180	8,940	8,971	31	7,941
Total operating expenses	8,646	8,374	(272)	3,958	58,516	59,101	585	54,117
Operating income	2,928	4,593	(1,665)	7,938	52,306	54,230	(1,924)	57,089
Other income (expense):								
Interest, net	1,166	1,200	34	1,123	8,143	8,391	248	7,852
Miscellaneous income (expense), net	(244)	(483)	(239)	(553)	(633)	(1,069)	(436)	(609)
Total other income (expense)	922	717	(205)	570	7,510	7,322	(188)	7,243
Income (loss) before income taxes	2,006	3,876	(1,870)	7,368	44,796	46,908	(2,112)	49,846
Provision/(Benefit) for income taxes	770	1,544	774	3,329	17,722	18,688	966	20,231
Net income (loss)	$ 1,236	$ 2,332	$ (1,096)	$ 4,039	$ 27,074	$ 28,220	$ (1,146)	$ 29,615

Volumes *(Mmcf)*:	MTD Actual	MTD Budget	MTD Fav/ Unfav	MTD FY2015	YTD Actual	YTD Budget	YTD Fav/ Unfav	YTD FY2015
Residential	1,403	1,752	(349)	1,510	14,039	17,153	(3,114)	18,437
Commercial	883	1,061	(178)	967	8,617	10,121	(1,504)	10,842
Industrial	252	282	(30)	178	1,770	2,324	(554)	1,824
Public Authorities	-	-	0	-	-	-	0	-
Irrigation	85	127	(42)	98	815	1,058	(243)	1,101
Unbilled	(1,095)	(962)	(133)	(1,098)	172	504	(332)	544
Total Gas Distribution volumes	1,528	2,260	(732)	1,655	25,413	31,160	(5,747)	32,748
Transportation volumes	3,384	4,070	(686)	3,353	25,917	27,608	(1,691)	26,815
Total Throughput	4,912	6,330	(1,418)	5,008	51,330	58,768	(7,438)	59,563

ATMOS energy

Atmos Energy Corporation

Regulated Distribution Operations

Financial Results and Statistical Highlights

KY/Mid-States

For the Period Ended May 31, 2016

Financial Results in *$MM's*	MTD Actual	MTD Budget	MTD Fav/ Unfav	MTD %		YTD Actual	YTD Budget	YTD Fav/ Unfav	YTD %	
Net Income	$ 0.7	$ 0.7		0.0%		$ 27.8	$ 28.9	$ (1.1)	(3.8%)	
Gross Profit	10.7	10.7	0.0	0.0%		121.5	124.0	(2.5)	(2.0%)	
O&M - Direct BU	3.1	2.7	(0.4)	(14.8%)		22.2	21.4	(0.8)	(3.7%)	
Cap Rate	58.0%	56.3%	1.7%			57.3%	56.3%	1.0%		
Capital Spending Activities										
Capital Spending	$ 8.8	$ 11.0	$ (2.2)	(20.0%)		$ 66.4	$ 69.2	$ (2.8)	(4.0%)	

Statistical Information and Indicators *(In thousands except Headcount)*	Act	Bud	Inc/Dec	%		FY2015	Inc/Dec	%	
Customer Base Charge (1)	336	334	2	0.6%		334	2	0.6%	
						Sep-15			
Employee Headcount (2)	394	400	(6)	-1.5%		392	2	0.5%	
Direct O&M (3) per Customer Base Charge	$ 100.8	$ 95.7	$ 5.1	5.3%		$ 91.2	$ 9.6	10.5%	
Direct O&M (3) per Headcount	$ 86.0	$ 79.9	$ 6.0	7.5%		$ 77.7	$ 8.2	10.6%	

(1) Customer Base Charge is rolling 12-month average.

(2) Employee headcount is as of period end.

(3) Direct O&M excludes direct and allocated Shared Services costs and the provision for bad debt expense. Metric calculated on a rolling 12-month average.

Rate Base Information *in $MM's* *(as of period indicated)*	KY	TN	VA
March 31, 2016	$ 288.1	$ 247.9	$ 41.3
September 30, 2014	252.7	201.4	37.5
September 30, 2013	221.3	201.4	36.9

ATMOS energy

Atmos Energy Corporation

Regulated Distribution Operations

Income Statement - Comparative

KY/Mid-States

For the Period Ended May 31, 2016

in $thousands	MTD				YTD			
	Actual	Budget	Fav/ Unfav	FY2015	Actual	Budget	Fav/ Unfav	FY2015
Gross profit:								
Delivered gas	$ 8,309	$ 8,155	$ 154	$ 7,204	$ 99,472	$ 100,848	$ (1,376)	$ 98,068
Transportation	2,176	2,305	(129)	2,013	19,750	20,485	(735)	19,561
Other revenue	198	232	(34)	236	2,283	2,690	(407)	3,030
Total gross profit	10,683	10,692	(9)	9,453	121,505	124,023	(2,518)	120,659
Operating expenses:								
Direct BU O&M	3,143	2,697	(446)	3,026	22,183	21,369	(814)	19,331
Direct SSU Charges	244	326	82	275	2,394	2,624	230	2,563
SSU Allocations	1,719	1,556	(163)	1,305	10,531	10,647	116	10,127
Provision for bad debts	41	40	(1)	36	486	492	6	644
Total O&M expense	5,147	4,619	(528)	4,642	35,594	35,132	(462)	32,665
Depreciation & amortization	2,781	2,847	66	2,647	21,909	22,463	554	20,800
Taxes, other than income	1,116	1,109	(7)	1,225	10,056	10,080	24	9,166
Total operating expenses	9,044	8,575	(469)	8,514	67,559	67,675	116	62,631
Operating income	1,639	2,117	(478)	939	53,946	56,348	(2,402)	58,028
Other income (expense):								
Interest, net	1,164	1,206	42	1,133	9,307	9,597	290	8,985
Miscellaneous income (expense), net	(696)	(243)	453	(421)	(1,329)	(1,312)	17	(1,029)
Total other income (expense)	468	963	495	712	7,978	8,285	307	7,956
Income (loss) before income taxes	1,171	1,154	17	227	45,968	48,063	(2,095)	50,072
Provision/(Benefit) for income taxes	466	460	(6)	90	18,189	19,148	959	20,320
Net income (loss)	$ 705	$ 694	$ 11	$ 137	$ 27,779	$ 28,915	$ (1,136)	$ 29,752

Volumes *(Mmcf)*:								
Residential	617	663	(46)	610	14,656	17,816	(3,160)	19,046
Commercial	525	620	(95)	512	9,142	10,741	(1,599)	11,354
Industrial	171	233	(62)	120	1,941	2,557	(616)	1,944
Public Authorities	-	-	0	-	-	-	0	-
Irrigation	49	72	(23)	61	864	1,131	(267)	1,163
Unbilled	(78)	(494)	416	(461)	94	10	84	83
Total Gas Distribution volumes	1,284	1,094	190	842	26,697	32,255	(5,558)	33,590
Transportation volumes	3,353	3,466	(113)	3,266	29,270	31,075	(1,805)	30,081
Total Throughput	4,637	4,560	77	4,108	55,967	63,330	(7,363)	63,671

ATMOS energy

Atmos Energy Corporation

Regulated Distribution Operations
Financial Results and Statistical Highlights
KY/Mid-States

For the Period Ended June 30, 2016

Financial Results in *$MM's*	QTD Actual	QTD Budget	QTD Fav/ Unfav	QTD %		YTD Actual	YTD Budget	YTD Fav/ Unfav	YTD %	
Net Income	$ 3.0	$ 3.9	$ (0.9)	(23.1%)		$ 28.8	$ 29.8	$ (1.0)	(3.4%)	
Gross Profit	32.7	34.3	(1.6)	(4.7%)		131.9	134.7	(2.8)	(2.1%)	
O&M - Direct BU	8.9	8.0	(0.9)	(11.3%)		25.0	24.0	(1.0)	(4.2%)	
Cap Rate	58.0%	56.3%	1.7%			57.4%	56.3%	1.1%		
Capital Spending Activities										
Capital Spending	$ 25.0	$ 29.7	$ (4.7)	(15.8%)		$ 76.1	$ 78.9	$ (2.8)	(3.5%)	

Statistical Information and Indicators *(in thousands except Headcount)*	Act	Bud	Inc/Dec	%		FY15	Inc/Dec	%	
Customer Base Charge (1)	335	332	3	0.9%		333	2	0.6%	
						Sep-15			
Employee Headcount (2)	392	400	(8)	-2.0%		392	-	0.0%	
Direct O&M (3) per Customer Base Charge	$ 101.5	$ 96.2	$ 5.3	5.5%		$ 92.2	$ 9.3	10.1%	
Direct O&M (3) per Headcount	$ 86.7	$ 79.8	$ 6.9	8.6%		$ 78.3	$ 8.4	10.8%	

(1) Customer Base Charge is rolling 12-month average.
(2) Employee headcount is as of period end.
(3) Direct O&M excludes direct and allocated Shared Services costs and the provision for bad debt expense. Metric calculated on a rolling 12-month average.

Rate Base Information *in $MM's* *(as of period indicated)*	KY	TN	VA
June 30, 2016	$ 335.8	$ 274.6	$ 49.1
September 30, 2014	252.7	201.4	37.5
September 30, 2013	221.3	201.4	36.9

Atmos Energy Corporation

Regulated Distribution Operations
Financial Results and Statistical Highlights
KY/Mid-States

For the Period Ended June 30, 2016

Quarter-to-Date

- **Gross Profit:** Primary driver is transportation variance of ($726k) due to special contracts in Kentucky and Tennessee. Forefeited discounts are ($85k) less than budget due to lower natural gas prices.

- **O&M:** O&M was over budget QTD. Labor was under but offset by higher benefits due to the Tennessee pension reg asset expense (offsetting entry in Amortization). Outside services were over due to timing of contractor labor and legal settlement in KY. Vehicles were under budget due to lower leases and fuel costs.

- **Capital Spending:** Kentucky capital spend is behind budget due to Shelbyville Aiken Rd 12 Inch Phase II project and several HCA replacements. We completed Phase 1 of the 12 inch project (replacing 8" line) and were able to get a start on the bores for Phase II of this replacement putting us ahead for the 2nd QTD but that timing has caught up with us in the 3rd quarter. Tennessee capital spend is slightly under budget for the quarter due mainly to the timing of several System Improvement projects. Virginia capital spend is slightly under budget for the quarter also due mainly to the timing of several System Improvement projects.

Year-to-Date

- **Gross Profit:** Primary driver is weather/consumption variance of ($1,351k) due to 21% less HDD than normal. Forefeited discounts are ($347k) less than budget due to lower natural gas prices.

- **O&M:** O&M was over budget YTD. Labor was over due to overtime, severance pay and PTO accural. Benefits were over due to the Tennessee pension reg asset expense (offsetting entry in Amortization). Rents were over budget due to higher rents and building maintenance. Miscellaneous was over due to newspaper adds for Tennesee and Kentucky rate case notifications. Outside services were over due mainly to legal settlement in KY. Vehicles were under due to lower leases and fuel costs.

- **Capital Spending:** Kentucky capital spend is behind budget due to the timing of several HCA replacements. Tennessee and Virginia capital spend is flat to budget.

ATMOS energy

Atmos Energy Corporation

Regulated Distribution Operations
Income Statement - Comparative
KY/Mid-States

For the Period Ended June 30, 2016

in $thousands	QTD Actual	QTD Budget	QTD Fav/ Unfav	QTD FY2015	YTD Actual	YTD Budget	YTD Fav/ Unfav	YTD FY2015
Gross profit:								
Delivered gas	$ 25,489	$ 26,259	$ (770)	$ 23,842	$ 107,568	$ 109,044	$ (1,476)	$ 105,422
Transportation	6,568	7,294	(726)	6,138	21,889	22,752	(863)	21,517
Other revenue	625	743	(118)	858	2,473	2,863	(390)	3,209
Total gross profit	32,682	34,296	(1,614)	30,838	131,930	134,659	(2,729)	130,148
Operating expenses:								
Direct BU O&M	8,942	8,002	(940)	4,243	24,970	24,043	(927)	21,993
Direct SSU Charges	838	957	119	889	2,651	2,949	298	2,856
SSU Allocations	3,969	4,092	123	3,738	11,607	11,934	327	11,331
Provision for bad debts	125	129	4	405	526	532	6	968
Total O&M expense	13,874	13,180	(694)	9,275	39,754	39,458	(296)	37,148
Depreciation & amortization	8,334	8,546	212	7,928	24,699	25,331	632	23,452
Taxes, other than income	3,519	3,556	37	3,531	11,143	11,218	75	10,292
Total operating expenses	25,727	25,282	(445)	20,734	75,596	76,007	411	70,892
Operating income	6,955	9,014	(2,059)	10,104	56,334	58,652	(2,318)	59,256
Other income (expense):								
Interest, net	3,486	3,613	127	3,397	10,463	10,805	342	10,126
Miscellaneous income (expense), net	(1,431)	(1,146)	285	(1,498)	(1,821)	(1,732)	89	(1,554)
Total other income (expense)	2,055	2,467	412	1,899	8,642	9,073	431	8,572
Income (loss) before income taxes	4,900	6,547	(1,647)	8,205	47,692	49,579	(1,887)	50,684
Provision/(Benefit) for income taxes	1,889	2,608	719	3,138	18,844	19,752	908	20,040
Net income (loss)	**$ 3,011**	**$ 3,939**	**$ (928)**	**$ 5,067**	**$ 28,848**	**$ 29,827**	**$ (979)**	**$ 30,644**

Volumes *(Mmcf)*:	QTD Actual	QTD Budget	QTD Fav/ Unfav	QTD FY2015	YTD Actual	YTD Budget	YTD Fav/ Unfav	YTD FY2015
Residential	2,441	2,810	(369)	2,493	15,076	18,212	(3,136)	19,420
Commercial	1,829	2,130	(301)	1,882	9,563	11,189	(1,626)	11,757
Industrial	557	699	(142)	416	2,076	2,741	(665)	2,062
Public Authorities	-	-	0	-	-	-	0	-
Irrigation	169	237	(68)	199	899	1,169	(270)	1,202
Unbilled	(1,242)	(1,460)	218	(1,633)	25	7	18	9
Total Gas Distribution volumes	3,754	4,416	(662)	3,357	27,639	33,318	(5,679)	34,450
Transportation volumes	9,888	10,892	(1,004)	9,668	32,421	34,431	(2,010)	33,129
Total Throughput	**13,642**	**15,308**	**(1,666)**	**13,025**	**60,060**	**67,749**	**(7,689)**	**67,579**

ATMOS energy

Atmos Energy Corporation

Regulated Distribution Operations

Financial Results and Statistical Highlights

KY/Mid-States

For the Period Ended July 31, 2016

Financial Results in *$MM's*	MTD Actual	MTD Budget	MTD Fav/ Unfav	MTD %		YTD Actual	YTD Budget	YTD Fav/ Unfav	YTD %	
Net Income	$ 0.9	$ 0.4	$ 0.5	125.0%	●	$ 29.8	$ 30.3	$ (0.5)	(1.7%)	●
Gross Profit	10.5	10.2	0.3	2.9%	●	142.4	144.9	(2.5)	(1.7%)	●
O&M - Direct BU	2.2	2.8	0.6	21.4%	●	27.2	26.8	(0.4)	(1.5%)	●
Cap Rate	58.1%	56.2%	1.9%		●	57.5%	56.3%	1.2%		●
Capital Spending Activities										
Capital Spending	$ 8.4	$ 9.9	$ (1.5)	(15.2%)	●	$ 84.6	$ 88.8	$ (4.2)	(4.7%)	●

Statistical Information and Indicators *(In thousands except Headcount)*	Act	Bud	Inc/Dec	%		FY2015	Inc/Dec	%	
Customer Base Charge [1]	337	336	1	0.3%	●	334	3	0.9%	●
						Sep-15			
Employee Headcount [2]	392	400	(8)	-2.0%	●	392	-	0.0%	●
Direct O&M [3] per Customer Base Charge	$ 97.2	$ 95.4	$ 1.7	1.8%	●	$ 95.1	$ 2.1	2.2%	●
Direct O&M [3] per Headcount	$ 83.5	$ 80.2	$ 3.4	4.2%	●	$ 81.0	$ 2.5	3.1%	●

(1) Customer Base Charge is rolling 12-month average.
(2) Employee headcount is as of period end.
(3) Direct O&M excludes direct and allocated Shared Services costs and the provision for bad debt expense. Metric calculated on a rolling 12-month average.

Rate Base Information *in $MM's* *(as of period indicated)*	KY	TN	VA
March 31, 2016	$ 288.1	$ 247.9	$ 41.3
September 30, 2014	252.7	201.4	37.5
September 30, 2013	221.3	201.4	36.9

ATMOS energy

Atmos Energy Corporation

Regulated Distribution Operations

Income Statement - Comparative

KY/Mid-States

For the Period Ended July 31, 2016

in $thousands	MTD				YTD			
	Actual	Budget	Fav/ Unfav	FY2015	Actual	Budget	Fav/ Unfav	FY2015
Gross profit:								
Delivered gas	$ 8,348	$ 7,957	$ 391	$ 7,094	$ 115,916	$ 117,001	$ (1,085)	$ 112,517
Transportation	1,989	2,112	(123)	1,911	23,878	24,864	(986)	23,428
Other revenue	152	149	3	180	2,625	3,012	(387)	3,388
Total gross profit	10,489	10,218	271	9,185	142,419	144,877	(2,458)	139,333
Operating expenses:								
Direct BU O&M	2,215	2,750	535	3,459	27,184	26,794	(390)	25,452
Direct SSU Charges	290	309	19	318	2,941	3,258	317	3,174
SSU Allocations	1,615	1,552	(63)	2,220	13,221	13,487	266	13,551
Provision for bad debts	41	39	(2)	35	567	571	4	1,003
Total O&M expense	4,161	4,650	489	6,032	43,913	44,110	197	43,180
Depreciation & amortization	2,824	2,901	77	2,668	27,523	28,232	709	26,120
Taxes, other than income	1,289	1,134	(155)	1,163	12,433	12,352	(81)	11,456
Total operating expenses	8,274	8,685	411	9,863	83,869	84,694	825	80,756
Operating income	2,215	1,533	682	(678)	58,550	60,183	(1,633)	58,577
Other income (expense):								
Interest, net	1,161	1,214	53	1,149	11,624	12,019	395	11,275
Miscellaneous income (expense), net	(465)	(394)	71	(447)	(2,286)	(2,127)	159	(2,001)
Total other income (expense)	696	820	124	702	9,338	9,892	554	9,274
Income (loss) before income taxes	1,519	713	806	(1,380)	49,212	50,291	(1,079)	49,303
Provision/(Benefit) for income taxes	603	284	(319)	(546)	19,447	20,036	589	19,494
Net income (loss)	$ 916	$ 429	$ 487	$ (834)	$ 29,765	$ 30,255	$ (490)	$ 29,809

Volumes *(Mmcf)*:								
Residential	319	326	(7)	316	15,395	18,537	(3,142)	19,736
Commercial	410	391	19	384	9,973	11,580	(1,607)	12,142
Industrial	154	223	(69)	95	2,230	2,964	(734)	2,157
Public Authorities	-	-	0	-	-	-	0	-
Irrigation	28	38	(10)	34	927	1,206	(279)	1,236
Unbilled	(15)	(4)	(11)	(5)	11	3	8	4
Total Gas Distribution volumes	896	974	(78)	824	28,536	34,290	(5,754)	35,275
Transportation volumes	3,025	3,218	(193)	3,077	35,445	37,648	(2,203)	36,206
Total Throughput	3,921	4,192	(271)	3,901	63,981	71,938	(7,957)	71,481

ATMOS energy

Atmos Energy Corporation

Regulated Distribution Operations
Financial Results and Statistical Highlights

KY/Mid-States

For the Period Ended August 31, 2016

Financial Results in *$MM's*	MTD Actual	MTD Budget	MTD Fav/ Unfav	MTD %		YTD Actual	YTD Budget	YTD Fav/ Unfav	YTD %	
Net Income	$ 0.6	$ 0.7	$ (0.1)	(14.3%)		$ 30.4	$ 30.9	$ (0.5)	(1.6%)	
Gross Profit	10.0	10.2	(0.2)	(2.0%)		152.5	155.0	(2.5)	(1.6%)	
O&M - Direct BU	2.9	2.6	(0.3)	(11.5%)		30.0	29.4	(0.6)	(2.0%)	
Cap Rate	59.2%	56.4%	2.8%			57.6%	56.3%	1.3%		
Capital Spending Activities										
Capital Spending	$ 10.1	$ 8.0	$ 2.1	26.3%		$ 94.7	$ 96.8	$ (2.1)	(2.2%)	

Statistical Information and Indicators *(in thousands except Headcount)*	Act	Bud	Inc/Dec	%		FY2015	Inc/Dec	%	
Customer Base Charge (1)	338	336	2	0.6%		334	4	1.2%	
						Sep-15			
Employee Headcount (2)	390	400	(10)	-2.5%		392	(2)	-0.5%	
Direct O&M (3) per Customer Base Charge	$ 97.9	$ 95.5	$ 2.4	2.5%		$ 95.2	$ 2.7	2.9%	
Direct O&M (3) per Headcount	$ 84.8	$ 80.2	$ 4.6	5.7%		$ 81.1	$ 3.7	4.6%	

(1) Customer Base Charge is rolling 12-month average.
(2) Employee headcount is as of period end.
(3) Direct O&M excludes direct and allocated Shared Services costs and the provision for bad debt expense. Metric calculated on a rolling 12-month average.

Rate Base Information *In $MM's (as of period indicated)*	KY	TN	VA
March 31, 2016	$ 288.1	$ 247.9	$ 41.3
September 30, 2014	252.7	201.4	37.5
September 30, 2013	221.3	201.4	36.9

ATMOS energy

Atmos Energy Corporation

Regulated Distribution Operations

Income Statement - Comparative

KY/Mid-States

For the Period Ended August 31, 2016

in $thousands	MTD				YTD			
	Actual	Budget	Fav/ Unfav	FY2015	Actual	Budget	Fav/ Unfav	FY2015
Gross profit:								
Delivered gas	$ 7,707	$ 7,875	$ (168)	$ 7,194	$ 123,622	$ 124,876	$ (1,254)	$ 119,711
Transportation	2,137	2,130	7	2,051	26,014	26,994	(980)	25,480
Other revenue	192	165	27	162	2,819	3,177	(358)	3,549
Total gross profit	10,036	10,170	(134)	9,407	152,455	155,047	(2,592)	148,740
Operating expenses:								
Direct BU O&M	2,857	2,631	(226)	2,512	30,042	29,423	(619)	27,964
Direct SSU Charges	245	335	90	259	3,186	3,594	408	3,433
SSU Allocations	1,086	1,157	71	291	14,307	14,644	337	13,842
Provision for bad debts	38	39	1	35	605	610	5	1,039
Total O&M expense	4,226	4,162	(64)	3,097	48,140	48,271	131	46,278
Depreciation & amortization	2,715	2,954	239	2,715	30,238	31,186	948	28,835
Taxes, other than income	1,278	1,126	(152)	1,141	13,711	13,478	(233)	12,596
Total operating expenses	8,219	8,242	23	6,953	92,089	92,935	846	87,709
Operating income	1,817	1,928	(111)	2,454	60,366	62,112	(1,746)	61,031
Other income (expense):								
Interest, net	1,176	1,220	44	1,149	12,801	13,239	438	12,424
Miscellaneous income (expense), net	(362)	(403)	(41)	(243)	(2,649)	(2,530)	119	(2,244)
Total other income (expense)	814	817	3	906	10,152	10,709	557	10,180
Income (loss) before income taxes	1,003	1,111	(108)	1,548	50,214	51,403	(1,189)	50,851
Provision/(Benefit) for income taxes	399	443	44	612	19,845	20,479	634	20,106
Net income (loss)	$ 604	$ 668	$ (64)	$ 936	$ 30,369	$ 30,924	$ (555)	$ 30,745

Volumes *(Mmcf)* :								
Residential	273	321	(48)	320	15,668	18,859	(3,191)	20,056
Commercial	354	385	(31)	394	10,327	11,965	(1,638)	12,536
Industrial	145	204	(59)	121	2,375	3,169	(794)	2,278
Public Authorities	-	-	0	-	-	-	0	-
Irrigation	24	37	(13)	36	951	1,243	(292)	1,272
Unbilled	(15)	(5)	(10)	(24)	(5)	(3)	(2)	(20)
Total Gas Distribution volumes	781	942	(161)	847	29,316	35,233	(5,917)	36,122
Transportation volumes	3,232	3,228	4	3,263	38,677	40,876	(2,199)	39,469
Total Throughput	4,013	4,170	(157)	4,110	67,993	76,109	(8,116)	75,591

ATMOS energy

Atmos Energy Corporation

Regulated Distribution Operations

Financial Results and Statistical Highlights

KY/Mid-States

For the Period Ended September 30, 2016

Financial Results in *$MM's*	QTD Actual	QTD Budget	QTD Fav/ Unfav	QTD %		YTD Actual	YTD Budget	YTD Fav/ Unfav	YTD %	
Net Income	$ 4.6	$ 1.3	$ 3.3	253.8%	●	$ 33.5	$ 31.1	$ 2.4	7.7%	●
Gross Profit	31.6	30.8	0.8	2.6%	●	163.6	165.4	(1.8)	(1.1%)	●
O&M - Direct BU	8.0	8.3	0.3	3.6%	●	33.0	32.3	(0.7)	(2.2%)	●
Cap Rate	58.9%	56.3%	2.6%		●	57.8%	56.3%	1.5%		●
Capital Spending Activities										
Capital Spending	$ 31.9	$ 26.7	$ 5.2	19.5%	●	$ 108.6	$ 105.6	$ 3.0	2.8%	●

Statistical Information and Indicators *(in thousands except Headcount)*	Act	Bud	Inc/Dec	%		FY15	Inc/Dec	%	
Customer Base Charge [1]	338	336	2	0.6%	●	335	3	0.9%	●
						Sep-15			
Employee Headcount [2]	389	400	(11)	-2.8%	●	392	(3)	-0.8%	●
Direct O&M [3] per Customer Base Charge	$ 97.5	$ 96.2	$ 1.3	1.4%	●	$ 92.6	$ 5.0	5.4%	●
Direct O&M [3] per Headcount	$ 84.8	$ 80.8	$ 3.9	4.8%	●	$ 79.1	$ 5.6	7.1%	●

(1) Customer Base Charge is rolling 12-month average.
(2) Employee headcount is as of period end.
(3) Direct O&M excludes direct and allocated Shared Services costs and the provision for bad debt expense. Metric calculated on a rolling 12-month average.

Rate Base Information *in $MM's* *(as of period indicated)*	KY	TN	VA
September 30, 2016	$ 335.8	$ 274.6	$ 49.1
September 30, 2015	288.1	247.9	41.3
September 30, 2014	252.7	201.4	37.5

ATMOS energy

Atmos Energy Corporation
Regulated Distribution Operations
Financial Results and Statistical Highlights
KY/Mid-States

For the Period Ended September 30, 2016

Quarter-to-Date

- **Gross Profit:** Primary driver is the reversal of the IL gas cost reserve (+$750k). Partially offset by Virginia SAVE true-up filing of ($299k).

- **O&M:** O&M was under budget QTD. Labor was under along with benefits due to the adjustment of the TN regulated asset. Employee welfare was up due to MIP/VPP. Outside services were over due to line locates, ROW clearing and Engineering services. Rent/Utilities were over due to higher utilities and building maintenance. Vehicles were under budget due to lower leases and fuel costs.

- **Capital Spending:** Kentucky capital spend was up for the quarter due mainly to System Integrity functionals (PRP) and System Improvements, Shelbyville 8" lateral line project.
Tennessee capital spend is slightly over budget for the quarter due mainly to the timing of several System Improvement projects: Louisville Rd, Hwy 41A South and Mill Creek.
Virginia capital spend is over budget for the quarter due mainly to the Radford Arsenal growth project.

Year-to-Date

- **Gross Profit:** Primary driver is weather/consumption variance of ($1,075k) due to less HDD than normal. Transportation is down ($972k) primarily due to delay in KY special contracts. Partially offset by reversal of IL gas cost reserve +$750k.

- **O&M:** O&M was slightly over budget YTD. Benefits were under due mainly to the variance. Employee welfare was over budget due to MIP/VPP. Outside services were over due mainly to legal settlement in KY. Vehicles were under due to lower leases and fuel costs.

- **Capital Spending:** Kentucky and Tennessee capital spend ended the year in good shape.
Virginia capital spend was over budget YTD due to the Radford Arsenal growth roject.

ATMOS energy

Atmos Energy Corporation

Regulated Distribution Operations
Income Statement - Comparative
KY/Mid-States

For the Period Ended September 30, 2016

in $thousands	QTD Actual	QTD Budget	QTD Fav/ Unfav	QTD FY2015	YTD Actual	YTD Budget	YTD Fav/ Unfav	YTD FY2015
Gross profit:								
Delivered gas	$ 24,859	$ 23,918	$ 941	$ 20,929	$ 132,426	$ 132,961	$ (535)	$ 126,351
Transportation	6,262	6,371	(109)	5,868	28,151	29,123	(972)	27,385
Other revenue	513	477	36	513	2,987	3,341	(354)	3,722
Total gross profit	31,634	30,766	868	27,310	163,564	165,425	(1,861)	157,458
Operating expenses:								
Direct BU O&M	7,998	8,293	295	9,020	32,968	32,335	(633)	31,013
Direct SSU Charges	909	939	30	922	3,560	3,889	329	3,778
SSU Allocations	4,136	3,883	(253)	4,307	15,743	15,817	74	15,638
Provision for bad debts	318	118	(200)	441	845	650	(195)	1,410
Total O&M expense	13,361	13,233	(128)	14,690	53,116	52,691	(425)	51,839
Depreciation & amortization	8,283	9,314	1,031	8,250	32,982	34,645	1,663	31,702
Taxes, other than income	3,910	3,351	(559)	4,392	15,054	14,569	(485)	14,684
Total operating expenses	25,554	25,898	344	27,332	101,152	101,905	753	98,225
Operating income	6,080	4,868	1,212	(22)	62,412	63,520	(1,108)	59,233
Other income (expense):								
Interest, net	3,561	3,657	96	3,453	14,024	14,462	438	13,579
Miscellaneous income (expense), net	(963)	(959)	4	(907)	(2,784)	(2,692)	92	(2,461)
Total other income (expense)	2,598	2,698	100	2,546	11,240	11,770	530	11,118
Income (loss) before income taxes	3,482	2,170	1,312	(2,568)	51,172	51,750	(578)	48,115
Provision/(Benefit) for income taxes	(1,141)	865	2,006	(1,017)	17,701	20,617	2,916	19,023
Net income (loss)	**$ 4,623**	**$ 1,305**	**$ 3,318**	**$ (1,551)**	**$ 33,471**	**$ 31,133**	**$ 2,338**	**$ 29,092**

Volumes *(Mmcf)*:	QTD Actual	QTD Budget	QTD Fav/ Unfav	QTD FY2015	YTD Actual	YTD Budget	YTD Fav/ Unfav	YTD FY2015
Residential	915	966	(51)	959	15,992	19,178	(3,186)	20,379
Commercial	1,200	1,188	12	1,160	10,762	12,377	(1,615)	12,917
Industrial	449	625	(176)	297	2,525	3,366	(841)	2,359
Public Authorities	-	-	0	-	-	-	0	-
Irrigation	87	112	(25)	104	986	1,281	(295)	1,306
Unbilled	(28)	(9)	(19)	(21)	(3)	(2)	(1)	(12)
Total Gas Distribution volumes	2,623	2,882	(259)	2,499	30,262	36,200	(5,938)	36,949
Transportation volumes	9,456	9,643	(187)	9,399	41,877	44,073	(2,196)	42,528
Total Throughput	**12,079**	**12,525**	**(446)**	**11,898**	**72,139**	**80,273**	**(8,134)**	**79,477**

ATMOS energy

Atmos Energy Corporation

Regulated Distribution Operations

Financial Results and Statistical Highlights

KY/Mid-States

For the Period Ended October 31, 2016

Financial Results in *$MM's*	MTD Actual	MTD Budget	MTD Fav/ Unfav	MTD %		YTD Actual	YTD Budget	YTD Fav/ Unfav	YTD %	
Net Income	$ 2.0	$ 2.0		0.0%		$ 2.0	$ 2.0		0.0%	
Gross Profit	11.9	12.5	(0.6)	(4.8%)		11.9	12.5	(0.6)	(4.8%)	
O&M - Direct BU	2.5	2.7	0.2	7.4%		2.5	2.7	0.2	7.4%	
Cap Rate	57.9%	56.6%	1.3%			57.9%	56.6%	1.3%		
Capital Spending Activities										
Capital Spending	$ 10.2	$ 9.9	$ 0.3	3.0%		$ 10.2	$ 9.9	$ 0.3	3.0%	

Statistical Information and Indicators *(in thousands except Headcount)*	Act	Bud	Inc/Dec	%		FY2016	Inc/Dec	%	
Customer Base Charge (1)	338	331	7	2.1%		335	3	0.9%	
						Sep-16			
Employee Headcount (2)	390	397	(7)	-1.8%		389	1	0.3%	
Direct O&M (3) per Customer Base Charge	$ 96.9	$ 97.8	$ (0.9)	-0.9%		$ 93.3	$ 3.6	3.8%	
Direct O&M (3) per Headcount	$ 84.0	$ 81.5	$ 2.4	3.0%		$ 80.4	$ 3.6	4.5%	

(1) Customer Base Charge is rolling 12-month average.

(2) Employee headcount is as of period end.

(3) Direct O&M excludes direct and allocated Shared Services costs and the provision for bad debt expense. Metric calculated on a rolling 12-month average.

Rate Base Information *in $MM's (as of period indicated)*	KY	TN	VA
September 30, 2016	$ 335.8	$ 274.6	$ 49.1
September 30, 2015	288.1	247.9	41.3
September 30, 2014	252.7	201.4	37.5

ATMOS energy

Atmos Energy Corporation

Regulated Distribution Operations

Income Statement - Comparative

KY/Mid-States

For the Period Ended October 31, 2016

in $thousands	MTD				YTD			
	Actual	Budget	Fav/ Unfav	FY2016	Actual	Budget	Fav/ Unfav	FY2016
Gross profit:								
Delivered gas	$ 9,334	$ 9,915	$ (581)	$ 9,158	$ 9,334	$ 9,915	$ (581)	$ 9,158
Transportation	2,289	2,269	20	2,136	2,289	2,269	20	2,136
Other revenue	240	301	(61)	301	240	301	(61)	301
Total gross profit	11,863	12,485	(622)	11,595	11,863	12,485	(622)	11,595
Operating expenses:								
Direct BU O&M	2,454	2,650	196	2,674	2,454	2,650	196	2,674
Direct SSU Charges	274	297	23	272	274	297	23	272
SSU Allocations	1,195	1,283	88	1,221	1,195	1,283	88	1,221
Provision for bad debts	46	49	3	45	46	49	3	45
Total O&M expense	3,969	4,279	310	4,212	3,969	4,279	310	4,212
Depreciation & amortization	2,684	2,755	71	2,724	2,684	2,755	71	2,724
Taxes, other than income	950	1,024	74	1,187	950	1,024	74	1,187
Total operating expenses	7,603	8,058	455	8,123	7,603	8,058	455	8,123
Operating income	4,260	4,427	(167)	3,472	4,260	4,427	(167)	3,472
Other income (expense):								
Interest, net	1,219	1,243	24	1,160	1,219	1,243	24	1,160
Miscellaneous income (expense), net	(237)	(169)	68	(240)	(237)	(169)	68	(240)
Total other income (expense)	982	1,074	92	920	982	1,074	92	920
Income (loss) before income taxes	3,278	3,353	(75)	2,552	3,278	3,353	(75)	2,552
Provision/(Benefit) for income taxes	1,289	1,319	30	1,016	1,289	1,319	30	1,016
Net income (loss)	$ 1,989	$ 2,034	$ (45)	$ 1,536	$ 1,989	$ 2,034	$ (45)	$ 1,536

Volumes *(Mmcf)*:								
Residential	368	497	(129)	443	368	497	(129)	443
Commercial	469	687	(218)	520	469	687	(218)	520
Industrial	142	145	(3)	137	142	145	(3)	137
Public Authorities	-	-	0	-	-	-	0	-
Irrigation	34	50	(16)	49	34	50	(16)	49
Unbilled	190	434	(244)	382	190	434	(244)	382
Total Gas Distribution volumes	1,203	1,813	(610)	1,531	1,203	1,813	(610)	1,531
Transportation volumes	3,425	3,186	239	3,158	3,425	3,186	239	3,158
Total Throughput	4,628	4,999	(371)	4,689	4,628	4,999	(371)	4,689

ATMOS energy

Atmos Energy Corporation

Regulated Distribution Operations

Financial Results and Statistical Highlights

KY/Mid-States

For the Period Ended November 30, 2016

Financial Results in *$MM's*	MTD Actual	MTD Budget	MTD Fav/ Unfav	MTD %		YTD Actual	YTD Budget	YTD Fav/ Unfav	YTD %	
Net Income	$ 3.2	$ 3.4	$ (0.2)	(5.9%)		$ 5.1	$ 5.4	$ (0.3)	(5.6%)	
Gross Profit	14.7	15.2	(0.5)	(3.3%)		26.6	27.7	(1.1)	(4.0%)	
O&M - Direct BU	2.8	2.8	0.0	0.0%		5.2	5.5	0.3	5.5%	
Cap Rate	57.0%	56.7%	0.3%			57.5%	56.7%	0.8%		
Capital Spending Activities										
Capital Spending	$ 10.0	$ 13.5	$ (3.5)	(25.9%)		$ 20.2	$ 23.5	$ (3.3)	(14.0%)	

Statistical Information and Indicators *(in thousands except Headcount)*	Act	Bud	Inc/Dec	%		FY2016	Inc/Dec	%	
Customer Base Charge (1)	338	331	7	2.1%		335	3	0.9%	
						Sep-16			
Employee Headcount (2)	387	398	$ (11.0)	-2.8%		389	$ (2.0)	-0.5%	
Direct O&M (3) per Customer Base Charge	$ 97.2	$ 97.8	$ (0.6)	-0.7%		$ 93.9	$ 3.2	3.5%	
Direct O&M (3) per Headcount	$ 84.9	$ 81.3	$ 3.5	4.3%		$ 80.9	$ 4.0	4.9%	

(1) Customer Base Charge is rolling 12-month average.

(2) Employee headcount is as of period end.

(3) Direct O&M excludes direct and allocated Shared Services costs and the provision for bad debt expense. Metric calculated on a rolling 12-month average.

Rate Base Information *in $MM's (as of period indicated)*	KY	TN	VA
September 30, 2016	$ 335.8	$ 274.6	$ 49.1
September 30, 2015	288.1	247.9	41.3
September 30, 2014	252.7	201.4	37.5

ATMOS energy

Atmos Energy Corporation

Regulated Distribution Operations

Income Statement - Comparative

KY/Mid-States

For the Period Ended November 30, 2016

in $thousands	MTD				YTD			
	Actual	Budget	Fav/ Unfav	FY2016	Actual	Budget	Fav/ Unfav	FY2016
Gross profit:								
Delivered gas	$ 11,642	$ 12,345	$ (703)	$ 11,225	$ 20,976	$ 22,260	$ (1,284)	$ 20,383
Transportation	2,734	2,539	195	2,533	5,023	4,808	215	4,669
Other revenue	342	287	55	255	582	588	(6)	556
Total gross profit	14,718	15,171	(453)	14,013	26,581	27,656	(1,075)	25,608
Operating expenses:								
Direct BU O&M	2,759	2,843	84	2,665	5,213	5,493	280	5,339
Direct SSU Charges	252	313	61	323	526	610	84	595
SSU Allocations	1,247	1,328	81	1,177	2,442	2,611	169	2,398
Provision for bad debts	57	61	4	55	103	110	7	101
Total O&M expense	4,315	4,545	230	4,220	8,284	8,824	540	8,433
Depreciation & amortization	2,707	2,767	60	2,728	5,390	5,522	132	5,453
Taxes, other than income	1,145	1,080	(65)	1,353	2,096	2,104	8	2,540
Total operating expenses	8,167	8,392	225	8,301	15,770	16,450	680	16,426
Operating income	6,551	6,779	(228)	5,712	10,811	11,206	(395)	9,182
Other income (expense):								
Interest, net	1,229	1,248	19	1,155	2,448	2,491	43	2,315
Miscellaneous income (expense), net	128	(76)	(204)	(87)	(108)	(245)	(137)	(327)
Total other income (expense)	1,357	1,172	(185)	1,068	2,340	2,246	(94)	1,988
Income (loss) before income taxes	5,194	5,607	(413)	4,644	8,471	8,960	(489)	7,194
Provision/(Benefit) for income taxes	2,043	2,204	161	1,850	3,331	3,523	192	2,866
Net income (loss)	**$ 3,151**	**$ 3,403**	**$ (252)**	**$ 2,794**	**$ 5,140**	**$ 5,437**	**$ (297)**	**$ 4,328**

Volumes *(Mmcf)*:								
Residential	754	1,264	(510)	933	1,122	1,761	(639)	1,377
Commercial	578	851	(273)	642	1,047	1,538	(491)	1,162
Industrial	152	162	(10)	126	294	307	(13)	263
Public Authorities	-	-	0	-	-	-	0	-
Irrigation	52	85	(33)	63	86	135	(49)	112
Unbilled	758	888	(130)	559	947	1,323	(376)	941
Total Gas Distribution volumes	2,294	3,250	(956)	2,323	3,496	5,064	(1,568)	3,855
Transportation volumes	3,743	3,495	248	3,328	7,168	6,681	487	6,487
Total Throughput	**6,037**	**6,745**	**(708)**	**5,651**	**10,664**	**11,745**	**(1,081)**	**10,342**

ATMOS energy

Atmos Energy Corporation

Distribution Operations

Financial Results and Statistical Highlights

KY/Mid-States

For the Period Ended December 31, 2016

Financial Results in $MM's	QTD Actual	QTD Budget	QTD Fav/ Unfav	QTD %		YTD Actual	YTD Budget	YTD Fav/ Unfav	YTD %	
Net Income	$ 11.5	$ 11.3	$ 0.2	1.8%		$ 11.5	$ 11.3	$ 0.2	1.8%	
Gross Profit	46.4	46.9	(0.5)	(1.1%)		46.4	46.9	(0.5)	(1.1%)	
O&M - Direct BU	8.2	8.2	0.0	0.0%		8.2	8.2	0.0	0.0%	
Cap Rate	56.7%	56.7%	0.0%			56.7%	56.7%	0.0%		
Capital Spending Activities										
Capital Spending	$ 29.6	$ 32.2	$ (2.6)	(8.1%)		$ 29.6	$ 32.2	$ (2.6)	(8.1%)	
Project Closings	$ 29.5	$ 37.0	$ (7.5)	(20.3%)		$ 29.5	$ 37.0	$ (7.5)	(20.3%)	

Statistical Information and Indicators *(in thousands except Headcount)*	Act	Bud	Inc/Dec	%		FY16	Inc/Dec	%	
Customer Base Charge (1)	335	328	7	2.1%		333	2	0.6%	
						Sep-16			
Employee Headcount (2)	382	398	(16)	-4.0%		389	(7)	-1.8%	
Direct O&M (3) per Customer Base Charge	$ 98.9	$ 97.4	$ 1.5	1.5%		$ 91.9	$ 6.9	7.5%	
Direct O&M (3) per Headcount	$ 86.7	$ 80.3	$ 6.4	8.0%		$ 78.7	$ 8.0	10.1%	

(1) Customer Base Charge is rolling 12-month average.
(2) Employee headcount is as of period end.
(3) Direct O&M excludes direct and allocated Shared Services costs and the provision for bad debt expense. Metric calculated on a rolling 12-month average.

Rate Base Information *in $MM's (as of period indicated)*	KY	TN	VA
September 30, 2016	$ 335.8	$ 274.6	$ 49.1
September 30, 2015	288.1	247.9	41.3
September 30, 2014	252.7	201.4	37.5

ATMOS energy

Atmos Energy Corporation

Distribution Operations
Financial Results and Statistical Highlights
KY/Mid-States

For the Period Ended December 31, 2016

Quarter-to-Date

- **Gross Profit:** Two drivers contributing to the variance. Weather/consumption variance of ($590k) with the majority of that occuring in November. Second driver is due to differences in assumed rate case outcomes ($707k) in Kentucky and Virginia. Delay in Kentucky PSC approval of PRP rates being the primary driver of the rate case outcome variance.

- **O&M:** O&M was on budget for the quarter. Outside services was over budget due to timing of TN one call billing and Magnolia River invoices that have yet to be assigned a project. The Magnolia River charges will be reversed when projects have been created. This overage was offset by under budget in Benefits variance, Miscellaneous and Employee Travel, Vehicles and Employee Welfare.

- **Capital Spending/ Project Closings:**

Tennessee: Total Tennesee variance is 5.3% for the quarter. Part of variance due to timing delay of East Tennessee WMR purchase ($230k). Endpoints were ordered well in advance of budgeted November date because of long lead time between order and delivery. Sensus was able to deliver partial order in December with remaining portion to be delivered and susbsequently paid for in January business.
Other driver of TN variance is a combination of Middle TN projects that were shuffled around for various reasons ($328k).

Kentucky: PRP under spend mainly due to land acquisition. We have 3 high pressure projects (being managed by Magnolia River but have had delays on easement acquisition. We have approved agreements with Percheron to secure the land and they have provided significant resources on the ground. We plan to be caught up by the 2nd quarter end but is strictly dependent on land owner negotiations. Projects are Springfield to Calvary ($503k), Marion to Fredonia ($837k) and Lake City ($295k).

Virginia: The Radford Arsenal project is delayed due to on-going design work regarding the interconnect with Spectra Energy. Unanticipated changes required by Spectra regarding the design and component requirements of the new interconnect station have caused significant delay. The design work has been complete and we have received confirmation on delivery of all components for early March, 2017. The new 8" pipeline is nearing completion, on schedule, and all private easements are secured and executed. A temporary contingency plan has been developed in conjunction with Spectra that will allow us to flow the majority of the Arsenal's needs until such time as all work at the interconnect is complete, but beyond that, we are not anticipating completion of the project before the end of March. YTD underspend ($725k).

Year-to-Date

Same as above

ATMOS energy

Atmos Energy Corporation

Distribution Operations

Income Statement - Comparative

KY/Mid-States

For the Period Ended December 31, 2016

in $thousands	QTD				YTD			
	Actual	Budget	Fav/ Unfav	FY2016	Actual	Budget	Fav/ Unfav	FY2016
Gross profit:								
Delivered gas	$ 37,495	$ 38,618	$ (1,123)	$ 35,462	$ 37,495	$ 38,618	$ (1,123)	$ 35,462
Transportation	8,040	7,410	630	7,134	8,040	7,410	630	7,134
Other revenue	903	886	17	850	903	886	17	850
Total gross profit	46,438	46,914	(476)	43,446	46,438	46,914	(476)	43,446
Operating expenses:								
Direct BU O&M	8,201	8,179	(22)	8,054	8,201	8,179	(22)	8,054
Direct SSU Charges	904	966	62	858	904	966	62	858
SSU Allocations	3,642	3,941	299	3,507	3,642	3,941	299	3,507
Provision for bad debts	184	190	6	174	184	190	6	174
Total O&M expense	12,931	13,276	345	12,593	12,931	13,276	345	12,593
Depreciation & amortization	8,113	8,303	190	8,187	8,113	8,303	190	8,187
Taxes, other than income	3,094	3,175	81	3,748	3,094	3,175	81	3,748
Total operating expenses	24,138	24,754	616	24,528	24,138	24,754	616	24,528
Operating income	22,300	22,160	140	18,918	22,300	22,160	140	18,918
Other income (expense):								
Interest, net	3,716	3,755	39	3,486	3,716	3,755	39	3,486
Miscellaneous income (expense), net	(240)	(161)	79	(213)	(240)	(161)	79	(213)
Total other income (expense)	3,476	3,594	118	3,273	3,476	3,594	118	3,273
Income (loss) before income taxes	18,824	18,566	258	15,645	18,824	18,566	258	15,645
Provision/(Benefit) for income taxes	7,366	7,300	(66)	6,199	7,366	7,300	(66)	6,199
Net income (loss)	**$ 11,458**	**$ 11,266**	**$ 192**	**$ 9,446**	**$ 11,458**	**$ 11,266**	**$ 192**	**$ 9,446**

Volumes *(Mmcf)*:								
Residential	3,664	4,523	(859)	3,344	3,664	4,523	(859)	3,344
Commercial	2,481	3,106	(625)	2,316	2,481	3,106	(625)	2,316
Industrial	575	557	18	491	575	557	18	491
Public Authorities	-	-	0	-	-	-	0	-
Irrigation	220	309	(89)	224	220	309	(89)	224
Unbilled	1,936	2,196	(260)	1,286	1,936	2,196	(260)	1,286
Total Gas Distribution volumes	8,876	10,691	(1,815)	7,661	8,876	10,691	(1,815)	7,661
Transportation volumes	11,471	10,228	1,243	9,842	11,471	10,228	1,243	9,842
Total Throughput	**20,347**	**20,919**	**(572)**	**17,503**	**20,347**	**20,919**	**(572)**	**17,503**

ATMOS energy

Atmos Energy Corporation

Distribution Operations

Financial Results and Statistical Highlights

KY/Mid-States

For the Period Ended January 31, 2017

Financial Results in $MM's	MTD Actual	MTD Budget	MTD Fav/ Unfav	MTD %		YTD Actual	YTD Budget	YTD Fav/ Unfav	YTD %	
Net Income	$ 8.3	$ 8.0	$ 0.3	3.8%		$ 19.8	$ 19.3	$ 0.5	2.6%	
Gross Profit	23.3	22.8	0.5	2.2%		69.7	69.8	(0.1)	(0.1%)	
O&M - Direct BU	2.4	2.7	0.3	11.1%		10.6	10.9	0.3	2.8%	
Cap Rate	55.9%	56.7%	(0.8%)			56.5%	56.7%	(0.2%)		
Capital Spending Activities										
Capital Spending	$ 11.0	$ 8.0	$ 3.0	37.5%		$ 40.7	$ 40.2	$ 0.5	1.2%	
Project Closings	$ 5.5	$ 15.9	$ (10.4)	(65.4%)		$ 34.7	$ 45.8	$ (11.1)	(24.2%)	

Statistical Information and Indicators *(in thousands except Headcount)*	Act	Bud	Inc/Dec	%		FY16	Inc/Dec	%	
Customer Base Charge [1]	339	333	6	1.8%		335	4	1.2%	
						Sep-16			
Employee Headcount [2]	380	398	(18)	-4.5%		389	(9)	-2.3%	
Direct O&M [3] per Customer Base Charge	$ 97.4	$ 97.6	$ (0.2)	-0.2%		$ 86.3	$ 11.1	12.9%	
Direct O&M [3] per Headcount	$ 86.9	$ 81.7	$ 5.2	6.4%		$ 74.3	$ 12.6	16.9%	

(1) Customer Base Charge is rolling 12-month average.
(2) Employee headcount is as of period end.
(3) Direct O&M excludes direct and allocated Shared Services costs and the provision for bad debt expense. Metric calculated on a rolling 12-month average.

Rate Base Information *in $MM's (as of period indicated)*	KY	TN	VA
September 30, 2016	$ 335.8	$ 274.6	$ 49.1
September 30, 2015	288.1	247.9	41.3
September 30, 2014	252.7	201.4	37.5

ATMOS energy

Atmos Energy Corporation

Distribution Operations

Income Statement - Comparative

KY/Mid-States

For the Period Ended January 31, 2017

in $thousands	MTD Actual	MTD Budget	MTD Fav/ Unfav	MTD FY2016	YTD Actual	YTD Budget	YTD Fav/ Unfav	YTD FY2016
Gross profit:								
Delivered gas	$ 19,904	$ 19,774	$ 130	$ 17,809	$ 57,400	$ 58,392	$ (992)	$ 53,271
Transportation	3,020	2,758	262	3,052	11,059	10,167	892	10,186
Other revenue	366	310	56	285	1,269	1,197	72	1,135
Total gross profit	23,290	22,842	448	21,146	69,728	69,756	(28)	64,592
Operating expenses:								
Direct BU O&M	2,443	2,675	232	2,531	10,644	10,854	210	10,584
Direct SSU Charges	430	325	(105)	268	1,334	1,291	(43)	1,127
SSU Allocations	1,475	1,370	(105)	1,453	5,117	5,311	194	4,960
Provision for bad debts	96	96	0	87	280	286	6	262
Total O&M expense	4,444	4,466	22	4,339	17,375	17,742	367	16,933
Depreciation & amortization	2,727	2,798	71	2,713	10,840	11,101	261	10,900
Taxes, other than income	1,345	1,249	(96)	1,399	4,439	4,424	(15)	5,147
Total operating expenses	8,516	8,513	(3)	8,451	32,654	33,267	613	32,980
Operating income	14,774	14,329	445	12,695	37,074	36,489	585	31,612
Other income (expense):								
Interest, net	1,218	1,262	44	1,167	4,934	5,017	83	4,654
Miscellaneous income (expense), net	(203)	(98)	105	(111)	(443)	(259)	184	(325)
Total other income (expense)	1,015	1,164	149	1,056	4,491	4,758	267	4,329
Income (loss) before income taxes	13,759	13,165	594	11,639	32,583	31,731	852	27,283
Provision/(Benefit) for income taxes	5,426	5,176	(250)	4,611	12,792	12,476	(316)	10,810
Net income (loss)	$ 8,333	$ 7,989	$ 344	$ 7,028	$ 19,791	$ 19,255	$ 536	$ 16,473

Volumes *(Mmcf)*:	MTD Actual	MTD Budget	MTD Fav/ Unfav	MTD FY2016	YTD Actual	YTD Budget	YTD Fav/ Unfav	YTD FY2016
Residential	3,517	4,123	(606)	3,083	7,181	8,646	(1,465)	6,427
Commercial	2,061	2,241	(180)	1,771	4,542	5,346	(804)	4,087
Industrial	399	346	53	330	974	903	71	821
Public Authorities	-	-	0	-	-	-	0	-
Irrigation	180	223	(43)	172	400	532	(132)	396
Unbilled	1	776	(775)	1,970	1,937	2,972	(1,035)	3,256
Total Gas Distribution volumes	6,158	7,709	(1,551)	7,326	15,034	18,399	(3,365)	14,987
Transportation volumes	4,294	3,780	514	4,804	15,765	14,008	1,757	14,646
Total Throughput	10,452	11,489	(1,037)	12,130	30,799	32,407	(1,608)	29,633

ATMOS energy

Atmos Energy Corporation

Distribution Operations

Financial Results and Statistical Highlights

KY/Mid-States

For the Period Ended February 28, 2017

Financial Results in $MM's	MTD Actual	MTD Budget	MTD Fav/ Unfav	MTD %		YTD Actual	YTD Budget	YTD Fav/ Unfav	YTD %	
Net Income	$ 5.8	$ 6.6	$ (0.8)	(12.1%)		$ 25.6	$ 25.8	$ (0.2)	(0.8%)	
Gross Profit	18.8	20.3	(1.5)	(7.4%)		88.5	90.1	(1.6)	(1.8%)	
O&M - Direct BU	2.5	2.6	0.1	3.8%		13.1	13.4	0.3	2.2%	
Cap Rate	56.6%	56.6%	0.0%			56.5%	56.7%	(0.2%)		
Capital Spending Activities										
Capital Spending	$ 8.6	$ 9.0	$ (0.4)	(4.4%)		$ 49.3	$ 49.2	$ 0.1	0.2%	
Project Closings	$ 5.3	$ 9.1	$ (3.8)	(41.8%)		$ 40.0	$ 54.9	$ (14.9)	(27.1%)	

Statistical Information and Indicators (in thousands except Headcount)	Act	Bud	Inc/Dec	%		FY16	Inc/Dec	%	
Customer Base Charge [1]	340	333	7	2.1%		336	4	1.2%	
						Sep-16			
Employee Headcount [2]	382	398	(16)	-4.0%		389	(7)	-1.8%	
Direct O&M [3] per Customer Base Charge	$ 97.3	$ 97.3	$ 0.0	0.0%		$ 85.5	$ 11.8	13.8%	
Direct O&M [3] per Headcount	$ 86.6	$ 81.4	$ 5.2	6.4%		$ 73.9	$ 12.8	17.3%	

(1) Customer Base Charge is rolling 12-month average.
(2) Employee headcount is as of period end.
(3) Direct O&M excludes direct and allocated Shared Services costs and the provision for bad debt expense. Metric calculated on a rolling 12-month average.

Rate Base Information in $MM's (as of period indicated)	KY	TN	VA
September 30, 2016	$ 335.8	$ 274.6	$ 49.1
September 30, 2015	288.1	247.9	41.3
September 30, 2014	252.7	201.4	37.5

ATMOS energy

Atmos Energy Corporation

Distribution Operations

Income Statement - Comparative

KY/Mid-States

For the Period Ended February 28, 2017

in $thousands	MTD Actual	MTD Budget	MTD Fav/ Unfav	MTD FY2016	YTD Actual	YTD Budget	YTD Fav/ Unfav	YTD FY2016
Gross profit:								
Delivered gas	$ 15,619	$ 16,494	$ (875)	$ 14,843	$ 73,018	$ 74,887	$ (1,869)	$ 68,114
Transportation	2,757	3,413	(656)	2,637	13,817	13,581	236	12,823
Other revenue	375	403	(28)	359	1,644	1,598	46	1,494
Total gross profit	18,751	20,310	(1,559)	17,839	88,479	90,066	(1,587)	82,431
Operating expenses:								
Direct BU O&M	2,477	2,555	78	2,416	13,121	13,409	288	13,001
Direct SSU Charges	348	374	26	361	1,682	1,665	(17)	1,488
SSU Allocations	1,474	1,291	(183)	1,206	6,591	6,602	11	6,166
Provision for bad debts	75	80	5	71	355	366	11	333
Total O&M expense	4,374	4,300	(74)	4,054	21,749	22,042	293	20,988
Depreciation & amortization	2,735	2,816	81	2,711	13,575	13,917	342	13,611
Taxes, other than income	1,148	1,150	2	1,264	5,587	5,574	(13)	6,411
Total operating expenses	8,257	8,266	9	8,029	40,911	41,533	622	41,010
Operating income	10,494	12,044	(1,550)	9,810	47,568	48,533	(965)	41,421
Other income (expense):								
Interest, net	1,256	1,250	(6)	1,158	6,190	6,267	77	5,811
Miscellaneous income (expense), net	(353)	(33)	320	(5)	(796)	(292)	504	(329)
Total other income (expense)	903	1,217	314	1,153	5,394	5,975	581	5,482
Income (loss) before income taxes	9,591	10,827	(1,236)	8,657	42,174	42,558	(384)	35,939
Provision/(Benefit) for income taxes	3,783	4,257	474	3,429	16,575	16,733	158	14,240
Net income (loss)	$ 5,808	$ 6,570	$ (762)	$ 5,228	$ 25,599	$ 25,825	$ (226)	$ 21,699

Volumes *(Mmcf)*:	MTD Actual	MTD Budget	MTD Fav/ Unfav	MTD FY2016	YTD Actual	YTD Budget	YTD Fav/ Unfav	YTD FY2016
Residential	2,594	3,786	(1,192)	3,698	9,775	12,432	(2,657)	10,125
Commercial	1,531	2,180	(649)	2,172	6,073	7,526	(1,453)	6,259
Industrial	377	396	(19)	432	1,351	1,298	53	1,253
Public Authorities	-	-	0	-	-	-	0	-
Irrigation	135	255	(120)	198	535	787	(252)	594
Unbilled	(725)	(924)	199	(1,738)	1,212	2,048	(836)	1,518
Total Gas Distribution volumes	3,912	5,693	(1,781)	4,762	18,946	24,091	(5,145)	19,749
Transportation volumes	3,660	4,714	(1,054)	4,126	19,425	18,722	703	18,772
Total Throughput	7,572	10,407	(2,835)	8,888	38,371	42,813	(4,442)	38,521

ATMOS energy

Atmos Energy Corporation

Distribution Operations

Financial Results and Statistical Highlights

KY/Mid-States

For the Period Ended March 31, 2017

	QTD					YTD				
Financial Results in $MM's	Actual	Budget	Fav/ Unfav	%		Actual	Budget	Fav/ Unfav	%	
Net Income	$ 18.4	$ 19.7	$ (1.3)	(6.6%)		$ 29.8	$ 30.9	$ (1.1)	(3.6%)	
Gross Profit	59.2	61.5	(2.3)	(3.7%)		105.7	108.5	(2.8)	(2.6%)	
O&M - Direct BU	8.0	8.1	0.1	1.2%		16.2	16.3	0.1	0.6%	
Cap Rate	56.5%	56.7%	(0.2%)			56.6%	56.7%	(0.1%)		
Capital Spending Activities										
Capital Spending	$ 31.7	$ 26.7	$ 5.0	18.7%		$ 61.4	$ 58.9	$ 2.5	4.2%	
Project Closings	$ 18.2	$ 27.3	$ (9.1)	(33.3%)		$ 47.8	$ 64.3	$ (16.5)	(25.7%)	

Statistical Information and Indicators *(in thousands except Headcount)*	Act	Bud	Inc/Dec	%		FY16	Inc/Dec	%	
Customer Base Charge (1)	340	334	6	1.8%		336	4	1.2%	
						Sep-16			
Employee Headcount (2)	379	398	(19)	-4.8%		389	(10)	-2.6%	
Direct O&M (3) per Customer Base Charge	$ 97.6	$ 97.6	$ (0.0)	0.0%		$ 87.2	$ 10.4	12.0%	
Direct O&M (3) per Headcount	$ 87.6	$ 81.9	$ 5.6	6.9%		$ 75.3	$ 12.3	16.3%	

(1) Customer Base Charge is rolling 12-month average.
(2) Employee headcount is as of period end.
(3) Direct O&M excludes direct and allocated Shared Services costs and the provision for bad debt expense. Metric calculated on a rolling 12-month average.

Rate Base Information *in $MM's (as of period indicated)*	KY	TN	VA
September 30, 2016	$ 335.8	$ 274.6	$ 49.1
September 30, 2015	288.1	247.9	41.3
September 30, 2014	252.7	201.4	37.5

ATMOS energy

Atmos Energy Corporation

Distribution Operations
Financial Results and Statistical Highlights
KY/Mid-States

For the Period Ended March 31, 2017

Quarter-to-Date

- Gross Profit: Primary driver for the quarter is the weather/consumption variance of ($1,918k). We experienced 28% less heating degree days than normal. Transportation had a unfavorable variance of ($772k) with the Radford Arsenal start delay responsible for ($351k).

- O&M: O&M is slightly favorable, $87k. Employee welfare is unfavorable ($246k) due to MIP/VPP entry made at the 091 division level. We had a favorable variance in outside services due to reversal of Magnolia River preliminary engineering invoices from temporary O&M projects to specific capital projects. In addition, employee T&E expenses are favorable $86k due to less travel.

- Capital Spending:

Tennessee: Primary variance is the timing of the Beechcroft Road relocation reimbursement $1,459k in Spring Hill, TN. Reimbursement forecasted to post in June business.

Kentucky: QTD variance is within 1.5% of budget and immaterial in nature. As with any quarter, you have timing difference where some projects jump ahead of schedule and others do not. Primary outlier is timing of the Danville town border station (TBS) replacement project ($815k) due to mild winter.

Virginia: The Radford Arsenal project had been delayed due to on-going design work regarding the interconnect with Spectra Energy. Unanticipated changes required by Spectra regarding the design and component requirements of the new interconnect station caused significant delay and disruption in what was the anticipated spend breakdown between FY 2016 and 2017. Agreement was reached on most if not all the design work changes in Quarter 2 which resulted in ($2,686k) spend.

Year-to-Date

- Gross Profit: Primary year to date is the weather/consumption variance of ($2,508k). We experienced 25% less heating degree days than normal for the year.

- O&M: O&M year to date is slightly favorable, $64k. Labor is unfavorable due to overtime ($107k). Employee welfare is unfavorable ($211k) due to MIP/VPP entry made at the 091 division level. Outside services are unfavorable ($115k) due to Magnolia River preliminary engineering invoices, TN one call and timing of pipeline integrity spending. These overages were offset by a favorable miscellaneous $123k variance because of no KY rate case amortization. Employee T&E expenses $206k and vehicle expenses $76k coming in favorable versus budget. We have projected a portion of the favorable T&E and vehicle expense savings to be permanent for FY 2017.

- Capital Spending:

Tennessee: Primary variance is timing of Beechcroft Road relocation in Spring Hill, TN. ($1,666k). Generally speaking, the warmer than normal winter has allowed us to finish Quarters 1 and 2 projects ahead of schedule and in some cases get a head start on Quarter 3 spend. That said, we expect to be within +/- 5% of budget with no issues by fiscal year-end

Kentucky: YTD overall variance is 4.9% and within the immaterial range. Generally speaking, the warmer than normal winter has allowed us to finish Quarters 1 and 2 projects ahead of schedule and get a head start on Quarter 3 spend. We did have unbudgeted FY16 carry-over spend on HCAs in Paducah ($72k) and Owensboro ($379k) that will be permanent. PRP underspend mainly due to land acquisition. We have 3 high pressure projects being managed by Magnolia River but have had delays on easement acquisition. We have approved agreements with Percheron to secure the land and they have provided significant resources on the ground. We made significant progess but still fell short on two of the projects in the 2nd quarter. Projects are Springfield to Calvary $280k, Marion to Fredonia ($1,246k) and Lake City ($463k).

Virginia: The Radford Arsenal project was delayed due to on-going design work regarding the interconnect with Spectra Energy . Unanticipated changes required by Spectra regarding the design and component requirements of the new interconnect station caused significant delay and disruption in what was the anticipated spend breakdown between FY 2016 and 2017. Overall, the project is within the approved estimate but more spend fell into FY 2017 than originally planned ($2,364k).

ATMOS energy

Atmos Energy Corporation

Distribution Operations
Income Statement - Comparative
KY/Mid-States

For the Period Ended March 31, 2017

in $thousands	QTD				YTD			
	Actual	Budget	Fav/ Unfav	FY2016	Actual	Budget	Fav/ Unfav	FY2016
Gross profit:								
Delivered gas	$ 49,463	$ 51,109	$ (1,646)	$ 46,616	$ 86,958	$ 89,727	$ (2,769)	$ 82,079
Transportation	8,577	9,349	(772)	8,187	16,616	16,758	(142)	15,321
Other revenue	1,206	1,080	126	999	2,110	1,967	143	1,848
Total gross profit	59,246	61,538	(2,292)	55,802	105,684	108,452	(2,768)	99,248
Operating expenses:								
Direct BU O&M	8,043	8,129	86	7,974	16,244	16,309	65	16,027
Direct SSU Charges	1,163	1,071	(92)	954	2,067	2,036	(31)	1,813
SSU Allocations	4,344	4,189	(155)	4,131	7,986	8,130	144	7,638
Provision for bad debts	238	249	11	227	421	439	18	401
Total O&M expense	13,788	13,638	(150)	13,286	26,718	26,914	196	25,879
Depreciation & amortization	8,213	8,439	226	8,178	16,325	16,742	417	16,366
Taxes, other than income	3,651	3,499	(152)	3,877	6,745	6,674	(71)	7,625
Total operating expenses	25,652	25,576	(76)	25,341	49,788	50,330	542	49,870
Operating income	33,594	35,962	(2,368)	30,461	55,896	58,122	(2,226)	49,378
Other income (expense):								
Interest, net	3,694	3,773	79	3,491	7,411	7,529	118	6,977
Miscellaneous income (expense), net	(596)	(198)	398	(176)	(837)	(360)	477	(390)
Total other income (expense)	3,098	3,575	477	3,315	6,574	7,169	595	6,587
Income (loss) before income taxes	30,496	32,387	(1,891)	27,146	49,322	50,953	(1,631)	42,791
Provision/(Benefit) for income taxes	12,100	12,734	634	10,755	19,477	20,035	558	16,954
Net income (loss)	$ 18,396	$ 19,653	$ (1,257)	$ 16,391	$ 29,845	$ 30,918	$ (1,073)	$ 25,837

Volumes *(Mmcf)*:								
Residential	8,118	10,904	(2,786)	9,292	11,781	15,427	(3,646)	12,636
Commercial	4,863	6,179	(1,316)	5,418	7,344	9,284	(1,940)	7,734
Industrial	1,169	989	180	1,028	1,744	1,546	198	1,519
Irrigation	-	-	0	-	-	-	0	-
Public Authorities	420	675	(255)	506	640	984	(344)	730
Unbilled	(975)	(736)	(239)	(19)	961	1,460	(499)	1,267
Total Gas Distribution volumes	13,595	18,011	(4,416)	16,225	22,470	28,701	(6,231)	23,886
Transportation volumes	11,927	12,862	(935)	12,691	23,398	23,090	308	22,533
Total Throughput	25,522	30,873	(5,351)	28,916	45,868	51,791	(5,923)	46,419

ATMOS energy

Atmos Energy Corporation

Distribution Operations

Financial Results and Statistical Highlights

KY/Mid-States

For the Period Ended April 30, 2017

Financial Results in *$MM's*	MTD Actual	MTD Budget	MTD Fav/ Unfav	MTD %		YTD Actual	YTD Budget	YTD Fav/ Unfav	YTD %	
Net Income	$ 2.7	$ 2.7		0.0%		$ 32.6	$ 33.6	$ (1.0)	(3.0%)	
Gross Profit	13.5	13.9	(0.4)	(2.9%)		119.1	122.4	(3.3)	(2.7%)	
O&M - Direct BU	2.4	2.7	0.3	11.1%		18.6	19.0	0.4	2.1%	
Cap Rate	56.4%	56.6%	(0.2%)			56.6%	56.7%	(0.1%)		
Capital Spending Activities										
Capital Spending	$ 10.2	$ 11.3	$ (1.1)	(9.7%)		$ 71.6	$ 70.2	$ 1.4	2.0%	
Project Closings	$ 14.1	$ 10.8	$ 3.3	30.6%		$ 61.9	$ 75.1	$ (13.2)	(17.6%)	

Statistical Information and Indicators *(in thousands except Headcount)*	Act	Bud	Inc/Dec	%		FY16	Inc/Dec	%	
Customer Base Charge [1]	340	335	5	1.5%		336	4	1.2%	
						Sep-16			
Employee Headcount [2]	380	397	(17)	-4.3%		389	(9)	-2.3%	
Direct O&M [3] per Customer Base Charge	$ 95.7	$ 97.5	$ (1.8)	-1.8%		$ 100.4	$ (4.7)	-4.7%	
Direct O&M [3] per Headcount	$ 85.7	$ 82.3	$ 3.4	4.1%		$ 86.8	$ (1.1)	-1.3%	

(1) Customer Base Charge is rolling 12-month average.
(2) Employee headcount is as of period end.
(3) Direct O&M excludes direct and allocated Shared Services costs and the provision for bad debt expense. Metric calculated on a rolling 12-month average.

Rate Base Information *in $MM's* *(as of period indicated)*	KY	TN	VA
September 30, 2016	$ 335.8	$ 274.6	$ 49.1
September 30, 2015	288.1	247.9	41.3
September 30, 2014	252.7	201.4	37.5

ATMOS energy

Atmos Energy Corporation

Distribution Operations

Income Statement - Comparative

KY/Mid-States

For the Period Ended April 30, 2017

in $thousands	MTD Actual	MTD Budget	MTD Fav/ Unfav	MTD FY2016	YTD Actual	YTD Budget	YTD Fav/ Unfav	YTD FY2016
Gross profit:								
Delivered gas	$ 10,784	$ 10,638	$ 146	$ 9,085	$ 97,742	$ 100,365	$ (2,623)	$ 91,163
Transportation	2,409	3,010	(601)	2,252	19,026	19,768	(742)	17,573
Other revenue	262	259	3	237	2,371	2,226	145	2,086
Total gross profit	13,455	13,907	(452)	11,574	119,139	122,359	(3,220)	110,822
Operating expenses:								
Direct BU O&M	2,381	2,707	326	3,012	18,625	19,016	391	19,039
Direct SSU Charges	436	352	(84)	338	2,503	2,388	(115)	2,151
SSU Allocations	1,323	1,556	233	1,174	9,309	9,687	378	8,812
Provision for bad debts	53	52	(1)	44	474	491	17	445
Total O&M expense	4,193	4,667	474	4,568	30,911	31,582	671	30,447
Depreciation & amortization	2,779	2,852	73	2,763	19,104	19,595	491	19,129
Taxes, other than income	816	1,208	392	1,315	7,562	7,882	320	8,940
Total operating expenses	7,788	8,727	939	8,646	57,577	59,059	1,482	58,516
Operating income	5,667	5,180	487	2,928	61,562	63,300	(1,738)	52,306
Other income (expense):								
Interest, net	1,211	1,264	53	1,166	8,622	8,793	171	8,143
Miscellaneous income (expense), net	(357)	(515)	(158)	(244)	(1,195)	(875)	320	(633)
Total other income (expense)	854	749	(105)	922	7,427	7,918	491	7,510
Income (loss) before income taxes	4,813	4,431	382	2,006	54,135	55,382	(1,247)	44,796
Provision/(Benefit) for income taxes	2,117	1,742	375	769	21,528	21,775	(247)	17,722
Net income (loss)	$ 2,696	$ 2,689	$ 7	$ 1,237	$ 32,607	$ 33,607	$ (1,000)	$ 27,074

Volumes *(Mmcf)* :	MTD Actual	MTD Budget	MTD Fav/ Unfav	MTD FY2016	YTD Actual	YTD Budget	YTD Fav/ Unfav	YTD FY2016
Residential	1,434	1,810	(376)	1,403	13,216	17,237	(4,021)	14,039
Commercial	915	1,026	(111)	883	8,259	10,310	(2,051)	8,617
Industrial	240	196	44	252	1,985	1,741	244	1,770
Irrigation	-	-	0	-	-	-	0	-
Public Authorities	80	138	(58)	85	720	1,122	(402)	815
Unbilled	(648)	(873)	225	(1,095)	313	587	(274)	172
Total Gas Distribution volumes	2,021	2,297	(276)	1,528	24,493	30,997	(6,504)	25,413
Transportation volumes	3,638	4,166	(528)	3,384	27,036	27,256	(220)	25,917
Total Throughput	5,659	6,463	(804)	4,912	51,529	58,253	(6,724)	51,330

ATMOS energy

Atmos Energy Corporation

Distribution Operations

Financial Results and Statistical Highlights

KY/Mid-States

For the Period Ended May 31, 2017

Financial Results in $MM's	MTD Actual	MTD Budget	MTD Fav/ Unfav	MTD %		YTD Actual	YTD Budget	YTD Fav/ Unfav	YTD %	
Net Income	$ 1.2	$ 1.1	$ 0.1	9.1%		$ 33.8	$ 34.7	$ (0.9)	(2.6%)	
Gross Profit	11.7	11.3	0.4	3.5%		130.8	133.6	(2.8)	(2.1%)	
O&M - Direct BU	3.2	3.2	0.0	0.0%		24.2	24.6	0.4	1.6%	
Cap Rate	56.1%	56.8%	(0.7%)			56.5%	56.7%	(0.2%)		
Capital Spending Activities										
Capital Spending	$ 12.4	$ 11.3	$ 1.1	9.7%		$ 84.1	$ 81.4	$ 2.7	3.3%	
Project Closings	$ 4.7	$ 11.2	$ (6.5)	(58.0%)		$ 66.6	$ 86.3	$ (19.7)	(22.8%)	

Statistical Information and Indicators (In thousands except Headcount)	Act	Bud	Inc/Dec	%		FY16	Inc/Dec	%	
Customer Base Charge (1)	341	336	5	1.5%		336	5	1.5%	
						Sep-16			
Employee Headcount (2)	373	397	(24)	-6.0%		389	(16)	-4.1%	
Direct O&M (3) per Customer Base Charge	$ 106.1	$ 97.8	$ 8.3	8.5%		$ 111.5	$ (5.4)	-4.8%	
Direct O&M (3) per Headcount	$ 97.0	$ 82.7	$ 14.3	17.2%		$ 96.3	$ 0.7	0.7%	

(1) Customer Base Charge is rolling 12-month average.

(2) Employee headcount is as of period end.

(3) Direct O&M excludes direct and allocated Shared Services costs and the provision for bad debt expense. Metric calculated on a rolling 12-month average.

Rate Base Information in $MM's (as of period indicated)	KY	TN	VA
September 30, 2016	$ 335.8	$ 274.6	$ 49.1
September 30, 2015	288.1	247.9	41.3
September 30, 2014	252.7	201.4	37.5

Atmos Energy Corporation

Distribution Operations

Income Statement - Comparative

KY/Mid-States

For the Period Ended May 31, 2017

in $thousands	MTD				YTD			
	Actual	Budget	Fav/ Unfav	FY2016	Actual	Budget	Fav/ Unfav	FY2016
Gross profit:								
Delivered gas	$ 9,021	$ 8,500	$ 521	$ 8,309	$ 106,763	$ 108,865	$ (2,102)	$ 99,472
Transportation	2,401	2,561	(160)	2,176	21,426	22,329	(903)	19,750
Other revenue	229	215	14	198	2,601	2,441	160	2,283
Total gross profit	11,651	11,276	375	10,683	130,790	133,635	(2,845)	121,505
Operating expenses:								
Direct BU O&M	3,158	3,204	46	3,387	24,230	24,608	378	24,555
Direct SSU Charges	15	-	(15)	-	71	-	(71)	22
SSU Allocations	1,669	1,346	(323)	1,719	10,989	11,032	43	10,531
Provision for bad debts	44	42	(2)	41	518	533	15	486
Total O&M expense	4,886	4,592	(294)	5,147	35,808	36,173	365	35,594
Depreciation & amortization	2,789	2,885	96	2,781	21,896	22,479	583	21,909
Taxes, other than income	1,029	996	(33)	1,116	8,833	8,878	45	10,056
Total operating expenses	8,704	8,473	(231)	9,044	66,537	67,530	993	67,559
Operating income	2,947	2,803	144	1,639	64,253	66,105	(1,852)	53,946
Other income (expense):								
Interest, net	1,242	1,273	31	1,164	9,864	10,066	202	9,307
Miscellaneous income (expense), net	(217)	(252)	(35)	(696)	(1,412)	(1,127)	285	(1,329)
Total other income (expense)	1,025	1,021	(4)	468	8,452	8,939	487	7,978
Income (loss) before income taxes	1,922	1,782	140	1,171	55,801	57,166	(1,365)	45,968
Provision/(Benefit) for income taxes	761	700	61	466	22,033	22,477	(444)	18,188
Net income (loss)	**$ 1,161**	**$ 1,082**	**$ 79**	**$ 705**	**$ 33,768**	**$ 34,689**	**$ (921)**	**$ 27,780**

Volumes *(Mmcf)* :								
Residential	586	628	(42)	617	13,802	17,865	(4,063)	14,656
Commercial	525	563	(38)	525	8,784	10,873	(2,089)	9,142
Industrial	422	138	284	171	2,407	1,880	527	1,941
Irrigation	-	-	0	-	-	-	0	-
Public Authorities	43	59	(16)	49	762	1,180	(418)	864
Unbilled	(162)	(574)	412	(78)	151	13	138	94
Total Gas Distribution volumes	1,414	814	600	1,284	25,906	31,811	(5,905)	26,697
Transportation volumes	3,383	3,635	(252)	3,353	30,419	30,891	(472)	29,270
Total Throughput	**4,797**	**4,449**	**348**	**4,637**	**56,325**	**62,702**	**(6,377)**	**55,967**

ATMOS energy

Atmos Energy Corporation

Distribution Operations

Financial Results and Statistical Highlights

KY/Mid-States Division

For the Period Ended June 30, 2017

Financial Results in $MM's	QTD Actual	QTD Budget	QTD Fav/ Unfav	QTD %		YTD Actual	YTD Budget	YTD Fav/ Unfav	YTD %	
Net Income	$ 5.7	$ 5.2	$ 0.5	9.6%		$ 35.6	$ 36.1	$ (0.5)	(1.4%)	
Gross Profit	36.7	36.9	(0.2)	(0.5%)		142.3	145.3	(3.0)	(2.1%)	
O&M - Direct BU	7.3	8.3	1.0	12.0%		23.5	24.6	1.1	4.5%	
Cap Rate	56.6%	56.7%	(0.1%)			56.6%	56.7%	(0.1%)		
Capital Spending Activities										
Capital Spending	$ 33.7	$ 34.8	$ (1.1)	(3.2%)		$ 95.1	$ 93.7	$ 1.4	1.5%	
Project Closings	$ 26.2	$ 34.1	$ (7.9)	(23.2%)		$ 73.9	$ 98.4	$ (24.5)	(24.9%)	

Statistical Information and Indicators *(in thousands except Headcount)*	Act	Bud	Inc/Dec	%		FY16	Inc/Dec	%	
Customer Base Charge (1)	341	337	4	1.2%		337	4	1.2%	
						Sep-16			
Employee Headcount (2)	370	397	(27)	-6.8%		389	(19)	-4.9%	
Direct O&M (3) per Customer Base Charge	$ 97.3	$ 97.7	$ (0.4)	-0.4%		$ 86.9	$ 10.4	12.0%	
Direct O&M (3) per Headcount	$ 89.7	$ 82.9	$ 6.8	8.2%		$ 75.3	$ 14.4	19.1%	

(1) Customer Base Charge is rolling 12-month average.

(2) Employee headcount is as of period end.

(3) Direct O&M excludes direct and allocated Shared Services costs and the provision for bad debt expense. Metric calculated on a rolling 12-month average.

Rate Base Information *in $MM's (as of period indicated)*	KY	TN	VA
September 30, 2016	$ 335.8	$ 274.6	$ 49.1
September 30, 2015	288.1	247.9	41.3
September 30, 2014	252.7	201.4	37.5

ATMOS energy

Atmos Energy Corporation

Distribution Operations

Financial Results and Statistical Highlights

KY/Mid-States Division

For the Period Ended June 30, 2017

Quarter-to-Date

- **Gross Profit:** QTD variance is minimal at 0.5% under budget.

- **O&M:** O&M is favorable to budget by $1,046k. This is mainly driven by timing of outside services work including legal, line locating, ROW clearing, etc. Employee welfare reversal of VPP/MIP $84k. Employee T&E expenses $39k and vehicle expenses $45k coming in favorable versus budget. We have projected a portion of the favorable T&E and vehicle expense savings to be permanent for FY 2017.

- **Capital Spending:**

Tennessee: QTD variance is 7.88% under budget. Variance primarily driven by timing of TN Department of Transportation (TDOT) reimbursement ($1,345k) on Beechcroft Rd. relocation in Spring Hill, TN. Reimbursement posted in June business but was budgeted in January business.

Kentucky: QTD variance for total KY spend is 0.69% under budget and considered immaterial. PRP spend is under budget by $2,535k primarily due to land acquisition. We have high pressure projects being managed by Magnolia River but have had delays on easement acquisition which has translated into construction delays. Projects are Marion to Fredonia ($816k) and Lake City ($1,017k).

Virginia: QTD variance is 2.36% over budget and considered immaterial.

Year-to-Date

- **Gross Profit:** Primary year to date variance is due to the weather/consumption variance of ($1,708k). We experienced 27% less heating degree days than normal for the year. The other driver is transportation variance ($930k) with the Radford Arsenal delay responsible for ($672k).\

- **O&M:** O&M is favorable $1,110k YTD. We had a favorable variance in outside services due to reversal of Magnolia River preliminary engineering invoices from temporary O&M projects to specific capital projects as well as timing of invoices on line locating, contract meter reading, etc. Favorable miscellaneous $176k variance because of no KY rate case amortization. Employee T&E expenses $252k and vehicle expenses $121k coming in favorable versus budget. We have projected a portion of the favorable T&E and vehicle expense savings along with the miscellaneous variance to be permanent for FY 2017.

- **Capital Spending:**

Tennessee: YTD variance is 0.69% over budget and considered immaterial.

Kentucky: YTD variance for all KY spend is 2.02% under budget and considered immaterial. Non-PRP spend is over budget by ($2,908k). This is primarily due to timing on the 12 inch system improvement along Hwy 53 in Shelbyville ($2,943k).

PRP spend is under budget by $3,999k primarily due to land acquisition. We have high pressure projects being managed by Magnolia River but have had delays on easement acquisition which has translated into construction delays. Projects are Marion to Fredonia ($2,062k) and Lake City ($1,480k). We expect to be within +/5% of budget with no issues by fiscal year-end.

Virginia: The Radford Arsenal project was delayed due to on-going design work regarding the interconnect with Spectra Energy. Unanticipated changes required by Spectra regarding the design and component requirements of the new interconnect station caused significant delay and disruption in what was the anticipated spend breakdown between FY 2016 and 2017. Overall, the project is within the approved estimate but more spend fell into FY 2017 than originally planned ($2,487k). Project was placed in-service during the month of April.

ATMOS energy

Atmos Energy Corporation

Distribution Operations

Income Statement - Comparative

KY/Mid-States Division

For the Period Ended June 30, 2017

in $thousands	QTD				YTD			
	Actual	Budget	Fav/ Unfav	FY2016	Actual	Budget	Fav/ Unfav	FY2016
Gross profit:								
Delivered gas	$ 28,600	$ 28,057	$ 543	$ 25,489	$ 115,558	$ 117,784	$ (2,226)	$ 107,568
Transportation	7,357	8,146	(789)	6,568	23,974	24,904	(930)	21,889
Other revenue	696	648	48	625	2,805	2,615	190	2,473
Total gross profit	36,653	36,851	(198)	32,682	142,337	145,303	(2,966)	131,930
Operating expenses:								
Direct BU O&M	7,274	8,320	1,046	8,942	23,520	24,629	1,109	24,970
Direct SSU Charges	1,214	1,003	(211)	838	3,280	3,039	(241)	2,651
SSU Allocations	3,773	4,241	468	3,969	11,771	12,371	600	11,607
Provision for bad debts	139	138	(1)	125	561	577	16	526
Total O&M expense	12,400	13,702	1,302	13,874	39,132	40,616	1,484	39,754
Depreciation & amortization	8,377	8,637	260	8,334	24,706	25,379	673	24,699
Taxes, other than income	3,153	3,231	78	3,519	9,900	9,905	5	11,143
Total operating expenses	23,930	25,570	1,640	25,727	73,738	75,900	2,162	75,596
Operating income	12,723	11,281	1,442	6,955	68,599	69,403	(804)	56,334
Other income (expense):								
Interest, net	3,759	3,873	114	3,486	11,169	11,402	233	10,463
Miscellaneous income (expense), net	(1,010)	(1,187)	(177)	(1,431)	(1,846)	(1,547)	299	(1,821)
Total other income (expense)	2,749	2,686	(63)	2,055	9,323	9,855	532	8,642
Income (loss) before income taxes	9,974	8,595	1,379	4,900	59,276	59,548	(272)	47,692
Provision/(Benefit) for income taxes	4,241	3,379	(862)	1,889	23,698	23,414	(284)	18,843
Net income (loss)	**$ 5,733**	**$ 5,216**	**$ 517**	**$ 3,011**	**$ 35,578**	**$ 36,134**	**$ (556)**	**$ 28,849**

Volumes *(Mmcf)*:								
Residential	2,422	2,866	(444)	2,441	14,204	18,293	(4,089)	15,076
Commercial	1,875	2,022	(147)	1,829	9,219	11,306	(2,087)	9,563
Industrial	927	473	454	557	2,671	2,018	653	2,076
Irrigation	-	-	0	-	-	-	0	-
Public Authorities	153	231	(78)	169	792	1,215	(423)	899
Unbilled	(926)	(1,455)	529	(1,242)	35	5	30	25
Total Gas Distribution volumes	4,451	4,137	314	3,754	26,921	32,837	(5,916)	27,639
Transportation volumes	10,419	11,314	(895)	9,888	33,817	34,404	(587)	32,421
Total Throughput	**14,870**	**15,451**	**(581)**	**13,642**	**60,738**	**67,241**	**(6,503)**	**60,060**

FR 16(7)(p)

REQUEST:

Section 16. Applications for General Adjustments of Existing Rates.

(7) Each application requesting a general adjustment in rates supported by a fully forecasted test period shall include the following or a statement explaining why the required information does not exist and is not applicable to the utility's application:

(p) A copy of the utility's annual report on Form 10-K as filed with the Securities and Exchange Commission for the most recent two (2) years, and any Form 8-K issued during the past two (2) years, and any Form 10-Q issued during the past six (6) quarters;

RESPONSE:

Please see attachment FR_16(7)(p)_Att1 for the Form 10-K filings during the last two years, attachment FR_16(7)(p)_Att2 for the Form 8-K filings during the last two years, and attachment FR_16(7)(p)_Att3 for the Form 10-Q filings during the last six quarters.

ATTACHMENTS:

ATTACHMENT 1 - Atmos Energy Corporation, FR_16(7)(p)_Att1 - 2015 & 2016 Form 10-Ks.pdf, 238 Pages.

ATTACHMENT 2 - Atmos Energy Corporation, FR_16(7)(p)_Att2 - Sep'15-Sep'17 Form 8-Ks.pdf, 656 Pages.

ATTACHMENT 3 - Atmos Energy Corporation, FR_16(7)(p)_Att3 - Form 10-Qs.pdf, 314 Pages.

Respondent: Laura Gillham

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

(Mark One)

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended September 30, 2015

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 1-10042

Atmos Energy Corporation
(Exact name of registrant as specified in its charter)

Texas and Virginia *(State or other jurisdiction of incorporation or organization)*	**75-1743247** *(IRS employer identification no.)*
Three Lincoln Centre, Suite 1800 **5430 LBJ Freeway, Dallas, Texas** *(Address of principal executive offices)*	**75240** *(Zip code)*

Registrant's telephone number, including area code:
(972) 934-9227

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common stock, No Par Value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.45) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☑

The aggregate market value of the common voting stock held by non-affiliates of the registrant as of the last business day of the registrant's most recently completed second fiscal quarter, March 31, 2015, was $5,500,632,050.

As of October 30, 2015, the registrant had 101,506,645 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Definitive Proxy Statement to be filed for the Annual Meeting of Shareholders on February 3, 2016 are incorporated by reference into Part III of this report.

TABLE OF CONTENTS

GLOSSARY OF KEY TERMS

AEC	Atmos Energy Corporation
AEH	Atmos Energy Holdings, Inc.
AEM	Atmos Energy Marketing, LLC
AOCI	Accumulated Other Comprehensive Income
APS	Atmos Pipeline and Storage, LLC
ATO	Trading symbol for Atmos Energy Corporation common stock on the New York Stock Exchange
Bcf	Billion cubic feet
CFTC	Commodity Futures Trading Commission
COSO	Committee of Sponsoring Organizations of the Treadway Commission
ERISA	Employee Retirement Income Security Act of 1974
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
Fitch	Fitch Ratings, Ltd.
GAAP	Generally Accepted Accounting Principles
GRIP	Gas Reliability Infrastructure Program
GSRS	Gas System Reliability Surcharge
KPSC	Kentucky Public Service Commission
LTIP	1998 Long-Term Incentive Plan
Mcf	Thousand cubic feet
MDWQ	Maximum daily withdrawal quantity
Mid-Tex Cities	Represents all incorporated cities other than Dallas, or approximately 80 percent of the Mid-Tex Division's customers, with whom a settlement agreement was reached during the fiscal 2008 second quarter.
MMcf	Million cubic feet
Moody's	Moody's Investor Service, Inc.
NYMEX	New York Mercantile Exchange, Inc.
NYSE	New York Stock Exchange
PAP	Pension Account Plan
PPA	Pension Protection Act of 2006
RRC	Railroad Commission of Texas
RRM	Rate Review Mechanism
RSC	Rate Stabilization Clause
S&P	Standard & Poor's Corporation
SEC	United States Securities and Exchange Commission
SRF	Stable Rate Filing
WNA	Weather Normalization Adjustment

PART I

The terms "we," "our," "us", "Atmos Energy" and the "Company" refer to Atmos Energy Corporation and its subsidiaries, unless the context suggests otherwise.

ITEM 1. *Business.*

Overview and Strategy

Atmos Energy Corporation, headquartered in Dallas, Texas, and incorporated in Texas and Virginia, is engaged primarily in the regulated natural gas distribution and pipeline businesses as well as other nonregulated natural gas businesses. We deliver natural gas through regulated sales and transportation arrangements to over three million residential, commercial, public authority and industrial customers in eight states located primarily in the South, which makes us one of the country's largest natural-gas-only distributors based on number of customers. We also operate one of the largest intrastate pipelines in Texas based on miles of pipe.

Our nonregulated businesses provide natural gas management, marketing, transportation and storage services to municipalities, local gas distribution companies, including certain of our natural gas distribution divisions and industrial customers principally in the Midwest and Southeast.

Atmos Energy's vision is to be the safest provider of natural gas services. We intend to achieve this vision by:

- operating our business exceptionally well
- investing in our people and infrastructure
- enhancing our culture.

We believe the successful execution of this strategy has delivered excellent shareholder value. Over the last seven years, we have achieved growth by implementing rate designs that reduce or eliminate regulatory lag and separate the recovery of our approved margins from customer usage patterns. In addition, we have developed various commercial opportunities within our regulated transmission and storage operations.

Our core values include focusing on our employees and customers while conducting our business with honesty and integrity. We continue to strengthen our culture through ongoing communications with our employees and enhanced employee training.

Operating Segments

We operate the Company through the following three segments:

- The *regulated distribution segment*, which includes our regulated distribution and related sales operations
- The *regulated pipeline segment*, which includes the pipeline and storage operations of our Atmos Pipeline — Texas Division and
- The *nonregulated segment*, which includes our nonregulated natural gas management, nonregulated natural gas transmission, storage and other services.

These operating segments are described in greater detail below.

Regulated Distribution Segment Overview

Our regulated distribution segment is comprised of our six regulated natural gas distribution divisions. This segment represents approximately 65 percent of our consolidated net income. The following table summarizes key information about these divisions, presented in order of total rate base. We operate in our service areas under terms of non-exclusive franchise agreements granted by the various cities and towns that we serve. At September 30, 2015, we held 1,005 franchises having terms generally ranging from five to 35 years. A significant number of our franchises expire each year, which require renewal prior to the end of their terms. Historically, we have successfully renewed these franchises and believe that we will continue to be able to renew our franchises as they expire.

Division	Service Areas	Communities Served	Customer Meters
Mid-Tex	Texas, including the Dallas/Fort Worth Metroplex	550	1,629,826
Kentucky/Mid-States	Kentucky	230	180,033
	Tennessee		141,141
	Virginia		23,567
Louisiana	Louisiana	300	356,579
West Texas	Amarillo, Lubbock, Midland	80	305,814
Mississippi	Mississippi	110	266,467
Colorado-Kansas	Colorado	170	115,048
	Kansas		132,837

Revenues in this operating segment are established by regulatory authorities in the states in which we operate. These rates are intended to be sufficient to cover the costs of conducting business and to provide a reasonable return on invested capital. In addition, we transport natural gas for others through our distribution system.

Rates established by regulatory authorities often include cost adjustment mechanisms for costs that (i) are subject to significant price fluctuations compared to our other costs, (ii) represent a large component of our cost of service and (iii) are generally outside our control.

Purchased gas cost adjustment mechanisms represent a common form of cost adjustment mechanism. Purchased gas cost adjustment mechanisms provide natural gas distribution companies a method of recovering purchased gas costs on an ongoing basis without filing a rate case because they provide a dollar-for-dollar offset to increases or decreases in natural gas distribution gas costs. Therefore, although substantially all of our distribution operating revenues fluctuate with the cost of gas that we purchase, distribution gross profit (which is defined as operating revenues less purchased gas cost) is generally not affected by fluctuations in the cost of gas.

Additionally, some jurisdictions have performance-based ratemaking adjustments to provide incentives to distribution companies to minimize purchased gas costs through improved storage management and use of financial instruments to lock in gas costs. Under the performance-based ratemaking adjustment, purchased gas costs savings are shared between the utility and its customers.

Our supply of natural gas is provided by a variety of suppliers, including independent producers, marketers and pipeline companies and withdrawals of gas from proprietary and contracted storage assets. Additionally, the natural gas supply for our Mid-Tex Division includes peaking and spot purchase agreements.

Supply arrangements consist of both base load and swing supply (peaking) quantities and are contracted from our suppliers on a firm basis with various terms at market prices. Base load quantities are those that flow at a constant level throughout the month and swing supply quantities provide the flexibility to change daily quantities to match increases or decreases in requirements related to weather conditions.

Except for local production purchases, we select our natural gas suppliers through a competitive bidding process by periodically requesting proposals from suppliers that have demonstrated that they can provide reliable service. We select these suppliers based on their ability to deliver gas supply to our designated firm pipeline receipt points at the lowest reasonable cost. Major suppliers during fiscal 2015 were Anadarko Energy Services Company, ConocoPhillips Company, Devon Gas Services, L.P., Enbridge Marketing (US) Inc., Hydrocarbon Exchange Corporation, Munich Re Trading Ltd, Targa Gas Marketing LLC, Targa Pipeline Mid-Continent WestTex LLC, Tenaska Gas Storage, LLC, Texla Energy Management, Inc. and Atmos Energy Marketing, LLC and Trans Louisiana Gas Pipeline, Inc., wholly owned subsidiaries in our nonregulated segment.

The combination of base load, peaking and spot purchase agreements, coupled with the withdrawal of gas held in storage, allows us the flexibility to adjust to changes in weather, which minimizes our need to enter into long-term firm commitments. We estimate our peak-day availability of natural gas supply to be approximately 4.4 Bcf. The peak-day demand for our distribution operations in fiscal 2015 was on January 7, 2015, when sales to customers reached approximately 3.2 Bcf.

Currently, our distribution divisions, except for our Mid-Tex Division, utilize 35 pipeline transportation companies, both interstate and intrastate, to transport our natural gas. The pipeline transportation agreements are firm and many of them have "pipeline no-notice" storage service, which provides for daily balancing between system requirements and nominated flowing supplies. These agreements have been negotiated with the shortest term necessary while still maintaining our right of first refusal. The natural gas supply for our Mid-Tex Division is delivered primarily by our Atmos Pipeline — Texas Division.

To maintain our deliveries to high priority customers, we have the ability, and have exercised our right, to curtail deliveries to certain customers under the terms of interruptible contracts or applicable state regulations or statutes. Our customers' demand on our system is not necessarily indicative of our ability to meet current or anticipated market demands or immediate delivery requirements because of factors such as the physical limitations of gathering, storage and transmission systems, the duration and severity of cold weather, the availability of gas reserves from our suppliers, the ability to purchase additional supplies on a short-term basis and actions by federal and state regulatory authorities. Curtailment rights provide us the flexibility to meet the human-needs requirements of our customers on a firm basis. Priority allocations imposed by federal and state regulatory agencies, as well as other factors beyond our control, may affect our ability to meet the demands of our customers. We anticipate no problems with obtaining additional gas supply as needed for our customers.

Regulated Pipeline Segment Overview

Our regulated pipeline segment consists of the pipeline and storage operations of our Atmos Pipeline - Texas Division (APT). APT is 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 Barnett Shale, the Texas Gulf Coast and the Permian Basin of West Texas. APT's primary business is providing firm transportation and storage services for our Mid-Tex Division and other LDC customers. APT also provides interruptible transportation, storage and ancillary services for third parties including, industrial and electric generation customers as well as producers, marketers and other shippers. The regulated pipeline segment represents approximately 30 percent of our consolidated operations.

Gross profit earned from transportation and storage services for our Atmos Pipeline—Texas Division is subject to traditional ratemaking governed by the RRC. Rates are updated through annual filings made under Texas' Gas Reliability Infrastructure Program (GRIP) and Rider REV. GRIP allows us to include in our rates annually approved capital costs incurred in the prior calendar year provided that we file a complete rate case at least once every five years. Atmos Pipeline-Texas' existing regulatory mechanisms allow certain transportation and storage services to be provided under market-based rates. Rider REV is an annual adjustment mechanism that adjusts the regulated rates for a portion of the variation in non-regulated annual revenues from a set base level.

Nonregulated Segment Overview

Our nonregulated operations are conducted through Atmos Energy Holdings, Inc. (AEH), a wholly-owned subsidiary of Atmos Energy Corporation, and typically represent approximately five percent of our consolidated net income. AEH's primary business is to buy, sell and deliver natural gas at competitive prices to approximately 1,000 customers located primarily in the Midwest and Southeast areas of the United States. AEH accomplishes this objective by aggregating and purchasing gas supply, arranging transportation and storage logistics and effectively managing commodity price risk. AEH also earns storage and transportation demand fees primarily from our regulated distribution operations in Louisiana and Kentucky. These demand fees are subject to regulatory oversight and are renewed periodically.

Ratemaking Activity

Overview

The method of determining regulated rates varies among the states in which our regulated businesses operate. The regulatory authorities have the responsibility of ensuring that utilities in their jurisdictions operate in the best interests of customers while providing utility companies the opportunity to earn a reasonable return on their investment. Generally, each regulatory authority reviews rate requests and establishes a rate structure intended to generate revenue sufficient to cover the costs of conducting business and to provide a reasonable return on invested capital.

Our rate strategy focuses on reducing or eliminating regulatory lag, obtaining adequate returns and providing stable, predictable margins, which benefit both our customers and the Company. As a result of our ratemaking efforts in recent years, Atmos Energy has:

- Formula rate mechanisms in place in four states that provide for an annual rate review and adjustment to rates.
- Infrastructure programs in place in four of our states that provide for an annual rate adjustment to rates.
- Implemented various rate mechanisms that allow us to recover over 90 percent of our capital expenditures are recovered within six months.
- Authorization in tariffs, statute, or commission rules that allows us to defer certain elements of our cost of service until they are included in rates, such as depreciation, ad valorem taxes and pension costs.
- WNA mechanisms in seven states that serve to minimize the effects of weather on approximately 97 percent of our distribution gross margin.
- The ability to recover the gas cost portion of bad debts in five states.

The following table provides a jurisdictional rate summary for our regulated operations. This information is for regulatory purposes only and may not be representative of our actual financial position.

Division	Jurisdiction	Effective Date of Last Rate/GRIP Action	Rate Base (thousands)[1]	Authorized Rate of Return[1]	Authorized Debt/ Equity Ratio	Authorized Return on Equity[1]
Atmos Pipeline —Texas	Texas	05/01/2011	$807,733	9.36%	50/50	11.80%
Atmos Pipeline — Texas — GRIP	Texas	04/08/2015	533,774[2]	9.36%	N/A	11.80%
Colorado-Kansas	Colorado	08/26/2014	111,297	8.04%	48/52	9.72%
	Kansas	09/04/2014	177,563	7.75%	47/53	9.10%
	Kansas-GSRS	02/01/2015	2,708	7.75%	N/A	9.10%
Kentucky/Mid-States	Kentucky	04/22/2014	252,738	7.71%	51/49	9.80%
	Kentucky-PRP	10/10/2014	35,382	7.71%	N/A	9.80%
	Tennessee	06/01/2015	247,958	7.73%	47/53	9.80%
	Virginia	09/09/2014	37,456	7.94%	46/54	9.00% - 10.00%
	Virginia-SAVE	10/01/2014	3,896	7.94%	N/A	9.00% - 10.00%
Louisiana	Trans La	04/01/2015	117,462	7.79%	47/53	9.80%
	LGS	07/01/2015	326,875	7.91%	46/54	9.80%
Mid-Tex Cities	Texas	06/01/2015	1,955,948[3]	8.43%	45/55	10.50%
Mid-Tex — Dallas	Texas	06/01/2015	1,935,160[3]	8.33%	46/54	10.10%
Mississippi	Mississippi	02/03/2015	322,610	8.26%	45/55	9.98%
	Mississippi - SGR	11/01/2014	8,960	9.37%	N/A	12.00%
West Texas[5]	Texas	03/15/2015	(4)	8.44%	(4)	10.50%
	Texas-GRIP	04/28/2015	379,303	8.57%	48/52	10.50%

Division	Jurisdiction	Bad Debt Rider[6]	Formula Rate	Infrastructure Mechanism	Performance-Based Rate Program[7]	WNA Period
Atmos Pipeline — Texas	Texas	No	Yes	Yes	N/A	N/A
Colorado-Kansas	Colorado	No	No	Pending[8]	No	N/A
	Kansas	Yes	No	Yes	No	October-May
Kentucky/Mid-States	Kentucky	Yes	No	Yes	Yes	November-April
	Tennessee	Yes	Yes	No	Yes	October-April
	Virginia	Yes	No	Yes	No	January-December
Louisiana	Trans La	No	Yes	Yes	No	December-March
	LGS	No	Yes	Yes	No	December-March
Mid-Tex Cities	Texas	Yes	Yes	Yes	No	November-April
Mid-Tex — Dallas	Texas	Yes	Yes	Yes	No	November-April
Mississippi	Mississippi	No	Yes	Yes	Yes	November-April
West Texas[5]	Texas	Yes	Yes	Yes	No	October-May

(1) The rate base, authorized rate of return and authorized return on equity presented in this table are those from the most recent rate case or GRIP filing for each jurisdiction. These rate bases, rates of return and returns on equity are not necessarily indicative of current or future rate bases, rates of return or returns on equity.

(2) The APT rate base represents the incremental rate base from the 2011 APT filing.

(3) The Mid-Tex Rate Base amounts for the Mid-Tex Cities and Dallas areas represent "system-wide", or 100 percent, of the Mid-Tex Division's rate base.

(4) A rate base, rate of return, return on equity or debt/equity ratio was not included in the respective state commission's final decision.

(5) On April 1, 2014, a rate case settlement approved by the West Texas Cities reestablished an annual rate mechanism for all West Texas Division cities except Amarillo, Channing, Dalhart and Lubbock.

(6) The bad debt rider allows us to recover from ratepayers the gas cost portion of uncollectible accounts.

(7) The performance-based rate program provides incentives to distribution companies to minimize purchased gas costs by allowing the companies and its customers to share the purchased gas costs savings.

(8) The Company and intervenors have entered into a settlement agreement, approved on October 23, 2015, for implementation of an Infrastructure Mechanism effective January 1, 2016.

Although substantial progress has been made in recent years by improving rate design and recovery of investment across Atmos Energy's operating areas, we will continue to seek improvements in rate design to address cost variations and pursue tariffs that reduce regulatory lag associated with investments. Further, potential changes in federal energy policy, federal safety regulations and adverse economic conditions will necessitate continued vigilance by the Company and our regulators in meeting the challenges presented by these external factors.

Recent Ratemaking Activity

Substantially all of our regulated revenues in the fiscal years ended September 30, 2015, 2014 and 2013 were derived from sales at rates set by or subject to approval by local or state authorities. Net operating income increases resulting from ratemaking activity totaling $114.5 million, $93.3 million and $98.1 million, became effective in fiscal 2015, 2014 and 2013, as summarized below:

	Annual Increase to Operating Income For the Fiscal Year Ended September 30		
Rate Action	2015	2014	2013
		(In thousands)	
Annual formula rate mechanisms	$113,706	$71,749	$40,088
Rate case filings	711	21,819	56,700
Other ratemaking activity	78	(226)	1,322
	$114,495	$93,342	$98,110

Additionally, the following ratemaking efforts were initiated during fiscal 2015 but had not been completed as of September 30, 2015:

Division	Rate Action	Jurisdiction	Operating Income Requested
			(In thousands)
Colorado-Kansas	Rate Case(1)	Colorado	$ 5,276
	Rate Case	Kansas	5,667
Kentucky/Mid-States	PRP(2)	Kentucky	3,786
	PRP(3)	Virginia	118
Mississippi	SRF	Mississippi	11,186
	SGR(4)	Mississippi	249
			$26,282

(1) A Stipulation and Settlement was signed on September 23, 2015. The settlement was approved on October 23, 2015 resulting in an operating income increase of $2.1 million and authorization to implement a long-term program to replace aging infrastructure in Colorado. The base rate change and infrastructure surcharge will go into effect on January 1, 2016.

(2) The Pipeline Replacement Program (PRP) surcharge relates to a long-term program to replace aging infrastructure. The Kentucky PRP was implemented on October 1, 2015.

(3) The PRP surcharge relates to a long-term program to replace aging infrastructure. The Virginia PRP was implemented on October 1, 2015.

(4) The Mississippi Supplemental Growth Rider (SGR) permits the Company to pursue up to $5.0 million of eligible industrial growth projects beyond the division's normal main extension policies. This is the third year of the SGR program.

Our recent ratemaking activity is discussed in greater detail below.

Annual Formula Rate Mechanisms

As an instrument to reduce regulatory lag, formula rate mechanisms allow us to refresh our rates on an annual periodic basis without filing a formal rate case. However, these filings still involve discovery by the appropriate regulatory authorities prior to the final determination of rates under these mechanisms. We currently have formula rate mechanisms in our Louisiana, Mississippi, and Tennessee operations and in a portion of our Texas divisions. The formula rate filing mechanism is referred to as Dallas annual rate review (DARR) and rate review mechanisms (RRM) in our Mid-Tex Division, as the RRM in our West Texas Division, as the stable rate filing (SRF) in the Mississippi Division, the rate stabilization clause (RSC) in the Louisiana Division, and Annual Rate Mechanism (ARM) in Tennessee.

Additionally, we have specific infrastructure programs in substantially all of our distribution divisions and our Atmos Pipeline - Texas Division, Colorado, Kansas, Kentucky, Mississippi, Texas and Virginia distribution operations have tariffs in place to permit the investment associated with these programs to have their surcharge rate adjusted annually to recover approved capital costs incurred in a prior test-year period. These infrastructure programs are referred to as System Safety and Integrity Rider in Colorado (SSIR), Gas System Reliability Surcharge (GSRS) in Kansas, Pipeline Replacement Program (PRP) in Kentucky, System Integrity Rider in Mississippi (SIR), Gas Infrastructure Reliability Program (GRIP) and Steps to Advance Virginia Energy (SAVE). The following table summarizes our annual filing mechanisms with effective dates during the fiscal years ended September 30, 2015, 2014 and 2013:

Division	Jurisdiction	Test Year Ended	Increase (Decrease) in Annual Operating Income	Effective Date
			(In thousands)	
2015 Filings:				
Louisiana	LGS	12/2014	$ 1,321	07/01/2015
West Texas	Environs[1]	12/2014	697	06/12/2015
Mid-Tex	Environs[2]	12/2014	1,158	06/01/2015
Mid-Tex	Mid-Tex Cities	12/2014	16,801	06/01/2015
Mid-Tex	Dallas	09/2014	4,420	06/01/2015
West Texas	Cities[3]	12/2014	4,593	05/01/2015
Atmos Pipeline — Texas	Texas	12/2014	37,248	04/08/2015
Louisiana	Trans La	09/2014	(286)	04/01/2015
West Texas	West Texas Cities	09/2014	4,300	03/15/2015
Colorado-Kansas	Kansas	09/2014	301	02/01/2015
Mississippi	Mississippi-SRF	10/2015	4,441	02/01/2015
Mississippi	Mississippi-SGR	10/2015	782	11/01/2014
Kentucky/Mid-States	Kentucky[4]	09/2015	4,382	10/10/2014
Kentucky/Mid-States - Virginia	Virginia	09/2015	133	10/01/2014
Mid-Tex	Mid-Tex Cities[5]	12/2013	33,415	06/01/2014
Total 2015 Filings			$113,706	
2014 Filings:				
Louisiana	LGS	12/2013	$ 1,383	07/01/2014
West Texas	West Texas[1]	12/2013	858	06/17/2014
Mid-Tex	City of Dallas	09/2013	5,638	06/01/2014
Mid-Tex	Environs[2]	12/2013	881	05/22/2014
Atmos Pipeline — Texas	Texas	12/2013	45,589	05/06/2014
Louisiana	Trans La	09/2013	550	04/01/2014
Colorado-Kansas	Kansas	09/2013	882	02/01/2014
Mid-Tex	Mid-Tex Cities	12/2012	12,497	11/01/2013
Kentucky/Mid-States	Kentucky	09/2014	2,493	10/01/2013
Kentucky/Mid-States	Virginia	09/2014	210	10/01/2013
Mid-Tex	Environs[2]	12/2012	768	10/01/2013
Total 2014 Filings			$ 71,749	
2013 Filings:				
Louisiana	LGS	12/2012	$ 908	07/01/2013
Mid-Tex	City of Dallas	09/2012	1,800	06/01/2013
Atmos Pipeline — Texas	Texas	12/2012	26,730	05/07/2013
Louisiana	TransLa	09/2012	2,260	04/01/2013
Kentucky/Mid-States	Georgia[6]	09/2013	743	02/01/2013
Colorado-Kansas	Kansas	09/2012	601	01/09/2013
Mississippi	Mississippi	06/2012	3,441	11/01/2012
Kentucky/Mid-States	Georgia[6]	09/2011	1,079	10/01/2012
Kentucky/Mid-States	Kentucky[4]	09/2013	2,425	10/01/2012
Kentucky/Mid-States	Virginia	09/2013	101	10/01/2012
Total 2013 Filings			$ 40,088	

(1) Incremental net utility plant investment represents the system-wide incremental investment for the West Texas Division. The increase in annual operating income is for the unincorporated areas of the West Texas Division only.

(2) Incremental net utility plant investment represents the system-wide incremental investment for the Mid-Tex Division. The increase in annual operating income is for the unincorporated areas of the Mid-Tex Division only.

(3) Incremental net utility plant investment represents the system-wide incremental investment for the West Texas Division. The increase in annual operating income is for the cities of Amarillo, Channing, Dalhart and Lubbock in the West Texas Division only.

(4) The Pipeline Replacement Program (PRP) surcharge relates to a long-term program to replace aging infrastructure.

(5) On June 1, 2014 rates, subject to refund, were implemented. On June 1, 2015, concurrent with implementation of the 2015 RRM, final rates were implemented.

(6) On April 1, 2013, we completed the sale of our Georgia operations to Liberty Energy (Georgia) Corp., an affiliate of Algonquin Power & Utilities Corp. The increase in operating income arising from the implementation of new rates is included as a component of discontinued operations through March 31, 2013.

Rate Case Filings

A rate case is a formal request from Atmos Energy to a regulatory authority to increase rates that are charged to customers. Rate cases may also be initiated when the regulatory authorities request us to justify our rates. This process is referred to as a "show cause" action. Adequate rates are intended to provide for recovery of the Company's costs as well as a fair rate of return to our shareholders and ensure that we continue to safely deliver reliable, reasonably priced natural gas service to our customers. The following table summarizes our recent rate cases:

Division	State	Increase in Annual Operating Income	Effective Date
		(In thousands)	
2015 Rate Case Filings:			
Kentucky/Mid-States	Tennessee	$ 711	06/01/2015
Total 2015 Rate Case Filings		$ 711	
2014 Rate Case Filings:			
Kentucky/Mid-States	Virginia	$ 976	09/09/2014
Colorado-Kansas	Kansas	2,571	09/04/2014
Colorado-Kansas	Colorado	2,400	08/26/2014
Kentucky/Mid-States	Kentucky	5,823	04/22/2014
West Texas	Texas	8,440	04/01/2014
Colorado-Kansas	Colorado	1,609	03/01/2014
Total 2014 Rate Case Filings		$21,819	
2013 Rate Case Filings:			
Mid-Tex	Texas	$42,601	12/04/2012
Kentucky/Mid-States	Tennessee	7,530	11/08/2012
West Texas	Texas	6,569	10/01/2012
Total 2013 Rate Case Filings		$56,700	

Other Ratemaking Activity

The following table summarizes other ratemaking activity during the fiscal years ended September 30, 2015, 2014 and 2013:

Division	Jurisdiction	Rate Activity	Increase in Annual Operating Income (In thousands)	Effective Date
2015 Other Rate Activity:				
Colorado-Kansas	Kansas	Ad Valorem(1)	$ 78	02/01/2015
Total 2015 Other Rate Activity			$ 78	
2014 Other Rate Activity:				
Colorado-Kansas	Kansas	Ad Valorem(1)	$ (226)	02/01/2014
Total 2014 Other Rate Activity			$ (226)	
2013 Other Rate Activity:				
Colorado-Kansas	Kansas	Ad Valorem(1)	$1,322	02/01/2013
Total 2013 Other Rate Activity			$1,322	

(1) The Ad Valorem filing relates to a collection of property taxes in excess of the amount included in our Kansas service area's base rates.

Other Regulation

Each of our regulated distribution divisions and our regulated pipeline division is regulated by various state or local public utility authorities. We are also subject to regulation by the United States Department of Transportation with respect to safety requirements in the operation and maintenance of our transmission and distribution facilities. In addition, our regulated operations are also subject to various state and federal laws regulating environmental matters. From time to time we receive inquiries regarding various environmental matters. We believe that our properties and operations substantially comply with, and are operated in substantial conformity with, applicable safety and environmental statutes and regulations. There are no administrative or judicial proceedings arising under environmental quality statutes pending or known to be contemplated by governmental agencies which would have a material adverse effect on us or our operations. Our environmental claims have arisen primarily from former manufactured gas plant sites.

The Federal Energy Regulatory Commission (FERC) allows, pursuant to Section 311 of the Natural Gas Policy Act, gas transportation services through our Atmos Pipeline - Texas assets "on behalf of" interstate pipelines or local distribution companies served by interstate pipelines, without subjecting these assets to the jurisdiction of the FERC. Additionally, the FERC has regulatory authority over the sale of natural gas in the wholesale gas market and the use and release of interstate pipeline and storage capacity. The FERC also has authority to detect and prevent market manipulation and to enforce compliance with FERC's other rules, policies and orders by companies engaged in the sale, purchase, transportation or storage of natural gas in interstate commerce. We have taken what we believe are the necessary and appropriate steps to comply with these regulations.

Competition

Although our regulated distribution operations are not currently in significant direct competition with any other distributors of natural gas to residential and commercial customers within our service areas, we do compete with other natural gas suppliers and suppliers of alternative fuels for sales to industrial customers. We compete in all aspects of our business with alternative energy sources, including, in particular, electricity. Electric utilities offer electricity as a rival energy source and compete for the space heating, water heating and cooking markets. Promotional incentives, improved equipment efficiencies and promotional rates all contribute to the acceptability of electrical equipment. The principal means to compete against alternative fuels is lower prices, and natural gas historically has maintained its price advantage in the residential, commercial and industrial markets.

Our regulated pipeline operations historically faced competition from other existing intrastate pipelines seeking to provide or arrange transportation, storage and other services for customers. In the last few years, several new pipelines have been completed, which has increased the level of competition in this segment of our business.

Within our nonregulated operations, AEM competes with other natural gas marketers to provide natural gas management and other related services primarily to smaller customers requiring higher levels of balancing, scheduling and other related management services. AEM has experienced increased competition in recent years primarily from investment banks and major integrated oil and natural gas companies who offer lower cost, basic services. The increased competition has reduced margins most notably on its high-volume accounts.

Employees

At September 30, 2015, we had 4,753 employees, consisting of 4,642 employees in our regulated operations and 111 employees in our nonregulated operations.

Available Information

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other reports, and amendments to those reports, and other forms that we file with or furnish to the Securities and Exchange Commission (SEC) are available free of charge at our website, *www.atmosenergy.com*, under "Publications and Filings" under the "Investors" tab, as soon as reasonably practicable, after we electronically file these reports with, or furnish these reports to, the SEC. We will also provide copies of these reports free of charge upon request to Shareholder Relations at the address and telephone number appearing below:

Shareholder Relations
Atmos Energy Corporation
P.O. Box 650205
Dallas, Texas 75265-0205
972-855-3729

Corporate Governance

In accordance with and pursuant to relevant related rules and regulations of the SEC as well as corporate governance-related listing standards of the New York Stock Exchange (NYSE), the Board of Directors of the Company has established and periodically updated our Corporate Governance Guidelines and Code of Conduct, which is applicable to all directors, officers and employees of the Company. In addition, in accordance with and pursuant to such NYSE listing standards, our Chief Executive Officer during fiscal 2015, Kim R. Cocklin, certified to the New York Stock Exchange that he was not aware of any violations by the Company of NYSE corporate governance listing standards. The Board of Directors also annually reviews and updates, if necessary, the charters for each of its Audit, Human Resources and Nominating and Corporate Governance Committees. All of the foregoing documents are posted on the Corporate Governance page of our website. We will also provide copies of all corporate governance documents free of charge upon request to Shareholder Relations at the address listed above.

ITEM 1A. *Risk Factors.*

Our financial and operating results are subject to a number of risk factors, many of which are not within our control. Although we have tried to discuss key risk factors below, please be aware that other or new risks may prove to be important in the future. Investors should carefully consider the following discussion of risk factors as well as other information appearing in this report. These factors include the following:

The Company is dependent on continued access to the credit and capital markets to execute our business strategy.

Our long-term debt is currently rated as "investment grade" by Standard & Poor's Corporation, Moody's Investors Service, Inc. and Fitch Ratings, Ltd. Similar to most companies, we rely upon access to both short-term and long-term credit and capital markets to satisfy our liquidity requirements. If adverse credit conditions were to cause a significant limitation on our access to the private and public capital markets, we could see a reduction in our liquidity. A significant reduction in our liquidity could in turn trigger a negative change in our ratings outlook or even a reduction in our credit ratings by one or more of the three credit rating agencies. Such a downgrade could further limit our access to private credit and/or public capital markets and increase our costs of borrowing.

Further, if our credit ratings were downgraded, we could be required to provide additional liquidity to our nonregulated segment because the commodity financial instrument markets could become unavailable to us. Our nonregulated segment depends primarily upon an intercompany lending facility between AEH and Atmos Energy to finance its working capital needs, supplemented by two small credit facilities with outside lenders. Our ability to provide this liquidity to AEH for our nonregulated operations is limited by the terms of the lending arrangement with AEH, which is subject to annual approval by one state regulatory commission.

While we believe we can meet our capital requirements from our operations and the sources of financing available to us, we can provide no assurance that we will continue to be able to do so in the future, especially if the market price of natural gas increases significantly in the near term. The future effects on our business, liquidity and financial results of a deterioration of current conditions in the credit and capital markets could be material and adverse to us, both in the ways described above or in other ways that we do not currently anticipate.

We are subject to state and local regulations that affect our operations and financial results.

Our regulated distribution and regulated pipeline segments are subject to regulatory oversight from various state and local regulatory authorities in the eight states that we serve in our regulated distribution and pipeline segments. Therefore, our returns are continuously monitored and are subject to challenge for their reasonableness by the appropriate regulatory authorities or other third-party intervenors. In the normal course of business, as a regulated entity, we often need to place assets in service and establish historical test periods before rate cases that seek to adjust our allowed returns to recover that investment can be filed. Further, the regulatory review process can be lengthy in the context of traditional ratemaking. Because of this process, we suffer the negative financial effects of having placed assets in service without the benefit of rate relief, which is commonly referred to as "regulatory lag."

However, in the last several years, a number of regulatory authorities in the states we serve have approved rate mechanisms that provide for annual adjustments to rates that allow us to recover the cost of investments made to replace existing infrastructure or reflect changes in our cost of service. These mechanisms work to effectively reduce the regulatory lag inherent in the ratemaking process. However, regulatory lag could significantly increase if the regulatory authorities modify or terminate these rate mechanisms. The regulatory process also involves the risk that regulatory authorities may (i) review our purchases of natural gas and adjust the amount of our gas costs that we pass through to our customers or (ii) limit the costs we may have incurred from our cost of service that can be recovered from customers.

A deterioration in economic conditions could adversely affect our customers and negatively impact our financial results.

Any adverse changes in economic conditions in the United States, especially in the states in which we operate, similar to the economic downturn we experienced for several years beginning in 2008 could adversely affect the financial resources of many domestic households and lead to an increase in mortgage defaults and significant decreases in the values of our customers' homes and investment assets. As a result, our customers could seek to use even less gas and make it more difficult for them to pay their gas bills. This would likely lead to slower collections and higher than normal levels of accounts receivable. This, in turn, would probably increase our financing requirements and bad debt expense. Additionally, should economic conditions deteriorate, our industrial customers could seek alternative energy sources, which could result in lower sales volumes.

Inflation and increased gas costs could adversely impact our customer base and customer collections and increase our level of indebtedness.

Over time, inflation has caused increases in some of our operating expenses and has required assets to be replaced at higher costs. We have a process in place to continually review the adequacy of our distribution gas rates in relation to the increasing cost of providing service and the inherent regulatory lag in adjusting those gas rates. Historically, we have been able to budget and control operating expenses and investments within the amounts authorized to be collected in rates and intend to continue to do so. However, the ability to control expenses is an important factor that could impact future financial results.

In addition, rapid increases in the costs of purchased gas would cause us to experience a significant increase in short-term debt. We must pay suppliers for gas when it is purchased, which can be significantly in advance of when these costs may be recovered through the collection of monthly customer bills for gas delivered. Increases in purchased gas costs also slow our natural gas distribution collection efforts as customers are more likely to delay the payment of their gas bills, leading to higher than normal accounts receivable. This could result in higher short-term debt levels, greater collection efforts and increased bad debt expense.

We are exposed to market risks that are beyond our control, which could adversely affect our financial results and capital requirements.

We are subject to market risks beyond our control, including (i) commodity price volatility caused by market supply and demand dynamics, counterparty performance or counterparty creditworthiness, and (ii) interest rate risk.

Our regulated operations are generally insulated from commodity price risk through its purchased gas cost mechanisms. Although our nonregulated operations represent only about five percent of our consolidated results, commodity price volatility experienced in this business segment could lead to some minor volatility in our earnings. Our nonregulated segment manages margins and limits risk exposure on the sale of natural gas inventory or the offsetting fixed-price purchase or sale commitments for physical quantities of natural gas through the use of a variety of financial instruments. However, contractual limitations could adversely affect our ability to withdraw gas from storage, which could cause us to purchase gas at spot prices in a rising market to obtain sufficient volumes to fulfill customer contracts. We could also realize financial losses on our efforts to limit risk as a result of volatility in the market prices of the underlying commodities or if a counterparty fails to perform under a contract.

With respect to interest rate risk, we have been operating in a relatively low interest-rate environment in recent years compared to historical norms for both short and long-term interest rates. However, increases in interest rates could adversely affect our future financial results.

The concentration of our distribution, pipeline and storage operations in the State of Texas exposes our operations and financial results to economic conditions, weather patterns and regulatory decisions in Texas.

Over 50 percent of our regulated distribution customers and most of our regulated pipeline assets and operations are located in the State of Texas. This concentration of our business in Texas means that our operations and financial results may be significantly affected by changes in the Texas economy in general, weather patterns and regulatory decisions by state and local regulatory authorities in Texas.

Our operations are subject to increased competition.

In residential and commercial customer markets, our regulated distribution operations compete with other energy products, such as electricity and propane. Our primary product competition is with electricity for heating, water heating and cooking. Increases in the price of natural gas could negatively impact our competitive position by decreasing the price benefits of natural gas to the consumer. This could adversely impact our business if, as a result, our customer growth slows, reducing our ability to make capital expenditures, or if our customers further conserve their use of gas, resulting in reduced gas purchases and customer billings.

In the case of industrial customers, such as manufacturing plants, adverse economic conditions, including higher gas costs, could cause these customers to use alternative sources of energy, such as electricity, or bypass our systems in favor of special competitive contracts with lower per-unit costs. Our regulated pipeline operations historically have faced limited competition from other existing intrastate pipelines and gas marketers seeking to provide or arrange transportation, storage and other services for customers. However, in the last few years, several new pipelines have been completed, which has increased the level of competition in this segment of our business.

Finally, within our nonregulated operations, AEM competes with other natural gas marketers to provide natural gas management and other related services primarily to smaller customers requiring higher levels of balancing, scheduling and other related management services. AEM has experienced increased competition in recent years from competitors who offer lower cost, basic services.

Adverse weather conditions could affect our operations or financial results.

We have weather-normalized rates for over 95 percent of our residential and commercial meters in our regulated distribution business, which substantially mitigates the adverse effects of warmer-than-normal weather for meters in those service areas. However, there is no assurance that we will continue to receive such regulatory protection from adverse weather in our rates in the future. The loss of such weather-normalized rates could have an adverse effect on our operations and financial results. In addition, our regulated distribution and regulated pipeline operating results may continue to vary somewhat with the actual temperatures during the winter heating season. Sustained cold weather could adversely affect our nonregulated operations as we may be required to purchase gas at spot rates in a rising market to obtain sufficient volumes to fulfill some customer contracts. Additionally, sustained cold weather could challenge our ability to adequately meet customer demand in our natural gas distribution and pipeline and storage operations.

Our growth in the future may be limited by the nature of our business, which requires extensive capital spending.

The regulated natural gas distribution and pipeline business is capital-intensive. We must make significant capital expenditures to renew or replace our facilities on a long-term basis to improve the safety and reliability of our facilities and to comply with the safety rules and regulations issued by the regulatory authorities responsible for the service areas we operate. In addition, we must continually build new capacity in our regulated distribution and regulated pipeline operations to serve the growing needs of the communities we serve. The magnitude of these expenditures may be affected by a number of factors, including new regulations, the general state of the economy and weather.

The liquidity required to fund our capital expenditures and other cash needs is provided from a variety of sources, including our cash flows from operations, borrowings under our short-term lending facilities, and, from time to time, funds raised from the public debt and equity capital markets. The cost and availability of borrowing funds from third party lenders or issuing equity is dependent on the liquidity of the credit markets, interest rates and other market conditions. This in turn may limit the amount of funds we can invest in our infrastructure.

The costs of providing health care benefits, pension and postretirement health care benefits and related funding requirements may increase substantially.

We provide health care benefits, a cash-balance pension plan and postretirement health care benefits to eligible full-time employees. The costs of providing health care benefits to our employees could significantly increase over time due to rapidly increasing health care inflation, the impact of the Health Care Reform Act of 2010 (HCR) and any future legislative changes related to the provision of health care benefits. The impact of additional costs incurred by the health insurance industry arising from the implementation of HCR, which are likely to be passed on to the Company, are difficult to measure at this time.

The costs of providing a cash-balance pension plan and postretirement health care benefits to eligible full-time employees and related funding requirements could be influenced by changes in the market value of the assets funding our pension and postretirement health care plans. Any significant declines in the value of these investments due to sustained declines in equity markets or a reduction in bond yields could increase the costs of our pension and postretirement health care plans and related funding requirements in the future. Further, our costs of providing such benefits and related funding requirements are also subject to a number of factors, including (i) changing demographics, including longer life expectancy of beneficiaries and an expected increase in the number of eligible former employees over the next five to ten years; (ii) various actuarial calculations and assumptions which may differ materially from actual results due primarily to changing market and economic conditions, including changes in interest rates, and higher or lower withdrawal rates; and (iii) future government regulation.

The costs to the Company of providing these benefits and related funding requirements could also increase materially in the future, should there be a material reduction in the amount of the recovery of these costs through our rates or should significant delays develop in the timing of the recovery of such costs, which could adversely affect our financial results.

The inability to continue to hire, train and retain operational, technical and managerial personnel could adversely affect our results of operations.

The average age of the employee base of Atmos Energy has been increasing for a number of years, with a number of employees becoming eligible to retire within the next five to 10 years. If we were unable to hire appropriate personnel to fill future needs, the Company could encounter operating challenges and increased costs, primarily due to a loss of knowledge, errors due to inexperience or the lengthy time period typically required to adequately train replacement personnel. In addition, higher costs could result from the increased use of contractors to replace retiring employees, loss of productivity or increased safety compliance issues. The inability to hire, train and retain new operational, technical and managerial personnel adequately and to transfer institutional knowledge and expertise could adversely affect our ability to manage and operate our business. If we were unable to hire, train and retain appropriately qualified personnel, our results of operations could be adversely affected.

We may experience increased federal, state and local regulation of the safety of our operations.

We are committed to constantly monitoring and maintaining our pipeline and distribution system to ensure that natural gas is delivered safely, reliably and efficiently through our network of more than 72,000 miles of pipeline and distribution lines. The pipeline replacement programs currently underway in several of our divisions typify the preventive maintenance and continual renewal that we perform on our natural gas distribution system in the eight states in which we currently operate. The safety and protection of the public, our customers and our employees is our top priority. However, due primarily to the unfortunate pipeline incident in California in 2010, natural gas distribution and pipeline companies have continued to face increasing federal, state and local oversight of the safety of their operations. Although we believe these costs should be ultimately recoverable through our rates, the costs of complying with such increased laws and regulations may have at least a short-term adverse impact on our operating costs and financial results.

Some of our operations are subject to increased federal regulatory oversight that could affect our operations and financial results.

FERC has regulatory authority over some of our operations, including sales of natural gas in the wholesale gas market and the use and release of interstate pipeline and storage capacity. FERC has adopted rules designed to prevent market power abuse and market manipulation and to promote compliance with FERC's other rules, policies and orders by companies engaged in the sale, purchase, transportation or storage of natural gas in interstate commerce. These rules carry increased penalties for violations. Although we have taken steps to structure current and future transactions to comply with applicable current FERC regulations, changes in FERC regulations or their interpretation by FERC or additional regulations issued by FERC in the future could also adversely affect our business, financial condition or financial results.

We are subject to environmental regulations which could adversely affect our operations or financial results.

We are subject to laws, regulations and other legal requirements enacted or adopted by federal, state and local governmental authorities relating to protection of the environment and health and safety matters, including those that govern discharges of substances into the air and water, the management and disposal of hazardous substances and waste, the clean-up of contaminated sites, groundwater quality and availability, plant and wildlife protection, as well as work practices related to employee health and safety. Environmental legislation also requires that our facilities, sites and other properties associated with our operations be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Failure to comply with these laws, regulations, permits and licenses may expose us to fines, penalties or interruptions in our operations that could be significant to our financial results. In addition, existing environmental regulations may be revised or our operations may become subject to new regulations.

The operations and financial results of the Company could be adversely impacted as a result of climate changes or related additional legislation or regulation in the future.

To the extent climate changes occur, our businesses could be adversely impacted, although we believe it is likely that any such resulting impacts would occur very gradually over a long period of time and thus would be difficult to quantify with any degree of specificity. To the extent climate changes would result in warmer temperatures in our service territories, financial results from our regulated distribution segment could be adversely affected through lower gas volumes and revenues, with our regulated pipeline segment also likely experiencing lower volumes and revenues as well. Such climate changes could also cause shifts in population, including customers moving away from our service territories near the Gulf Coast in Louisiana and Mississippi. Another possible climate change would be more frequent and more severe weather events, such as hurricanes and tornados, which could increase our costs to repair damaged facilities and restore service to our customers. If we were unable to deliver natural gas to our customers, our financial results would be impacted by lost revenues, and we generally would have to seek approval from regulators to recover restoration costs. To the extent we would be unable to recover those costs, or if higher rates resulting from our recovery of such costs would result in reduced demand for our services, our future business, financial condition or financial results could be adversely impacted. In addition, there have been a number of federal and state legislative and regulatory initiatives proposed in recent years in an attempt to control or limit the effects of global warming and overall climate change, including greenhouse gas emissions, such as carbon dioxide. The adoption of this type of legislation by Congress or similar legislation by states or the adoption of related regulations by federal or state governments mandating a substantial reduction in greenhouse gas emissions in the future could have far-reaching and significant impacts on the energy industry. Such new legislation or regulations could result in increased compliance costs for us or additional operating restrictions on our business, affect the demand for natural gas or impact the prices we charge to our customers. At this time, we cannot predict the potential impact of such laws or regulations that may be adopted on our future business, financial condition or financial results.

Distributing, transporting and storing natural gas involve risks that may result in accidents and additional operating costs.

Our regulated distribution and regulated pipeline businesses involve a number of hazards and operating risks that cannot be completely avoided, such as leaks, accidents and operational problems, which could cause loss of human life, as well as substantial financial losses resulting from property damage, damage to the environment and to our operations. We maintain liability and property insurance coverage in place for many of these hazards and risks. However, because some of our pipeline, storage and distribution facilities are near or are in populated areas, any loss of human life or adverse financial results resulting from such events could be large. If these events were not fully covered by our general liability and property insurance, which policies are subject to certain limits and deductibles, our operations or financial results could be adversely affected.

Cyber-attacks or acts of cyber-terrorism could disrupt our business operations and information technology systems or result in the loss or exposure of confidential or sensitive customer, employee or Company information.

Our business operations and information technology systems may be vulnerable to an attack by individuals or organizations intending to disrupt our business operations and information technology systems, even though the Company has implemented policies, procedures and controls to prevent and detect these activities. We use our information technology systems to manage our distribution and intrastate pipeline operations and other business processes. Disruption of those systems could adversely impact our ability to safely deliver natural gas to our customers, operate our pipeline systems or serve our customers timely. Accordingly, if such an attack or act of terrorism were to occur, our operations and financial results could be adversely affected.

In addition, we use our information technology systems to protect confidential or sensitive customer, employee and Company information developed and maintained in the normal course of our business. Any attack on such systems that would result in the unauthorized release of customer, employee or other confidential or sensitive data could have a material adverse effect on our business reputation, increase our costs and expose us to additional material legal claims and liability. Even though we have insurance coverage in place for many of these cyber-related risks, if such an attack or act of terrorism were to occur, our operations and financial results could be adversely affected to the extent not fully covered by such insurance coverage.

Natural disasters, terrorist activities or other significant events could adversely affect our operations or financial results.

Natural disasters are always a threat to our assets and operations. In addition, the threat of terrorist activities could lead to increased economic instability and volatility in the price of natural gas that could affect our operations. Also, companies in our industry may face a heightened risk of exposure to actual acts of terrorism, which could subject our operations to increased risks. As a result, the availability of insurance covering such risks may become more limited, which could increase the risk that an event could adversely affect our operations or financial results.

ITEM 1B. *Unresolved Staff Comments.*

Not applicable.

ITEM 2. *Properties.*

Distribution, transmission and related assets

At September 30, 2015, in our regulated distribution segment, we owned an aggregate of 70,218 miles of underground distribution and transmission mains throughout our distribution systems. These mains are located on easements or rights-of-way which generally provide for perpetual use. We maintain our mains through a program of continuous inspection and repair and believe that our system of mains is in good condition. Through our regulated pipeline segment we owned 5,477 miles of gas transmission and gathering lines as well as 111 miles of transmission and gathering lines through our nonregulated segment.

Storage Assets

We own underground gas storage facilities in several states to supplement the supply of natural gas in periods of peak demand. The following table summarizes certain information regarding our underground gas storage facilities at September 30, 2015:

State	Usable Capacity (Mcf)	Cushion Gas (Mcf)[1]	Total Capacity (Mcf)	Maximum Daily Delivery Capability (Mcf)
Regulated Distribution Segment				
Kentucky	4,442,696	6,322,283	10,764,979	105,100
Kansas	3,239,000	2,300,000	5,539,000	45,000
Mississippi	1,907,571	2,442,917	4,350,488	31,000
Total	9,589,267	11,065,200	20,654,467	181,100
Regulated Pipeline Segment — Texas	46,083,549	15,878,025	61,961,574	1,235,000
Nonregulated Segment				
Kentucky	3,438,900	3,240,000	6,678,900	67,500
Louisiana	438,583	300,973	739,556	56,000
Total	3,877,483	3,540,973	7,418,456	123,500
Total	59,550,299	30,484,198	90,034,497	1,539,600

(1) Cushion gas represents the volume of gas that must be retained in a facility to maintain reservoir pressure.

Additionally, we contract for storage service in underground storage facilities on many of the interstate pipelines serving us to supplement our proprietary storage capacity. The following table summarizes our contracted storage capacity at September 30, 2015:

Segment	Division/Company	Maximum Storage Quantity (MMBtu)	Maximum Daily Withdrawal Quantity (MDWQ)[1]
Regulated Distribution Segment			
	Colorado-Kansas Division	4,761,909	113,689
	Kentucky/Mid-States Division	11,181,603	268,739
	Louisiana Division	2,595,619	179,347
	Mid-Tex Division	3,250,000	175,000
	Mississippi Division	3,554,535	151,334
	West Texas Division	4,500,000	146,000
Total		29,843,666	1,034,109
Nonregulated Segment			
	Atmos Energy Marketing, LLC	8,026,869	250,937
	Trans Louisiana Gas Pipeline, Inc.	1,674,000	67,507
Total		9,700,869	318,444
Total Contracted Storage Capacity		39,544,535	1,352,553

(1) Maximum daily withdrawal quantity (MDWQ) amounts will fluctuate depending upon the season and the month. Unless otherwise noted, MDWQ amounts represent the MDWQ amounts as of November 1, which is the beginning of the winter heating season.

Offices

Our administrative offices and corporate headquarters are consolidated in a leased facility in Dallas, Texas. We also maintain field offices throughout our service territory, the majority of which are located in leased facilities. The headquarters for our nonregulated operations are in Houston, Texas, with offices in Houston and other locations, primarily in leased facilities.

ITEM 3. ***Legal Proceedings.***

See Note 10 to the consolidated financial statements, which is incorporated in this Item 3 by reference.

ITEM 4. ***Mine Safety Disclosures.***

Not applicable.

PART II

ITEM 5. ***Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.***

Our stock trades on the New York Stock Exchange under the trading symbol "ATO." The high and low sale prices and dividends paid per share of our common stock for fiscal 2015 and 2014 are listed below. The high and low prices listed are the closing NYSE quotes, as reported on the NYSE composite tape, for shares of our common stock:

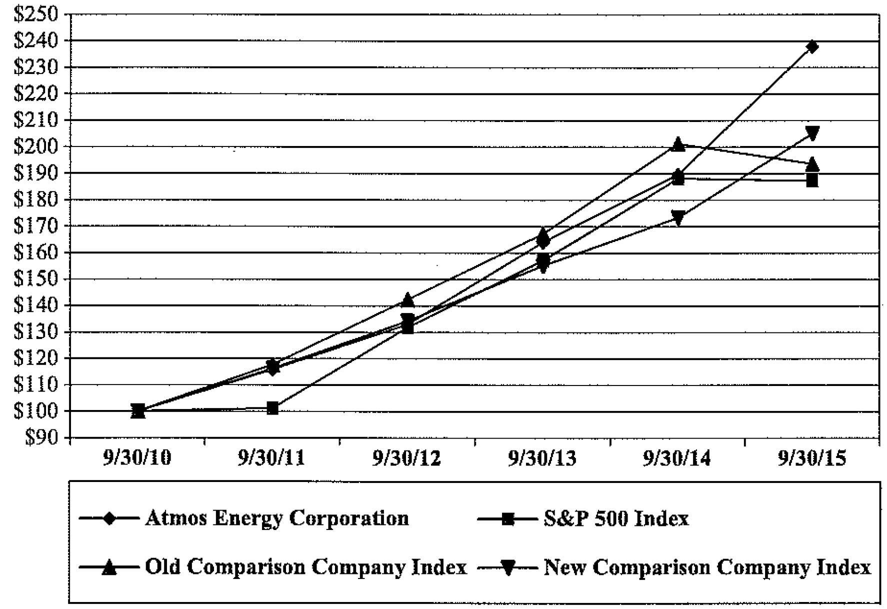
	Fiscal 2015			Fiscal 2014		
	High	Low	Dividends Paid	High	Low	Dividends Paid
Quarter ended:						
December 31	$58.08	$47.35	$0.39	$47.06	$41.08	$0.37
March 31	58.81	52.02	0.39	48.01	44.19	0.37
June 30	56.41	51.28	0.39	53.40	46.94	0.37
September 30	58.18	51.48	0.39	52.68	47.01	0.37
			$1.56			$1.48

Dividends are payable at the discretion of our Board of Directors out of legally available funds. The Board of Directors typically declares dividends in the same fiscal quarter in which they are paid. The number of record holders of our common stock on October 30, 2015 was 14,881. Future payments of dividends, and the amounts of these dividends, will depend on our financial condition, results of operations, capital requirements and other factors. We sold no securities during fiscal 2015 that were not registered under the Securities Act of 1933, as amended.

Performance Graph

The performance graph and table below compares the yearly percentage change in our total return to shareholders for the last five fiscal years with the total return of the Standard and Poor's 500 Stock Index and the cumulative total return of two different customized peer company groups, the New Comparison Company Index and the Old Comparison Company Index. The New Comparison Company Index includes ONE Gas, Inc., The Laclede Group, Inc. and TECO Energy, Inc. and excludes ONEOK, Inc., National Fuel Gas Company and Integrys Energy Group because the Board of Directors determined that these companies better fit the profile of the companies in our peer group, which is comprised of natural gas distribution companies with similar revenues, market capitalizations and asset bases to that of the Company. The graph and table below assume that $100.00 was invested on September 30, 2010 in our common stock, the S&P 500 Index and in the common stock of the companies in the New and Old Comparison Company Indexes, as well as a reinvestment of dividends paid on such investments throughout the period.

Comparison of Five-Year Cumulative Total Return among Atmos Energy Corporation, S&P 500 Index and Comparison Company Index



	Cumulative Total Return					
	9/30/2010	9/30/2011	9/30/2012	9/30/2013	9/30/2014	9/30/2015
Atmos Energy Corporation	100.00	115.72	133.03	164.05	189.51	237.91
S&P 500 Index	100.00	101.14	131.69	157.17	188.18	187.02
Old Comparison Company Index	100.00	117.66	142.22	167.00	201.17	193.52
New Comparison Company Index	100.00	116.24	134.26	155.06	179.39	204.94

The New Comparison Company Index reflects the cumulative total return of companies in our peer group, which is comprised of a hybrid group of utility companies, primarily natural gas distribution companies, recommended by our independent executive compensation consulting firm and approved by the Board of Directors. The companies included in the index are AGL Resources Inc., CenterPoint Energy, Inc., CMS Energy Corporation, NiSource Inc., ONE Gas, Inc., Piedmont Natural Gas Company, Inc., Questar Corporation, TECO Energy, Inc., The Laclede Group, Inc., Vectren Corporation and WGL Holdings, Inc. The Old Comparison Company Index includes AGL Resources Inc., CenterPoint Energy Resources Corporation, CMS Energy Corporation, Integrys Energy Group, Inc., National Fuel Gas, NiSource Inc., ONEOK Inc., Piedmont Natural Gas Company, Inc., Questar Corporation, Vectren Corporation and WGL Holdings, Inc.

The following table sets forth the number of securities authorized for issuance under our equity compensation plans at September 30, 2015.

	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders:			
1998 Long-Term Incentive Plan	—	$ —	308,582
Total equity compensation plans approved by security holders	—	—	308,582
Equity compensation plans not approved by security holders	—	—	—
Total	—	$ —	308,582

On September 28, 2011, the Board of Directors approved a program authorizing the repurchase of up to five million shares of common stock over a five-year period. The program is primarily intended to minimize the dilutive effect of equity grants under various benefit related incentive compensation plans of the Company. Although the program is authorized for a five-year period, it may be terminated or limited at any time. Shares may be repurchased in the open market or in privately negotiated transactions in amounts the Company deems appropriate. We did not repurchase any shares during fiscal 2015 under the program, which is scheduled to end on September 30, 2016. At September 30, 2015, there were 4,612,009 shares of repurchase authority remaining under the program.

ITEM 6. *Selected Financial Data.*

The following table sets forth selected financial data of the Company and should be read in conjunction with the consolidated financial statements included herein.

	Fiscal Year Ended September 30				
	2015	2014	2013	2012[1]	2011[1]
	(In thousands, except per share data)				
Results of Operations					
Operating revenues	$4,142,136	$4,940,916	$3,875,460	$3,436,162	$4,286,435
Gross profit	$1,680,017	$1,582,426	$1,412,050	$1,323,739	$1,300,820
Income from continuing operations	$ 315,075	$ 289,817	$ 230,698	$ 192,196	$ 189,588
Net income	$ 315,075	$ 289,817	$ 243,194	$ 216,717	$ 207,601
Diluted income per share from continuing operations	$ 3.09	$ 2.96	$ 2.50	$ 2.10	$ 2.07
Diluted net income per share	$ 3.09	$ 2.96	$ 2.64	$ 2.37	$ 2.27
Cash dividends declared per share	$ 1.56	$ 1.48	$ 1.40	$ 1.38	$ 1.36
Financial Condition					
Net property, plant and equipment[2]	$7,430,580	$6,725,906	$6,030,655	$5,475,604	$5,147,918
Total assets	$9,092,945	$8,594,704	$7,934,268	$7,495,675	$7,282,871
Capitalization:					
Shareholders' equity	$3,194,797	$3,086,232	$2,580,409	$2,359,243	$2,255,421
Long-term debt (excluding current maturities)	2,455,388	2,455,986	2,455,671	1,956,305	2,206,117
Total capitalization	$5,650,185	$5,542,218	$5,036,080	$4,315,548	$4,461,538

(1) Financial results for fiscal years 2012 and 2011 reflect a $5.3 million and a $30.3 million pre-tax loss for the impairment of certain assets.

(2) Amounts shown for fiscal 2012 and 2011 are net of assets held for sale.

ITEM 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations.*

INTRODUCTION

This section provides management's discussion of the financial condition, changes in financial condition and results of operations of Atmos Energy Corporation and its consolidated subsidiaries with specific information on results of operations and liquidity and capital resources. It includes management's interpretation of our financial results, the factors affecting these results, the major factors expected to affect future operating results and future investment and financing plans. This discussion should be read in conjunction with our consolidated financial statements and notes thereto.

Several factors exist that could influence our future financial performance, some of which are described in Item 1A above, "Risk Factors". They should be considered in connection with evaluating forward-looking statements contained in this report or otherwise made by or on behalf of us since these factors could cause actual results and conditions to differ materially from those set out in such forward-looking statements.

Cautionary Statement for the Purposes of the Safe Harbor under the Private Securities Litigation Reform Act of 1995

The statements contained in this Annual Report on Form 10-K may contain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical fact included in this Report are forward-looking statements made in good faith by us and are intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. When used in this Report, or any other of our documents or oral presentations, the words "anticipate", "believe", "estimate", "expect", "forecast", "goal", "intend", "objective", "plan", "projection", "seek", "strategy" or similar words are intended to identify forward-looking statements. Such forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the statements relating to our strategy, operations, markets, services, rates, recovery of costs, availability of gas supply and other factors. These risks and uncertainties include the following: our ability to continue to access the credit markets to satisfy our liquidity requirements; regulatory trends and decisions, including the impact of rate proceedings before various state regulatory commissions; the impact of adverse economic conditions on our customers; the effects of inflation and changes in the availability and price of natural gas; market risks beyond our control affecting our risk management activities, including commodity price volatility, counterparty creditworthiness or performance and interest rate risk; the concentration of our distribution, pipeline and storage operations in Texas; increased competition from energy suppliers and alternative forms of energy; adverse weather conditions; the capital-intensive nature of our regulated distribution business; increased costs of providing health care benefits along with pension and postretirement health care benefits and increased funding requirements; the inability to continue to hire, train and retain appropriate personnel; possible increased federal, state and local regulation of the safety of our operations; increased federal regulatory oversight and potential penalties; the impact of environmental regulations on our business; the impact of climate changes or related additional legislation or regulation in the future; the inherent hazards and risks involved in operating our distribution and pipeline and storage businesses; the threat of cyber-attacks or acts of cyber-terrorism that could disrupt our business operations and information technology systems; natural disasters, terrorist activities or other events and other risks and uncertainties discussed herein, all of which are difficult to predict and many of which are beyond our control. Accordingly, while we believe these forward-looking statements to be reasonable, there can be no assurance that they will approximate actual experience or that the expectations derived from them will be realized. Further, we undertake no obligation to update or revise any of our forward-looking statements whether as a result of new information, future events or otherwise.

CRITICAL ACCOUNTING POLICIES

Our consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States. Preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and the related disclosures of contingent assets and liabilities. We base our estimates on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from estimates.

Our significant accounting policies are discussed in Note 2 to our consolidated financial statements. The accounting policies discussed below are both important to the presentation of our financial condition and results of operations and require management to make difficult, subjective or complex accounting estimates. Accordingly, these critical accounting policies are reviewed periodically by the Audit Committee of the Board of Directors.

Critical Accounting Policy	Summary of Policy	Factors Influencing Application of the Policy
Regulation	Our regulated distribution and pipeline operations meet the criteria of a cost-based, rate-regulated entity under accounting principles generally accepted in the United States. Accordingly, the financial results for these operations reflect the effects of the ratemaking and accounting practices and policies of the various regulatory commissions to which we are subject. As a result, certain costs that would normally be expensed under accounting principles generally accepted in the United States are permitted to be capitalized or deferred on the balance sheet because it is probable they can be recovered through rates. Further, regulation may impact the period in which revenues or expenses are recognized. The amounts to be recovered or recognized are based upon historical experience and our understanding of the regulations. Discontinuing the application of this method of accounting for regulatory assets and liabilities or changes in the accounting for our various regulatory mechanisms could significantly increase our operating expenses as fewer costs would likely be capitalized or deferred on the balance sheet, which could reduce our net income.	Decisions of regulatory authorities Issuance of new regulations or regulatory mechanisms Assessing the probability of the recoverability of deferred costs
Unbilled Revenue	We follow the revenue accrual method of accounting for regulated distribution segment revenues whereby revenues attributable to gas delivered to customers, but not yet billed under the cycle billing method, are estimated and accrued and the related costs are charged to expense. On occasion, we are permitted to implement new rates that have not been formally approved by our regulatory authorities, which are subject to refund. We recognize this revenue and establish a reserve for amounts that could be refunded based on our experience for the jurisdiction in which the rates were implemented.	Estimates of delivered sales volumes based on actual tariff information and weather information and estimates of customer consumption and/or behavior Estimates of purchased gas costs related to estimated deliveries Estimates of uncollectible amounts billed subject to refund

Critical Accounting Policy	Summary of Policy	Factors Influencing Application of the Policy
Pension and other postretirement plans	Pension and other postretirement plan costs and liabilities are determined on an actuarial basis using a September 30 measurement date and are affected by numerous assumptions and estimates including the market value of plan assets, estimates of the expected return on plan assets, assumed discount rates and current demographic and actuarial mortality data. The assumed discount rate and the expected return are the assumptions that generally have the most significant impact on our pension costs and liabilities. The assumed discount rate, the assumed health care cost trend rate and assumed rates of retirement generally have the most significant impact on our postretirement plan costs and liabilities. The discount rate is utilized principally in calculating the actuarial present value of our pension and postretirement obligations and net periodic pension and postretirement benefit plan costs. When establishing our discount rate, we consider high quality corporate bond rates based on bonds available in the marketplace that are suitable for settling the obligations, changes in those rates from the prior year and the implied discount rate that is derived from matching our projected benefit disbursements with currently available high quality corporate bonds. The expected long-term rate of return on assets is utilized in calculating the expected return on plan assets component of our annual pension and postretirement plan costs. We estimate the expected return on plan assets by evaluating expected bond returns, equity risk premiums, asset allocations, the effects of active plan management, the impact of periodic plan asset rebalancing and historical performance. We also consider the guidance from our investment advisors in making a final determination of our expected rate of return on assets. To the extent the actual rate of return on assets realized over the course of a year is greater than or less than the assumed rate, that year's annual pension or postretirement plan costs are not affected. Rather, this gain or loss reduces or increases future pension or postretirement plan costs over a period of approximately ten to twelve years. The market-related value of our plan assets represents the fair market value of the plan assets, adjusted to smooth out short-term market fluctuations over a five-year period. The use of this methodology will delay the impact of current market fluctuations on the pension expense for the period.	General economic and market conditions Assumed investment returns by asset class Assumed future salary increases Assumed discount rate Projected timing of future cash disbursements Health care cost experience trends Participant demographic information Actuarial mortality assumptions Impact of legislation Impact of regulation

Critical Accounting Policy	Summary of Policy	Factors Influencing Application of the Policy
	We estimate the assumed health care cost trend rate used in determining our postretirement net expense based upon our actual health care cost experience, the effects of recently enacted legislation and general economic conditions. Our assumed rate of retirement is estimated based upon our annual review of our participant census information as of the measurement date.	
Contingencies	In the normal course of business, we are confronted with issues or events that may result in a contingent liability. These generally relate to uncollectible receivables, lawsuits, claims made by third parties or the action of various regulatory agencies. We recognize these contingencies in our consolidated financial statements when we determine, based on currently available facts and circumstances it is probable that a liability has been incurred or an asset will not be recovered, and an amount can be reasonably estimated. Actual results may differ from estimates, depending on actual outcomes or changes in the facts or expectations surrounding each potential exposure. Changes in the estimates related to contingencies could have a negative impact on our consolidated results of operations, cash flows or financial position. Our contingencies are further discussed in Note 10 to our consolidated financial statements.	Currently available facts Management's estimate of future resolution
Financial instruments and hedging activities	We use financial instruments to mitigate commodity price risk and interest rate risk. The objectives for using financial instruments have been tailored to meet the needs of our regulated and non-regulated businesses. These objectives are more fully described in Note 12 to the consolidated financial statements. We record all of our financial instruments on the balance sheet at fair value as required by accounting principles generally accepted in the United States, with changes in fair value ultimately recorded in the income statement. The recognition of the changes in fair value of these financial instruments recorded in the income statement is contingent upon whether the financial instrument has been designated and qualifies as a part of a hedging relationship or if regulatory rulings require a different accounting treatment. Our accounting elections for financial instruments and hedging activities utilized are more fully described in Note 12 to the consolidated financial statements.	Designation of contracts under the hedge accounting rules Judgment in the application of accounting guidance Assessment of the probability that future hedged transactions will occur Changes in market conditions and the related impact on the fair value of the hedged item and the associated designated financial instrument Changes in the effectiveness of the hedge relationship

Critical Accounting Policy	Summary of Policy	Factors Influencing Application of the Policy
	The criteria used to determine if a financial instrument meets the definition of a derivative and qualifies for hedge accounting treatment are complex and require management to exercise professional judgment. Further, as more fully discussed below, significant changes in the fair value of these financial instruments could materially impact our financial position, results of operations or cash flows. Finally, changes in the effectiveness of the hedge relationship could impact the accounting treatment.	
Fair Value Measurements	We report certain assets and liabilities at fair value, which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The assets and liabilities we recognize at fair value are subject to potentially significant volatility based on numerous considerations including, but not limited to changes in commodity prices, interest rates, maturity and timing of settlement. Prices actively quoted on national exchanges are used to determine the fair value of most of our assets and liabilities recorded on our balance sheet at fair value. Within our nonregulated operations, we utilize a mid-market pricing convention (the mid-point between the bid and ask prices) for determining fair value measurement, as permitted under current accounting standards. Values derived from these sources reflect the market in which transactions involving these financial instruments are executed. We utilize models and other valuation methods to determine fair value when external sources are not available. Values are adjusted to reflect the potential impact of an orderly liquidation of our positions over a reasonable period of time under then-current market conditions. We believe the market prices and models used to value these financial instruments represent the best information available with respect to the market in which transactions involving these financial instruments are executed, the closing exchange and over-the-counter quotations, time value and volatility factors underlying the contracts.	General economic and market conditions Volatility in underlying market conditions Maturity dates of financial instruments Creditworthiness of our counterparties Creditworthiness of Atmos Energy Impact of credit risk mitigation activities on the assessment of the creditworthiness of Atmos Energy and its counterparties

Critical Accounting Policy	Summary of Policy	Factors Influencing Application of the Policy
	Fair-value estimates also consider our own creditworthiness and the creditworthiness of the counterparties involved. Our counterparties consist primarily of financial institutions and major energy companies. This concentration of counterparties may materially impact our exposure to credit risk resulting from market, economic or regulatory conditions. We seek to minimize counterparty credit risk through an evaluation of their financial condition and credit ratings and the use of collateral requirements under certain circumstances.	
Impairment assessments . . .	We review the carrying value of our long-lived assets, including goodwill and identifiable intangibles, whenever events or changes in circumstance indicate that such carrying values may not be recoverable, and at least annually for goodwill, as required by U.S. accounting standards. The evaluation of our goodwill balances and other long-lived assets or identifiable assets for which uncertainty exists regarding the recoverability of the carrying value of such assets involves the assessment of future cash flows and external market conditions and other subjective factors that could impact the estimation of future cash flows including, but not limited to the commodity prices, the amount and timing of future cash flows, future growth rates and the discount rate. Unforeseen events and changes in circumstances or market conditions could adversely affect these estimates, which could result in an impairment charge.	General economic and market conditions Projected timing and amount of future discounted cash flows Judgment in the evaluation of relevant data

RESULTS OF OPERATIONS

Overview

Atmos Energy Corporation strives to operate its businesses safely and reliably while delivering superior shareholder value. In recent years we have implemented rate designs that reduce or eliminate regulatory lag and separate the recovery of our approved rate from customer usage patterns. In addition, recent pipeline safety rulemaking has impacted the level of operating and maintenance expense and capital spending in our regulated business, which we expect to continue. Accordingly, we have significantly increased investments in the safety and reliability of our natural gas distribution and transmission infrastructure. This increased level of investment and timely recovery of these investments through our various regulatory mechanisms has resulted in increased earnings and operating cash flow in recent years.

This trend continued during fiscal 2015. Net income increased 9 percent to $315.1 million, or $3.09 per diluted share. The year-over-year increase largely reflects positive rate outcomes, which more than offset weather that was 10 percent warmer than the prior year, particularly in our nonregulated segment. Additionally, operating cash flow increased $96.5 million to $836.5 million for the fiscal year ended September 30, 2015.

Capital expenditures for fiscal 2015 totaled $975.1 million. Approximately 80 percent was invested to improve the safety and reliability of our distribution and transportation systems, with a significant portion of this investment incurred under regulatory mechanisms that reduce lag to six months or less. Fiscal 2014 spending under these and other mechanisms enabled the Company to complete 17 regulatory filings during fiscal 2015 that should increase annual operating income from regulated operations by $114.5 million. We plan to continue to fund our growth through the use of operating cash flows and debt and equity securities, to maintain a balanced capital structure.

On July 1, 2015, Fitch Ratings (Fitch) upgraded our senior unsecured debt rating to A from A- with a ratings outlook of stable. Fitch cited its expectation of continued strong financial performance driven primarily by organic growth in our regulated distribution and regulated pipeline segments.

On October 29, 2015, S&P affirmed our senior unsecured debt rating as A- and issued a revised outlook from stable to positive, citing the potential for an upgraded rating in the future if we maintain our current level of financial performance as capital spending levels remain elevated.

As a result of the continued contribution and stability of our regulated earnings, cash flows and capital structure, our Board of Directors increased the quarterly dividend by 7.7 percent for fiscal 2016.

Consolidated Results

The following table presents our consolidated financial highlights for the fiscal years ended September 30, 2015, 2014 and 2013.

	For the Fiscal Year Ended September 30		
	2015	2014	2013
	(In thousands, except per share data)		
Operating revenues	$4,142,136	$4,940,916	$3,875,460
Gross profit	1,680,017	1,582,426	1,412,050
Operating expenses	1,048,622	971,077	910,171
Operating income	631,395	611,349	501,879
Miscellaneous expense	(4,389)	(5,235)	(197)
Interest charges	116,241	129,295	128,385
Income from continuing operations before income taxes	510,765	476,819	373,297
Income tax expense	195,690	187,002	142,599
Income from continuing operations	315,075	289,817	230,698
Income from discontinued operations, net of tax	—	—	7,202
Gain on sale of discontinued operations, net of tax	—	—	5,294
Net income	$ 315,075	$ 289,817	$ 243,194
Diluted net income per share from continuing operations	$ 3.09	$ 2.96	$ 2.50
Diluted net income per share from discontinued operations	$ —	$ —	$ 0.14
Diluted net income per share	$ 3.09	$ 2.96	$ 2.64

Regulated operations contributed 95 percent, 89 percent and 95 percent to our consolidated net income from continuing operations for fiscal years 2015, 2014 and 2013. Our consolidated net income during the last three fiscal years was earned across our business segments as follows:

	For the Fiscal Year Ended September 30		
	2015	2014	2013
		(In thousands)	
Regulated distribution segment	$204,813	$171,585	$150,856
Regulated pipeline segment	94,662	86,191	68,260
Nonregulated segment	15,600	32,041	11,582
Net income from continuing operations	315,075	289,817	230,698
Net income from discontinued operations	—	—	12,496
Net income	$315,075	$289,817	$243,194

The following table segregates our consolidated net income and diluted earnings per share between our regulated and nonregulated operations:

	For the Fiscal Year Ended September 30		
	2015	2014	2013
	(In thousands, except per share data)		
Regulated operations	$299,475	$257,776	$219,116
Nonregulated operations	15,600	32,041	11,582
Net income from continuing operations	315,075	289,817	230,698
Net income from discontinued operations	—	—	12,496
Net income	$315,075	$289,817	$243,194
Diluted EPS from continuing regulated operations	$ 2.93	$ 2.63	$ 2.38
Diluted EPS from nonregulated operations	0.16	0.33	0.12
Diluted EPS from continuing operations	3.09	2.96	2.50
Diluted EPS from discontinued operations	—	—	0.14
Consolidated diluted EPS	$ 3.09	$ 2.96	$ 2.64

We reported net income of $315.1 million, or $3.09 per diluted share for the year ended September 30, 2015, compared with net income of $289.8 million or $2.96 per diluted share in the prior year. Unrealized losses in our nonregulated operations during the current year decreased net income by $1.5 million or $0.01 per diluted share compared with net gains recorded in the prior year of $5.8 million or $0.06 per diluted share.

We reported net income of $289.8 million, or $2.96 per diluted share for the year ended September 30, 2014, compared with net income of $243.2 million or $2.64 per diluted share in fiscal 2013. Income from continuing operations in fiscal 2013 was $230.7 million, or $2.50 per diluted share. Income from discontinued operations was $12.5 million or $0.14 per diluted share for the year ended September 30, 2013, which includes the gain on sale of substantially all our assets in Georgia of $5.3 million. Unrealized gains in our nonregulated operations during fiscal 2014 increased net income by $5.8 million or $0.06 per diluted share compared with net gains recorded in fiscal 2013 of $5.3 million, or $0.05 per diluted share.

See the following discussion regarding the results of operations for each of our business operating segments.

Regulated Distribution Segment

The primary factors that impact the results of our regulated distribution operations are our ability to earn our authorized rates of return, the cost of natural gas, competitive factors in the energy industry and economic conditions in our service areas.

Our ability to earn our authorized rates is based primarily on our ability to improve the rate design in our various ratemaking jurisdictions by reducing or eliminating regulatory lag and, ultimately, separating the recovery of our approved margins from customer usage patterns. Improving rate design is a long-term process and is further complicated by the fact that we operate in multiple rate jurisdictions. The "Ratemaking Activity" section of this Form 10-K describes our current rate strategy, progress towards implementing that strategy and recent ratemaking initiatives in more detail.

We are generally able to pass the cost of gas through to our customers without markup under purchased gas cost adjustment mechanisms; therefore the cost of gas typically does not have an impact on our gross profit as increases in the cost of gas are offset by a corresponding increase in revenues. Accordingly, we believe gross profit is a better indicator of our financial performance than revenues. However, gross profit in our Texas and Mississippi service areas include franchise fees and gross receipt taxes, which are calculated as a percentage of revenue (inclusive of gas costs). Therefore, the amount of these taxes included in revenue is influenced by the cost of gas and the level of gas sales volumes. We record the tax expense as a component of taxes, other than income. Although changes in revenue related taxes arising from changes in gas costs affect gross profit, over time the impact is offset within operating income.

Although the cost of gas typically does not have a direct impact on our gross profit, higher gas costs may adversely impact our accounts receivable collections, resulting in higher bad debt expense, and may require us to increase borrowings under our credit facilities resulting in higher interest expense. In addition, higher gas costs, as well as competitive factors in the industry and general economic conditions may cause customers to conserve or, in the case of industrial consumers, to use alternative energy sources. Currently, gas cost risk has been mitigated by rate design that allows us to collect from our customers the gas cost portion of our bad debt expense on approximately 76 percent of our residential and commercial margins.

During fiscal 2015, we completed 16 regulatory proceedings in our regulated distribution segment, which should result in a $77.3 million increase in annual operating income.

In April 2013, we completed the sale of our Georgia regulated distribution operations, representing approximately 64,000 customers.

Review of Financial and Operating Results

Financial and operational highlights for our regulated distribution segment for the fiscal years ended September 30, 2015, 2014 and 2013 are presented below.

	For the Fiscal Year Ended September 30				
	2015	2014	2013	2015 vs. 2014	2014 vs. 2013
	(In thousands, unless otherwise noted)				
Gross profit	$1,237,577	$1,176,515	$1,081,236	$ 61,062	$95,279
Operating expenses	817,428	791,947	738,143	25,481	53,804
Operating income	420,149	384,568	343,093	35,581	41,475
Miscellaneous income (expense)	(377)	(381)	2,535	4	(2,916)
Interest charges	84,132	94,918	98,296	(10,786)	(3,378)
Income from continuing operations before income taxes	335,640	289,269	247,332	46,371	41,937
Income tax expense	130,827	117,684	96,476	13,143	21,208
Income from continuing operations	204,813	171,585	150,856	33,228	20,729
Income from discontinued operations, net of tax	—	—	7,202	—	(7,202)
Gain on sale of discontinued operations, net of tax	—	—	5,649	—	(5,649)
Net Income	$ 204,813	$ 171,585	$ 163,707	$ 33,228	$ 7,878
Consolidated regulated distribution sales volumes from continuing operations — MMcf	293,350	317,320	269,162	(23,970)	48,158
Consolidated regulated distribution transportation volumes from continuing operations — MMcf	135,972	134,483	123,144	1,489	11,339
Consolidated regulated distribution throughput from continuing operations — MMcf	429,322	451,803	392,306	(22,481)	59,497
Consolidated regulated distribution throughput from discontinued operations — MMcf	—	—	4,731	—	(4,731)
Total consolidated regulated distribution throughput — MMcf	429,322	451,803	397,037	(22,481)	54,766
Consolidated regulated distribution average transportation revenue per Mcf	$ 0.50	$ 0.48	$ 0.46	$ 0.02	$ 0.02
Consolidated regulated distribution average cost of gas per Mcf sold	$ 5.20	$ 5.94	$ 4.91	$ (0.74)	$ 1.03

Fiscal year ended September 30, 2015 compared with fiscal year ended September 30, 2014

Income from continuing operations for our regulated distribution segment increased 19 percent, primarily due to a $61.1 million increase in gross profit, partially offset by a $25.5 million increase in operating expenses. The year-to-date increase in gross profit primarily reflects:

- a $70.6 million net increase in rate adjustments, primarily in our Mid-Tex, West Texas, Kentucky/Mid-States and Colorado-Kansas Divisions.
- a $4.5 million increase in transportation revenue. Transportation volumes increased one percent due to increased economic activity experienced in our Kentucky/Mid-States Division and increased consumption in our West Texas Division due to colder than normal weather.
- a $10.5 million decrease in consumption associated with an eight percent decrease in sales volumes. Current period weather was ten percent warmer compared to the prior-year period, before adjusting for weather normalization mechanisms.
- a $2.5 million decrease in revenue-related taxes primarily in our Mid-Tex Division.

The increase in operating expenses, which include operation and maintenance expense, bad debt expense, depreciation and amortization expense and taxes, other than income, was primarily due to increased depreciation expense associated with increased capital investments and increased ad valorem and franchise taxes.

Interest charges decreased by $10.8 million, primarily due to replacing our $500 million unsecured 4.95% senior notes with $500 million of 4.125% 30-year unsecured senior notes on October 15, 2014 and higher interest expense deferrals under our infrastructure mechanisms.

Fiscal year ended September 30, 2014 compared with fiscal year ended September 30, 2013

Income from continuing operations for our regulated distribution segment increased 14 percent, primarily due to a $95.3 million increase in gross profit, partially offset by a $53.8 million increase in operating expenses. The year-to-date increase in gross profit primarily reflects:

- a $35.3 million net increase in rate adjustments, primarily in our Mid-Tex, Kentucky, West Texas and Louisiana service areas.
- a $14.3 million increase due to increased customer consumption resulting from colder weather, primarily experienced in our Mid-Tex and West Texas Divisions.
- a $27.5 million increase in revenue-related taxes, primarily in our Mid-Tex and West Texas Divisions, offset by a corresponding $28.4 million increase in the related tax expense.
- a $13.8 million increase related to increased customer count, higher transportation, late payment and installment plan revenues.

The $53.8 million increase in operating expenses, which include operation and maintenance expense, bad debt expense, depreciation and amortization expense and taxes, other than income, was primarily due to the following:

- a $28.4 million increase due to the aforementioned increase in revenue-related taxes.
- a $12.8 million increase in depreciation expense.
- a $12.7 million net increase in employee-related expenses, due to lower labor capitalization rates, increased benefit costs and increased variable compensation expense.
- a $4.2 million increase in the provision for doubtful accounts.

The $21.2 million increase in income tax expense was primarily due to increased income from continuing operations before income taxes as well as an increase of approximately $7.0 million in our deferred tax asset valuation allowance due to the uncertainty in the company's ability to utilize certain charitable contribution carryforwards before they expire.

The following table shows our operating income from continuing operations by regulated distribution division, in order of total rate base, for the fiscal years ended September 30, 2015, 2014 and 2013. The presentation of our regulated distribution operating income is included for financial reporting purposes and may not be appropriate for ratemaking purposes.

	For the Fiscal Year Ended September 30				
	2015	2014	2013	2015 vs. 2014	2014 vs. 2013
			(In thousands)		
Mid-Tex	$197,559	$187,265	$158,900	$10,294	$28,365
Kentucky/Mid-States	59,233	55,968	46,164	3,265	9,804
Louisiana	51,001	56,648	52,125	(5,647)	4,523
West Texas	37,180	29,250	28,085	7,930	1,165
Mississippi	34,333	28,473	29,112	5,860	(639)
Colorado-Kansas	28,720	28,077	25,478	643	2,599
Other	12,123	(1,113)	3,229	13,236	(4,342)
Total	$420,149	$384,568	$343,093	$35,581	$41,475

Regulated Pipeline Segment

Our regulated pipeline segment consists of the pipeline and storage operations of the Atmos Pipeline - Texas Division (APT). APT is 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 Barnett Shale, the Texas Gulf Coast and the Permian Basin of West Texas. APT's primary business is providing firm transportation and storage services for our Mid-Tex Division and other LDC customers. APT also provides interruptible transportation, storage and ancillary services for third parties including, industrial and electric generation customers as well as producers, marketers and other shippers.

Our regulated pipeline segment is impacted by seasonal weather patterns, competitive factors in the energy industry and economic conditions in APT's service area. Natural gas prices do not directly impact the results of this segment as revenues are derived from the transportation of natural gas. However, natural gas prices and demand for natural gas could influence the level of drilling activity in the markets that we serve, which may influence the level of throughput we may be able to transport on our pipeline. Further, natural gas price differences between the various hubs that we serve impact the market value for transportation services between those geographic areas.

The results of the Atmos Pipeline - Texas Division are also significantly impacted by the natural gas requirements of the Mid-Tex Division because it is the primary transporter of natural gas for our Mid-Tex Division.

Finally, as a regulated pipeline, the operations of the Atmos Pipeline - Texas Division may be impacted by the timing of when costs and expenses are incurred and when these costs and expenses are recovered through its tariffs.

Review of Financial and Operating Results

Financial and operational highlights for our regulated pipeline segment for the fiscal years ended September 30, 2015, 2014 and 2013 are presented below.

	For the Fiscal Year Ended September 30				
	2015	2014	2013	2015 vs. 2014	2014 vs. 2013
	(In thousands, unless otherwise noted)				
Mid-Tex Division transportation	$264,059	$227,230	$179,628	$36,829	$47,602
Third-party transportation	94,893	76,109	66,939	18,784	9,170
Storage and park and lend services	3,575	5,344	5,985	(1,769)	(641)
Other	7,585	9,776	16,348	(2,191)	(6,572)
Gross profit	370,112	318,459	268,900	51,653	49,559
Operating expenses	188,845	145,640	129,047	43,205	16,593
Operating income	181,267	172,819	139,853	8,448	32,966
Miscellaneous expense	(1,243)	(3,181)	(2,285)	1,938	(896)
Interest charges	33,151	36,280	30,678	(3,129)	5,602
Income before income taxes	146,873	133,358	106,890	13,515	26,468
Income tax expense	52,211	47,167	38,630	5,044	8,537
Net income	$ 94,662	$ 86,191	$ 68,260	$ 8,471	$17,931
Gross pipeline transportation volumes — MMcf	738,532	714,464	649,740	24,068	64,724
Consolidated pipeline transportation volumes — MMcf	528,068	493,360	467,178	34,708	26,182

Fiscal year ended September 30, 2015 compared with fiscal year ended September 30, 2014

Net income for our regulated pipeline segment increased 10 percent, primarily due to a $51.7 million increase in gross profit, partially offset by a $43.2 million increase in operating expenses. The increase in gross profit primarily reflects a $47.0 million increase in rates from the approved 2014 and 2015 Gas Reliability Infrastructure Program (GRIP) filings. Additionally, gross profit reflects increased pipeline demand fees and through-system transportation volumes and rates that were offset by lower storage and other fees and the absence of a $1.8 million increase recorded in the prior-year associated with an annual adjustment mechanism.

Operating expenses increased $43.2 million, primarily due to increased levels of pipeline and right-of-way maintenance activities to improve the safety and reliability of our system and increased depreciation expense associated with increased capital investments, along with the absence of a $6.7 million refund received in the prior year as a result of the completion of a state use tax audit.

Fiscal year ended September 30, 2014 compared with fiscal year ended September 30, 2013

Net income for our regulated pipeline segment increased 26 percent in fiscal 2014 compared to fiscal 2013, primarily due to a $49.6 million increase in gross profit. The increase in gross profit primarily reflects a $38.5 million increase in rates from the GRIP filings approved by the Railroad Commission of Texas (RRC) in fiscal 2014 and 2013 coupled with a $4.7 million increase associated with higher transportation volumes and basis spreads driven by colder weather.

The Atmos Pipeline — Texas rate case approved by the RRC on April 18, 2011 contained an annual adjustment mechanism, approved for a three-year pilot program, that adjusted regulated rates up or down by 75 percent of the difference between the non-regulated annual revenue of Atmos Pipeline — Texas and a pre-defined base credit. The annual adjustment mechanism expired on June 30, 2013. On January 1, 2014, the RRC approved the extension of the annual adjustment mechanism retroactive to July 1, 2013, which will stay in place until the completion of the next Atmos Pipeline — Texas rate case. As a result of this decision, during fiscal 2014, we recognized a $1.8 million increase in gross profit for the application of the annual adjustment mechanism, for the period July 1, 2013 to September 30, 2013.

Operating expenses increased $16.6 million primarily due to the following:

- a $10.1 million increase in pipeline and right-of-way maintenance activities.
- a $5.7 million increase in depreciation expense associated with increased capital investments.
- a $2.4 million increase due to higher employee-related expenses, partially offset by
- a $6.7 million refund received as a result of the completion of a state use tax audit.

Nonregulated Segment

Our nonregulated operations are conducted through Atmos Energy Holdings, Inc. (AEH), a wholly-owned subsidiary of Atmos Energy Corporation and typically represents approximately five percent of our consolidated net income.

AEH's primary business is to buy, sell and deliver natural gas at competitive prices to approximately 1,000 customers located primarily in the Midwest and Southeast areas of the United States. AEH accomplishes this objective by aggregating and purchasing gas supply, arranging transportation and storage logistics and effectively managing commodity price risk.

AEH also earns storage and transportation demand fees primarily from our regulated distribution operations in Louisiana and Kentucky. These demand fees are subject to regulatory oversight and are renewed periodically.

Our nonregulated activities are significantly influenced by competitive factors in the industry and general economic conditions. Therefore, the margins earned from these activities are dependent upon our ability to attract and retain customers and to minimize the cost of buying, selling and delivering natural gas to offer more competitive pricing to those customers.

Further, natural gas market conditions, most notably the price of natural gas and the level of price volatility affect our nonregulated businesses. Natural gas prices and the level of volatility are influenced by a number of factors including, but not limited to, general economic conditions, the demand for natural gas in different parts of the country, the level of domestic natural gas production and the level of natural gas inventory levels.

Natural gas prices can influence:

- The demand for natural gas. Higher prices may cause customers to conserve or use alternative energy sources. Conversely, lower prices could cause customers such as electric power generators to switch from alternative energy sources to natural gas.
- Collection of accounts receivable from customers, which could affect the level of bad debt expense recognized by this segment.
- The level of borrowings under our credit facilities, which affects the level of interest expense recognized by this segment.

Natural gas price volatility can also influence our nonregulated business in the following ways:

- Price volatility influences basis differentials, which provide opportunities to profit from identifying the lowest cost alternative among the natural gas supplies, transportation and markets to which we have access.
- Increased or decreased volatility impacts the amounts of unrealized margins recorded in our gross profit and could impact the amount of cash required to collateralize our risk management liabilities.

Our nonregulated segment manages its exposure to natural gas commodity price risk through a combination of physical storage and financial instruments. Therefore, results for this segment include unrealized gains or losses on its net physical gas position and the related financial instruments used to manage commodity price risk. These margins fluctuate based upon changes in the spreads between the physical and forward natural gas prices. The magnitude of the unrealized gains and losses is also contingent upon the levels of our net physical position at the end of the reporting period.

Review of Financial and Operating Results

Financial and operational highlights for our nonregulated segment for the fiscal years ended September 30, 2015, 2014 and 2013 are presented below.

	For the Fiscal Year Ended September 30				
	2015	2014	2013	2015 vs. 2014	2014 vs. 2013
	(In thousands, unless otherwise noted)				
Realized margins					
Gas delivery and related services	$ 48,930	$ 39,529	$ 39,839	$ 9,401	$ (310)
Storage and transportation services	13,575	14,696	14,641	(1,121)	55
Other	12,755	24,170	(103)	(11,415)	24,273
Total realized margins	75,260	78,395	54,377	(3,135)	24,018
Unrealized margins	(2,400)	9,560	8,954	(11,960)	606
Gross profit	72,860	87,955	63,331	(15,095)	24,624
Operating expenses	42,881	33,993	44,404	8,888	(10,411)
Operating income	29,979	53,962	18,927	(23,983)	35,035
Miscellaneous income (expense)	(760)	2,216	2,316	(2,976)	(100)
Interest charges	967	1,986	2,168	(1,019)	(182)
Income from continuing operations before income taxes	28,252	54,192	19,075	(25,940)	35,117
Income tax expense	12,652	22,151	7,493	(9,499)	14,658
Income from continuing operations	15,600	32,041	11,582	(16,441)	20,459
Loss on sale of discontinued operations, net of tax	—	—	(355)	—	355
Net income	$ 15,600	$ 32,041	$ 11,227	$(16,441)	$ 20,814
Gross nonregulated delivered gas sales volumes — MMcf	410,044	439,014	396,561	(28,970)	42,453
Consolidated nonregulated delivered gas sales volumes — MMcf	351,427	377,441	343,669	(26,014)	33,772
Net physical position (Bcf)	14.6	9.3	12.0	5.3	(2.7)

Fiscal year ended September 30, 2015 compared with fiscal year ended September 30, 2014

Net income for our nonregulated segment decreased 51 percent from the prior year due to lower gross profit and higher operating expenses.

The $15.1 million period-over-period decrease in gross profit was primarily due to a $12.0 million decrease in unrealized margins combined with a $3.1 million decrease in realized margins. The decrease in realized margins reflects:

- An $11.4 million decrease in other realized margins primarily due to lower natural gas price volatility. In the prior-year period, strong market demand caused by significantly colder-than-normal weather resulted in increased market volatility. These market conditions created the opportunity to accelerate physical withdrawals that had been planned for future periods into the fiscal 2014 second quarter to capture incremental gross profit margin. Market conditions in the current-year period were less volatile than the prior-year period, which provided fewer opportunities to capture incremental gross profit.
- A $9.4 million increase in gas delivery and related services margins, primarily due to an increase in per-unit margins from 9 cents to 12 cents per Mcf, partially offset by a seven percent decrease in consolidated sales volumes. AEH elected not to renew excess transportation capacity in certain markets in late fiscal 2014 and early 2015. As a result, AEH has experienced fewer deliveries to low-margin marketing and power generation customers, which is the primary driver for the decrease in consolidated sales volumes and higher per-unit margins.

Operating expenses increased $8.9 million, primarily due to higher legal expenses as a result of the favorable settlement in the prior year of the Kentucky litigation and the resolution of the Tennessee Business License Tax matter.

Fiscal year ended September 30, 2014 compared with fiscal year ended September 30, 2013

Net income for our nonregulated segment increased 185 percent in fiscal year 2014 compared to the year ended September 30, 2013 due to higher gross profit and decreased operating expenses.

The period-over-period increase in gross profit was primarily due to a $24.0 million increase in realized margins. The increase in realized margins reflects:

- A $24.3 million increase in other realized margins due to the acceleration of physical withdrawals into the second quarter from future periods to capture gross profit margin during periods of increased natural gas price volatility caused by strong market demand as a result of significantly colder weather during the second quarter. This modification in the execution strategy resulted in the establishment of new positions that were expected to settle in the latter half of fiscal 2014 and beyond. The positions that settled during the fourth quarter of fiscal 2014 were settled during a period of falling prices, which further increased realized margins during fiscal 2014. In contrast, losses were incurred from storage optimization activities in the prior year largely due to unfavorable changes in market prices relative to the execution strategy in place at that time.
- A $0.3 million decrease in gas delivery and related services margins. Consolidated sales volumes increased ten percent as a result of stronger demand from marketing, industrial and utility/municipal customers due to colder weather. However, gas delivery per-unit margins decreased from ten cents per Mcf in the prior-year period to 9 cents per Mcf due primarily to losses incurred during the second quarter to meet peaking requirements for certain customers during periods of colder weather, due to volatility between spot purchase prices and the contractual sales price to the customer.

Operating expenses decreased $10.4 million, primarily due to lower legal expenses related to the dismissal of the Kentucky litigation and the favorable resolution of the Tennessee Business License Tax matter in fiscal 2014.

LIQUIDITY AND CAPITAL RESOURCES

The liquidity required to fund our working capital, capital expenditures and other cash needs is provided from a variety of sources, including internally generated funds and borrowings under our commercial paper program and bank credit facilities. Additionally, we have various uncommitted trade credit lines with our gas suppliers that we utilize to purchase natural gas on a monthly basis. Finally, from time to time, we raise funds from the public debt and equity capital markets to fund our liquidity needs.

We regularly evaluate our funding strategy and capital structure to ensure that we (i) have sufficient liquidity for our short-term and long-term needs in a cost-effective manner and (ii) maintain a balanced capital structure with a debt-to-capitalization ratio in a target range of 45 to 55 percent. We also evaluate the levels of committed borrowing capacity that we require. We currently have over $1 billion of capacity from our short-term facilities.

The following table presents our capitalization as of September 30, 2015 and 2014:

	September 30			
	2015		2014	
	(In thousands, except percentages)			
Short-term debt	$ 457,927	7.5%	$ 196,695	3.4%
Long-term debt	2,455,388	40.2%	2,455,986	42.8%
Shareholders' equity	3,194,797	52.3%	3,086,232	53.8%
Total capitalization, including short-term debt	$6,108,112	100.0%	$5,738,913	100.0%

Total debt as a percentage of total capitalization, including short-term debt, was 47.7 percent and 46.2 percent at September 30, 2015 and 2014.

As we continue to invest in the safety and reliability of our distribution and transportation system, we expect our capital spending will increase in future periods. We intend to fund this level of investment through available operating cash flows, the issuance of long-term debt securities and equity. We believe the liquidity provided by these sources combined with our committed credit facilities will be sufficient to fund our working capital needs and capital expenditure program for fiscal year 2016 and beyond.

On September 25, 2015, we terminated our existing $1.25 billion credit facility and entered into a new five year $1.25 billion credit facility with substantially the same terms. The new facility also retains the $250 million accordion feature, which allows for an increase in the total committed loan amount to $1.5 billion.

Additionally, we plan to issue new unsecured senior notes to replace $250 million and $450 million of unsecured senior notes that will mature in fiscal 2017 and fiscal 2019. During fiscal 2014 and 2015, we entered into forward starting interest rate swaps to fix the Treasury yield component associated with the anticipated fiscal 2019 issuances at 3.782%. In fiscal 2012, we entered into forward starting interest rate swaps to fix the Treasury yield component associated with the anticipated fiscal 2017 issuances at 3.367%.

Cash Flows

Our internally generated funds may change in the future due to a number of factors, some of which we cannot control. These factors include regulatory changes, the price for our services, the demand for such products and services, margin requirements resulting from significant changes in commodity prices, operational risks and other factors.

Cash flows from operating, investing and financing activities for the years ended September 30, 2015, 2014 and 2013 are presented below.

	For the Fiscal Year Ended September 30				
	2015	2014	2013	2015 vs. 2014	2014 vs. 2013
			(In thousands)		
Total cash provided by (used in)					
Operating activities	$ 836,519	$ 739,986	$ 613,127	$ 96,533	$ 126,859
Investing activities	(974,755)	(837,576)	(696,914)	(137,179)	(140,662)
Financing activities	124,631	73,649	85,747	50,982	(12,098)
Change in cash and cash equivalents	(13,605)	(23,941)	1,960	10,336	(25,901)
Cash and cash equivalents at beginning of period	42,258	66,199	64,239	(23,941)	1,960
Cash and cash equivalents at end of period	$ 28,653	$ 42,258	$ 66,199	$ (13,605)	$ (23,941)

Cash flows from operating activities

Year-over-year changes in our operating cash flows primarily are attributable to changes in net income, working capital changes, particularly within our regulated distribution segment resulting from changes in the price of natural gas and the timing of customer collections, payments for natural gas purchases and deferred gas cost recoveries.

Fiscal Year ended September 30, 2015 compared with fiscal year ended September 30, 2014

For the fiscal year ended September 30, 2015, we generated operating cash flow of $836.5 million from operating activities compared with $740.0 million in the prior year. The year-over-year increase primarily reflects successful rate case outcomes in the prior year, the timing of gas cost recoveries under our purchased gas cost mechanisms and lower gas prices during the current-year storage injection season.

Fiscal Year ended September 30, 2014 compared with fiscal year ended September 30, 2013

For the fiscal year ended September 30, 2014, we generated operating cash flow of $740.0 million from operating activities compared with $613.1 million in fiscal 2013. The year-over-year increase reflects higher operating results from colder weather and rate increases combined with the timing of customer collections and vendor payments.

Cash flows from investing activities

In recent years, a substantial portion of our cash resources has been used to fund our ongoing construction program, which enables us to enhance the safety and reliability of the systems used to provide regulated distribution services to our existing customer base, expand our natural gas distribution services into new markets, enhance the integrity of our pipelines and, more recently, expand our intrastate pipeline network. Over the last three fiscal years, approximately 80 percent of our capital spending has been committed to improving the safety and reliability of our system.

In executing our regulatory strategy, we target our capital spending on regulatory mechanisms that permit us to earn an adequate return timely on our investment without compromising the safety or reliability of our system. Substantially all of our regulated jurisdictions have rate tariffs that provide the opportunity to include in their rate base approved capital costs on a periodic basis without being required to file a rate case.

For the fiscal year ended September 30, 2015, we incurred $975.1 million for capital expenditures compared with $835.3 million for the fiscal year ended September 30, 2014 and $845.0 million for the fiscal year ended September 30, 2013.

Fiscal Year ended September 30, 2015 compared with fiscal year ended September 30, 2014

The $139.8 million increase in capital expenditures in fiscal 2015 compared to fiscal 2014 primarily reflects:

- A $96.9 million increase in capital spending in our regulated distribution segment, which primarily reflects a planned increase in safety and reliability investment in fiscal 2015.
- A $43.4 million increase in capital spending in our regulated pipeline segment, primarily related to the enhancement and fortification of two storage fields to ensure the reliability of gas service to our Mid-Tex Division.

Fiscal Year ended September 30, 2014 compared with fiscal year ended September 30, 2013

The $9.7 million decrease in capital expenditures in fiscal 2014 compared to fiscal 2013 primarily reflects:

- A $63.9 million decrease in capital spending in our regulated pipeline segment primarily associated with the completion of the Line WX expansion project, partially offset by
- A $55.5 million increase in capital spending in our regulated distribution segment due to increased spending under our infrastructure replacement programs.

Cash flows from financing activities

We generated a net $124.6 million, $73.6 million and $85.7 million in cash from financing activities for fiscal years 2015, 2014 and 2013. Our significant financing activities for the fiscal years ended September 30, 2015, 2014 and 2013 are summarized as follows:

2015

During the fiscal year ended September 30, 2015, our financing activities generated $124.6 million of cash compared with $73.6 million of cash generated in the prior year. The increase is primarily due to timing between short-term debt borrowings and repayments during the current year, proceeds from the issuance of $500 million unsecured 4.125% senior notes in October 2014 and the settlement of the associated forward starting interest rate swaps. Partially offsetting these increases were the repayment of $500 million 4.95% senior unsecured notes at maturity on October 15, 2014, compared with short-term debt borrowings and repayments in the prior year and proceeds generated from the equity offering completed in February 2014.

2014

During the fiscal year ended September 30, 2014, our financing activities generated $73.6 million of cash compared with $85.7 million of cash generated in the prior year. The decrease is primarily due to timing between short-term debt borrowings and repayments during fiscal 2014 partially offset by proceeds from the equity offering completed in February 2014 compared with proceeds generated from the issuance of long-term debt in fiscal 2013.

2013

During the fiscal year ended September 30, 2013, our financing activities generated $85.7 million of cash compared with $44.8 million of cash used in fiscal 2012. Fiscal year 2013 cash flows from financing activities were significantly influenced by the issuance of $500 million 4.15% 30-year unsecured senior notes on January 11, 2013. We used a portion of the net cash proceeds of $493.8 million to repay a $260 million short-term financing facility executed in fiscal 2012, to settle, for $66.6 million, three Treasury locks associated with the issuance and to reduce short-term debt borrowings by $167.2 million.

The following table shows the number of shares issued for the fiscal years ended September 30, 2015, 2014 and 2013:

	For the Fiscal Year Ended September 30		
	2015	2014	2013
Shares issued:			
Direct Stock Purchase Plan	176,391	83,150	—
Retirement Savings Plan	398,047	—	—
1998 Long-Term Incentive Plan	664,752	653,130	531,672
Outside Directors Stock-For-Fee Plan	—	1,735	2,088
February 2014 Offering	—	9,200,000	—
Total shares issued	1,239,190	9,938,015	533,760

The decrease in the number of shares issued in fiscal 2015 compared with the number of shares issued in fiscal 2014 primarily reflects the equity offering completed in February 2014, partially offset by the fact that we have begun issuing shares for use by the Direct Stock Purchase Plan and the Retirement Savings Plan and Trust rather than using shares purchased in the open market. At September 30, 2015, of the 8.7 million shares authorized for issuance from the LTIP, 308,582 shares remained available. For the year ended September 30, 2015, we canceled and retired 148,464 shares attributable to federal income tax withholdings on equity awards which are not included in the table above.

The increased number of shares issued in fiscal 2014 compared with the number of shares issued in fiscal 2013 primarily reflects the equity offering completed in February 2014 as well as a higher number of performance-based awards issued in the current year as actual performance exceeded the target. At September 30, 2014, of the 8.7 million shares authorized for issuance from the LTIP, 845,139 shares remained available. For the year ended September 30, 2014, we canceled and retired 190,134 shares attributable to federal income tax withholdings on equity awards which are not included in the table above.

Credit Facilities

Our short-term borrowing requirements are affected by the seasonal nature of the natural gas business. Changes in the price of natural gas and the amount of natural gas we need to supply to meet our customers' needs could significantly affect our borrowing requirements.

We finance our short-term borrowing requirements through a combination of a $1.25 billion commercial paper program, which is collateralized by our $1.25 billion unsecured credit facility, as well as three additional committed revolving credit facilities and one uncommitted revolving credit facility with third-party lenders that provide approximately $1.3 billion of working capital funding. The $1.25 billion unsecured credit facility has a $250 million accordion feature which allows for an increase in the total committed loan amount to $1.5 billion. We also use intercompany credit facilities to supplement the funding provided by these third-party committed credit facilities.

Shelf Registration

We have an effective shelf registration statement with the Securities and Exchange Commission that permits us to issue a total of $1.75 billion in common stock and/or debt securities. The shelf registration statement is effective until March 28, 2016. As of September 30, 2015, $845 million was available for issuance.

Credit Ratings

Our credit ratings directly affect our ability to obtain short-term and long-term financing, in addition to the cost of such financing. In determining our credit ratings, the rating agencies consider a number of quantitative factors, including debt to total capitalization, operating cash flow relative to outstanding debt, operating cash flow coverage of interest and pension liabilities and funding status. In addition, the rating agencies consider qualitative factors such as consistency of our earnings over time, the quality of our management and business strategy, the risks associated with our regulated and nonregulated businesses and the regulatory environment in the states where we operate.

Our debt is rated by three rating agencies: Standard & Poor's Corporation (S&P), Moody's Investors Service (Moody's) and Fitch Ratings, Ltd. (Fitch). Our current debt ratings are all considered investment grade and are as follows:

	S&P	Moody's	Fitch
Unsecured senior long-term debt	A-	A2	A
Commercial paper	A-2	P-1	F-2

On July 1, 2015, Fitch upgraded our senior unsecured debt rating to A from A- with a ratings outlook of stable, citing Fitch's expectation of continued strong financial performance, which has been driven primarily by organic growth in our regulated distribution and regulated pipeline segments.

On October 29, 2015, S&P affirmed our senior unsecured debt rating as A- and issued a revised outlook from stable to positive, citing the potential for an upgraded rating in the future if we maintain our current level of financial performance as capital spending levels remain elevated.

A significant degradation in our operating performance or a significant reduction in our liquidity caused by more limited access to the private and public credit markets as a result of deteriorating global or national financial and credit conditions could trigger a negative change in our ratings outlook or even a reduction in our credit ratings by the three credit rating agencies. This would mean more limited access to the private and public credit markets and an increase in the costs of such borrowings.

A credit rating is not a recommendation to buy, sell or hold securities. The highest investment grade credit rating is AAA for S&P, Aaa for Moody's and AAA for Fitch. The lowest investment grade credit rating is BBB- for S&P, Baa3 for Moody's and BBB- for Fitch. Our credit ratings may be revised or withdrawn at any time by the rating agencies, and each rating should be evaluated independently of any other rating. There can be no assurance that a rating will remain in effect for any given period of time or that a rating will not be lowered, or withdrawn entirely, by a rating agency if, in its judgment, circumstances so warrant.

Debt Covenants

We were in compliance with all of our debt covenants as of September 30, 2015. Our debt covenants are described in Note 5 to the consolidated financial statements.

Contractual Obligations and Commercial Commitments

The following table provides information about contractual obligations and commercial commitments at September 30, 2015.

	Payments Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
			(In thousands)		
Contractual Obligations					
Long-term debt(1)	$2,460,000	$ —	$250,000	$450,000	$1,760,000
Short-term debt(1)	457,927	457,927	—	—	—
Interest charges(2)	2,252,802	140,192	259,835	189,559	1,663,216
Operating leases(3)	140,713	16,475	33,129	29,458	61,651
Demand fees for contracted storage(4)	8,188	3,853	3,977	286	72
Demand fees for contracted transportation(5)	7,068	3,990	1,511	538	1,029
Financial instrument obligations(6)	120,107	9,568	110,539	—	—
Pension and postretirement benefit plan contributions(7)	325,606	37,355	50,138	60,238	177,875
Uncertain tax positions(8)	17,069	—	17,069	—	—
Total contractual obligations	$5,789,480	$669,360	$726,198	$730,079	$3,663,843

(1) See Note 5 to the consolidated financial statements.

(2) Interest charges were calculated using the stated rate for each debt issuance.

(3) See Note 9 to the consolidated financial statements.

(4) Represents third party contractual demand fees for contracted storage in our nonregulated segment. Contractual demand fees for contracted storage for our regulated distribution segment are excluded as these costs are fully recoverable through our purchase gas adjustment mechanisms.

(5) Represents third party contractual demand fees for transportation in our nonregulated segment.

(6) Represents liabilities for natural gas commodity and interest rate financial instruments that were valued as of September 30, 2015. The ultimate settlement amounts of these remaining liabilities are unknown because they are subject to continuing market risk until the financial instruments are settled.

(7) Represents expected contributions to our pension and postretirement benefit plans, which are discussed in Note 6 to the consolidated financial statements.

(8) Represents liabilities associated with uncertain tax positions claimed or expected to be claimed on tax returns.

Our regulated distribution segment maintains supply contracts with several vendors that generally cover a period of up to one year. Commitments for estimated base gas volumes are established under these contracts on a monthly basis at contractually negotiated prices. Commitments for incremental daily purchases are made as necessary during the month in accordance with the terms of individual contracts. Our Mid-Tex Division also maintains a limited number of long-term supply contracts to ensure a reliable source of gas for our customers in its service area which obligate it to purchase specified volumes at market and fixed prices. At September 30, 2015, we were committed to purchase 36.6 Bcf within one year and 26.8 Bcf within one to three years under indexed contracts.

AEH has commitments to purchase physical quantities of natural gas under contracts indexed to the forward NYMEX strip or fixed price contracts. At September 30, 2015, AEH was committed to purchase 101.9 Bcf within one year, 16.0 Bcf within one to three years and 0.5 Bcf after three years under indexed contracts. AEH is committed to purchase 3.0 Bcf within one year under fixed price contracts with prices ranging from $2.32 to $3.23 per Mcf.

Risk Management Activities

As discussed above in our Critical Accounting Policies, we use financial instruments to mitigate commodity price risk and, periodically, to manage interest rate risk. We conduct risk management activities through our regulated distribution and nonregulated segments. In our regulated distribution segment, we use a combination of physical storage, fixed physical contracts and fixed financial contracts to reduce our exposure to unusually large winter-period gas price increases. In our nonregulated segments, we manage our exposure to the risk of natural gas price changes and lock in our gross profit margin through a combination of storage and financial instruments, including futures, over-the-counter and exchange-traded options and swap contracts with counterparties. To the extent our inventory cost and actual sales and actual purchases do not correlate with the changes in the market indices we use in our hedges, we could experience ineffectiveness or the hedges may no longer meet the accounting requirements for hedge accounting, resulting in the financial instruments being treated as mark to market instruments through earnings.

We record our financial instruments as a component of risk management assets and liabilities, which are classified as current or noncurrent based upon the anticipated settlement date of the underlying financial instrument. Substantially all of our financial instruments are valued using external market quotes and indices.

The following table shows the components of the change in fair value of our regulated distribution segment's financial instruments for the fiscal year ended September 30, 2015 (in thousands):

Fair value of contracts at September 30, 2014	$ 14,284
Contracts realized/settled	(33,892)
Fair value of new contracts	607
Other changes in value	(100,360)
Fair value of contracts at September 30, 2015	$(119,361)

The fair value of our regulated distribution segment's financial instruments at September 30, 2015, is presented below by time period and fair value source:

	Fair Value of Contracts at September 30, 2015				
	Maturity in years				
Source of Fair Value	Less than 1	1-3	4-5	Greater than 5	Total Fair Value
	(In thousands)				
Prices actively quoted	$(9,190)	$(110,171)	$—	$—	$(119,361)
Prices based on models and other valuation methods	—	—	—	—	—
Total Fair Value	$(9,190)	$(110,171)	$—	$—	$(119,361)

The following table shows the components of the change in fair value of our nonregulated segment's financial instruments for the fiscal year ended September 30, 2015 (in thousands):

Fair value of contracts at September 30, 2014	$ (3,033)
Contracts realized/settled	21,401
Fair value of new contracts	—
Other changes in value	(52,988)
Fair value of contracts at September 30, 2015	(34,620)
Netting of cash collateral	43,474
Cash collateral and fair value of contracts at September 30, 2015	$ 8,854

The fair value of our nonregulated segment's financial instruments at September 30, 2015, is presented below by time period and fair value source.

	Fair Value of Contracts at September 30, 2015				
	Maturity in years				
Source of Fair Value	Less than 1	1-3	4-5	Greater than 5	Total Fair Value
	(In thousands)				
Prices actively quoted	$(24,928)	$(8,925)	$(767)	$—	$(34,620)
Prices based on models and other valuation methods	—	—	—	—	—
Total Fair Value	$(24,928)	$(8,925)	$(767)	$—	$(34,620)

Employee Benefits Programs

An important element of our total compensation program, and a significant component of our operation and maintenance expense, is the offering of various benefits programs to our employees. These programs include medical and dental insurance coverage and pension and postretirement programs.

Medical and Dental Insurance

We offer medical and dental insurance programs to substantially all of our employees.We believe these programs are compliant with all current and future provisions that will be going into effect under *The Patient Protection and Affordable Care Act* and consistent with other programs in our industry. In recent years, we have strived to actively manage our health care costs through the introduction of a wellness strategy that is focused on helping employees to identify health risks and to manage these risks through improved lifestyle choices.

Over the last five fiscal years, we have experienced annual medical and prescription inflation of approximately five percent. For fiscal 2016, we anticipate the medical and prescription drug inflation rate will continue at approximately five percent, primarily due to the inflation of health care costs.

Net Periodic Pension and Postretirement Benefit Costs

For the fiscal year ended September 30, 2015, our total net periodic pension and other benefits costs was $58.9 million, compared with $69.8 million and $78.5 million for the fiscal years ended September 30, 2014 and 2013. These costs relating to our regulated distribution operations are recoverable through our distribution rates. A portion of these costs is capitalized into our distribution rate base, and the remaining costs are recorded as a component of operation and maintenance expense.

Our fiscal 2015 costs were determined using a September 30, 2014 measurement date. At that date, interest and corporate bond rates utilized to determine our discount rates were lower than the interest and corporate bond rates as of September 30, 2013, the measurement date for our fiscal 2014 net periodic cost. Therefore, we decreased the discount rate used to measure our fiscal 2015 net periodic cost from 4.95 percent to 4.43 percent. We maintained our expected return on plan assets at 7.25 percent in the determination of our fiscal 2015 net periodic pension cost based upon expected market returns for our targeted asset allocation. As a result of the net impact of these and other assumptions, our fiscal 2015 pension and postretirement medical costs were lower than in the prior year.

Our fiscal 2014 costs were determined using a September 30, 2013 measurement date. At that date, interest and corporate bond rates utilized to determine our discount rates were higher than the interest and corporate bond rates as of September 30, 2012, the measurement date for our fiscal 2013 net periodic cost. Therefore, we increased the discount rate used to measure our fiscal 2014 net periodic cost from 4.04 percent to 4.95 percent. However, we decreased the expected return on plan assets from 7.75 percent to 7.25 percent in the determination of our fiscal 2014 net periodic pension cost based upon expected market returns for our targeted asset allocation. As a result of the net impact of these and other assumptions, our fiscal 2014 pension and postretirement medical costs were lower than in the prior year.

Pension and Postretirement Plan Funding

Generally, our funding policy is to contribute annually an amount that will at least equal the minimum amount required to comply with the Employee Retirement Income Security Act of 1974 (ERISA). However, additional voluntary contributions are made from time to time as considered necessary. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future.

In accordance with the Pension Protection Act of 2006 (PPA), we determined the funded status of our plans as of January 1, 2015. Based on this valuation, we contributed cash of $38.0 million, $27.1 million and $32.7 million to our pension plans during fiscal 2015, 2014 and 2013. Each contribution increased the level of our plan assets to achieve a desirable PPA funding threshold.

We contributed $20.0 million, $23.6 million and $26.6 million to our postretirement benefits plans for the fiscal years ended September 30, 2015, 2014 and 2013. The contributions represent the portion of the postretirement costs we are responsible for under the terms of our plan and minimum funding required by state regulatory commissions.

Outlook for Fiscal 2016 and Beyond

As of September 30, 2015, interest and corporate bond rates were higher than the rates as of September 30, 2014. Therefore, we increased the discount rate used to measure our fiscal 2016 net periodic cost from 4.43 percent to 4.55 percent. We lowered expected return on plan assets from 7.25 percent to 7.00 percent in the determination of our fiscal 2016 net periodic pension cost based upon expected market returns for our targeted asset allocation. In October 2014, the Society of Actuaries released its final report on mortality tables and the mortality improvement scale to reflect increasing life expectancies in the United States. On October 8, 2015, the Society of Actuaries issued an additional report related to mortality tables and the mortality improvement scale. As of September 30, 2015, we updated our assumed mortality rates to incorporate both new sets of mortality tables. As a result of the net impact of changes in these and other assumptions, we expect our fiscal 2016 net periodic pension cost to decrease by approximately 20 percent.

Based upon current market conditions, the current funded position of the plans and the funding requirements under the PPA, we do not anticipate a minimum required contribution for fiscal 2016. However, we may consider whether a voluntary contribution is prudent to maintain certain funding levels. With respect to our postretirement medical plans, we anticipate contributing between $30 million and $40 million during fiscal 2016.

Actual changes in the fair market value of plan assets and differences between the actual and expected return on plan assets could have a material effect on the amount of pension costs ultimately recognized. A 0.25 percent change in our discount rate would impact our pension and postretirement costs by approximately $2.7 million. A 0.25 percent change in our expected rate of return would impact our pension and postretirement costs by approximately $1.2 million.

The projected liability, future funding requirements and the amount of expense or income recognized for each of our pension and other post-retirement benefit plans are subject to change, depending on the actuarial value of plan assets, and the determination of future benefit obligations as of each subsequent calculation date. These amounts are impacted by actual investment returns, changes in interest rates, changes in the demographic composition of the participants in the plans and other actuarial assumptions.

RECENT ACCOUNTING DEVELOPMENTS

Recent accounting developments and their impact on our financial position, results of operations and cash flows are described in Note 2 to the consolidated financial statements.

ITEM 7A. *Quantitative and Qualitative Disclosures About Market Risk.*

We are exposed to risks associated with commodity prices and interest rates. Commodity price risk is the potential loss that we may incur as a result of changes in the fair value of a particular instrument or commodity. Interest-rate risk results from our portfolio of debt and equity instruments that we issue to provide financing and liquidity for our business activities.

We conduct risk management activities through both our regulated distribution and nonregulated segments. In our regulated distribution segment, we use a combination of physical storage, fixed physical contracts and fixed financial contracts to protect us and our customers against unusually large winter period gas price increases. In our nonregulated segment, we manage our exposure to the risk of natural gas price changes and lock in our gross profit margin through a combination of storage and financial instruments including futures, over-the-counter and exchange-traded options and swap contracts with counterparties. Our risk management activities and related accounting treatment are described in further detail in Note 12 to the consolidated financial statements. Additionally, our earnings are affected by changes in short-term interest rates as a result of our issuance of short-term commercial paper and our other short-term borrowings.

Commodity Price Risk

Regulated distribution segment

We purchase natural gas for our regulated distribution operations. Substantially all of the costs of gas purchased for regulated distribution operations are recovered from our customers through purchased gas cost adjustment mechanisms. Therefore, our regulated distribution operations have limited commodity price risk exposure.

Nonregulated segment

Our nonregulated segment is also exposed to risks associated with changes in the market price of natural gas. For our nonregulated segment, we use a sensitivity analysis to estimate commodity price risk. For purposes of this analysis, we estimate commodity price risk by applying a $0.50 change in the forward NYMEX price to our net open position (including existing storage and related financial contracts) at the end of each period. Based on AEH's net open position (including existing storage and related financial contracts) at September 30, 2015 of 1.0 Bcf, a $0.50 change in the forward NYMEX price would have had a $0.3 million impact on our consolidated net income.

Changes in the difference between the indices used to mark to market our physical inventory (Gas Daily) and the related fair-value hedge (NYMEX) can result in volatility in our reported net income; but, over time, gains and losses on the sale of storage gas inventory will be offset by gains and losses on the fair-value hedges. Based upon our net physical position at September 30, 2015 and assuming our hedges would still qualify as highly effective, a $0.50 change in the difference between the Gas Daily and NYMEX indices would impact our reported net income by approximately $4.4 million.

Additionally, these changes could cause us to recognize a risk management liability, which would require us to place cash into an escrow account to collateralize this liability position. This, in turn, would reduce the amount of cash we would have on hand to fund our working capital needs.

Interest Rate Risk

Our earnings are exposed to changes in short-term interest rates associated with our short-term commercial paper program and other short-term borrowings. We use a sensitivity analysis to estimate our short-term interest rate risk. For purposes of this analysis, we estimate our short-term interest rate risk as the difference between our actual interest expense for the period and estimated interest expense for the period assuming a hypothetical average one percent increase in the interest rates associated with our short-term borrowings. Had interest rates associated with our short-term borrowings increased by an average of one percent, our interest expense would have increased by approximately $2.7 million during 2015.

ITEM 8. ***Financial Statements and Supplementary Data.***

Index to financial statements and financial statement schedule:

All other financial statement schedules are omitted because the required information is not present, or not present in amounts sufficient to require submission of the schedule or because the information required is included in the financial statements and accompanying notes thereto.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of
Atmos Energy Corporation

We have audited the accompanying consolidated balance sheets of Atmos Energy Corporation as of September 30, 2015 and 2014, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended September 30, 2015. Our audits also included the financial statement schedule listed in the Index at Item 8. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Atmos Energy Corporation at September 30, 2015 and 2014, and the consolidated results of its operations and its cash flows for each of the three years in the period ended September 30, 2015, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the financial statements taken as a whole, presents fairly, in all material respects the financial information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Atmos Energy Corporation's internal control over financial reporting as of September 30, 2015, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated November 6, 2015 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Dallas, Texas
November 6, 2015

ATMOS ENERGY CORPORATION

CONSOLIDATED BALANCE SHEETS

	September 30 2015	September 30 2014
	(In thousands, except share data)	
ASSETS		
Property, plant and equipment	$8,959,702	$8,200,121
Construction in progress	280,398	247,579
	9,240,100	8,447,700
Less accumulated depreciation and amortization	1,809,520	1,721,794
Net property, plant and equipment	7,430,580	6,725,906
Current assets		
Cash and cash equivalents	28,653	42,258
Accounts receivable, less allowance for doubtful accounts of $15,283 in 2015 and $23,992 in 2014	295,160	343,400
Gas stored underground	236,603	278,917
Other current assets	70,569	111,265
Total current assets	630,985	775,840
Goodwill	742,702	742,029
Deferred charges and other assets	288,678	350,929
	$9,092,945	$8,594,704
CAPITALIZATION AND LIABILITIES		
Shareholders' equity		
Common stock, no par value (stated at $.005 per share); 200,000,000 shares authorized; issued and outstanding: 2015 — 101,478,818 shares, 2014 — 100,388,092 shares	$ 507	$ 502
Additional paid-in capital	2,230,591	2,180,151
Accumulated other comprehensive loss	(109,330)	(12,393)
Retained earnings	1,073,029	917,972
Shareholders' equity	3,194,797	3,086,232
Long-term debt	2,455,388	2,455,986
Total capitalization	5,650,185	5,542,218
Commitments and contingencies		
Current liabilities		
Accounts payable and accrued liabilities	238,942	308,086
Other current liabilities	457,954	405,869
Short-term debt	457,927	196,695
Total current liabilities	1,154,823	910,650
Deferred income taxes	1,411,315	1,286,616
Regulatory cost of removal obligation	427,553	445,387
Pension and postretirement liabilities	287,373	340,963
Deferred credits and other liabilities	161,696	68,870
	$9,092,945	$8,594,704

See accompanying notes to consolidated financial statements.

ATMOS ENERGY CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

	Year Ended September 30		
	2015	2014	2013
	(In thousands, except per share data)		
Operating revenues			
Regulated distribution segment	$2,763,835	$3,061,546	$2,399,493
Regulated pipeline segment	370,112	318,459	268,900
Nonregulated segment	1,472,209	2,067,292	1,587,914
Intersegment eliminations	(464,020)	(506,381)	(380,847)
	4,142,136	4,940,916	3,875,460
Purchased gas cost			
Regulated distribution segment	1,526,258	1,885,031	1,318,257
Regulated pipeline segment	—	—	—
Nonregulated segment	1,399,349	1,979,337	1,524,583
Intersegment eliminations	(463,488)	(505,878)	(379,430)
	2,462,119	3,358,490	2,463,410
Gross profit	1,680,017	1,582,426	1,412,050
Operating expenses			
Operation and maintenance	541,868	505,154	488,020
Depreciation and amortization	274,796	253,987	235,079
Taxes, other than income	231,958	211,936	187,072
Total operating expenses	1,048,622	971,077	910,171
Operating income	631,395	611,349	501,879
Miscellaneous expense, net	(4,389)	(5,235)	(197)
Interest charges	116,241	129,295	128,385
Income from continuing operations before income taxes	510,765	476,819	373,297
Income tax expense	195,690	187,002	142,599
Income from continuing operations	315,075	289,817	230,698
Income from discontinued operations, net of tax ($0, $0 and $3,986)	—	—	7,202
Gain on sale of discontinued operations, net of tax ($0, $0 and $2,909)	—	—	5,294
Net income	$ 315,075	$ 289,817	$ 243,194
Basic earnings per share			
Income per share from continuing operations	$ 3.09	$ 2.96	$ 2.54
Income per share from discontinued operations	—	—	0.14
Net income per share — basic	$ 3.09	$ 2.96	$ 2.68
Diluted earnings per share			
Income per share from continuing operations	$ 3.09	$ 2.96	$ 2.50
Income per share from discontinued operations	—	—	0.14
Net income per share — diluted	$ 3.09	$ 2.96	$ 2.64
Weighted average shares outstanding:			
Basic	101,892	97,606	90,533
Diluted	101,892	97,608	91,711

See accompanying notes to consolidated financial statements.

ATMOS ENERGY CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended September 30		
	2015	2014	2013
		(In thousands)	
Net income	$315,075	$289,817	$243,194
Other comprehensive income (loss), net of tax			
Net unrealized holding gains (losses) on available-for-sale securities, net of tax of $(1,559), $1,199 and $(186)	(2,713)	2,214	(213)
Cash flow hedges:			
Amortization and unrealized gain (loss) on interest rate agreements, net of tax of $(40,501), $(32,353) and $47,236	(70,461)	(56,287)	82,179
Net unrealized gains (losses) on commodity cash flow hedges, net of tax of $(15,193), $1,791 and $2,889	(23,763)	2,802	4,519
Total other comprehensive income (loss)	(96,937)	(51,271)	86,485
Total comprehensive income	$218,138	$238,546	$329,679

See accompanying notes to consolidated financial statements.

ATMOS ENERGY CORPORATION

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Common stock			Accumulated Other		
	Number of Shares	Stated Value	Additional Paid-in Capital	Comprehensive Income (Loss)	Retained Earnings	Total
	(In thousands, except share and per share data)					
Balance, September 30, 2012	90,239,900	$451	$1,745,467	$ (47,607)	$ 660,932	$2,359,243
Net income	—	—	—	—	243,194	243,194
Other comprehensive income	—	—	—	86,485	—	86,485
Repurchase of equity awards	(133,449)	—	(5,150)	—	—	(5,150)
Cash dividends ($1.40 per share)	—	—	—	—	(128,115)	(128,115)
Common stock issued:						
Direct stock purchase plan	—	—	(50)	—	—	(50)
1998 Long-term incentive plan	531,672	2	9,530	—	(744)	8,788
Employee stock-based compensation	—	—	15,934	—	—	15,934
Outside directors stock-for-fee plan	2,088	—	80	—	—	80
Balance, September 30, 2013	90,640,211	453	1,765,811	38,878	775,267	2,580,409
Net income	—	—	—	—	289,817	289,817
Other comprehensive loss	—	—	—	(51,271)	—	(51,271)
Repurchase of equity awards	(190,134)	(1)	(8,716)	—	—	(8,717)
Cash dividends ($1.48 per share)	—	—	—	—	(146,248)	(146,248)
Common stock issued:						
Public offering	9,200,000	46	390,159	—	—	390,205
Direct stock purchase plan	83,150	1	4,066	—	—	4,067
1998 Long-term incentive plan	653,130	3	5,214	—	(864)	4,353
Employee stock-based compensation	—	—	23,536	—	—	23,536
Outside directors stock-for-fee plan	1,735	—	81	—	—	81
Balance, September 30, 2014	100,388,092	502	2,180,151	(12,393)	917,972	3,086,232
Net income	—	—	—	—	315,075	315,075
Other comprehensive loss	—	—	—	(96,937)	—	(96,937)
Repurchase of equity awards	(148,464)	(1)	(7,984)	—	—	(7,985)
Cash dividends ($1.56 per share)	—	—	—	—	(160,018)	(160,018)
Common stock issued:						
Direct stock purchase plan	176,391	1	10,625	—	—	10,626
Retirement savings plan	398,047	2	20,324	—	—	20,326
1998 Long-term incentive plan	664,752	3	2,263	—	—	2,266
Employee stock-based compensation	—	—	25,212	—	—	25,212
Balance, September 30, 2015	101,478,818	$507	$2,230,591	$(109,330)	$1,073,029	$3,194,797

See accompanying notes to consolidated financial statements.

ATMOS ENERGY CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended September 30		
	2015	2014	2013
		(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 315,075	$ 289,817	$ 243,194
Adjustments to reconcile net income to net cash provided by operating activities:			
Gain on sale of discontinued operations	—	—	(8,203)
Depreciation and amortization:			
Charged to depreciation and amortization	274,796	253,987	236,928
Charged to other accounts	1,209	969	679
Deferred income taxes	192,886	189,952	141,336
Stock-based compensation	27,491	25,531	17,814
Debt financing costs	5,922	9,409	8,480
Other	(850)	(428)	(2,887)
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	48,240	(41,408)	(73,669)
(Increase) decrease in gas stored underground	33,234	(31,996)	31,979
(Increase) decrease in other current assets	(11,951)	(24,411)	15,644
Decrease in deferred charges and other assets	58,256	30,662	111,069
Increase (decrease) in accounts payable and accrued liabilities	(52,660)	55,041	31,912
Increase (decrease) in other current liabilities	896	2,413	(44,491)
Decrease in deferred credits and other liabilities	(56,025)	(19,552)	(96,658)
Net cash provided by operating activities	836,519	739,986	613,127
CASH FLOWS USED IN INVESTING ACTIVITIES			
Capital expenditures	(975,132)	(835,251)	(845,033)
Proceeds from the sale of discontinued operations	—	—	153,023
Other, net	377	(2,325)	(4,904)
Net cash used in investing activities	(974,755)	(837,576)	(696,914)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase (decrease) in short-term debt	254,780	(165,865)	(208,070)
Net proceeds from issuance of long-term debt	493,538	—	493,793
Net proceeds from equity offering	—	390,205	—
Settlement of Treasury lock agreements	13,364	—	(66,626)
Repayment of long-term debt	(500,000)	—	(131)
Cash dividends paid	(160,018)	(146,248)	(128,115)
Repurchase of equity awards	(7,985)	(8,717)	(5,150)
Issuance of common stock	30,952	4,274	46
Net cash provided by financing activities	124,631	73,649	85,747
Net increase (decrease) in cash and cash equivalents	(13,605)	(23,941)	1,960
Cash and cash equivalents at beginning of year	42,258	66,199	64,239
Cash and cash equivalents at end of year	$ 28,653	$ 42,258	$ 66,199
CASH PAID (RECEIVED) DURING THE PERIOD FOR:			
Interest	$ 151,334	$ 156,606	$ 148,461
Income taxes	$ 1,802	$ (610)	$ 10,008

See accompanying notes to consolidated financial statements.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Business

Atmos Energy Corporation ("Atmos Energy" or the "Company") and our subsidiaries are engaged primarily in the regulated natural gas distribution and pipeline businesses as well as certain other nonregulated businesses. Through our regulated distribution business, we deliver natural gas through sales and transportation arrangements to over three million residential, commercial, public-authority and industrial customers through our six regulated distribution divisions in the service areas described below:

Division	Service Area
Atmos Energy Colorado-Kansas Division	Colorado, Kansas
Atmos Energy Kentucky/Mid-States Division	Kentucky, Tennessee, Virginia[1]
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

(1) Denotes location where we have more limited service areas.

In addition, we transport natural gas for others through our distribution system. Our distribution business is subject to federal and state regulation and/or regulation by local authorities in each of the states in which our regulated distribution divisions operate. Our corporate headquarters and shared-services function are located in Dallas, Texas, and our customer support centers are located in Amarillo and Waco, Texas.

During fiscal 2013 and fiscal 2012, we sold our regulated distribution operations serving approximately 148,000 customers in Georgia, Illinois, Iowa and Missouri.

Our regulated pipeline business, which is also subject to federal and state regulation, consists of the regulated operations of our Atmos Pipeline–Texas Division, a division of the Company. This division transports natural gas to our Mid-Tex Division, transports natural gas for third parties and manages five underground storage reservoirs in Texas. We also provide ancillary services customary to the pipeline industry including parking arrangements, lending and sales of inventory on hand.

Our nonregulated businesses operate primarily in the Midwest and Southeast through various wholly-owned subsidiaries of Atmos Energy Holdings, Inc., (AEH). AEH is a wholly-owned subsidiary of the Company and based in Houston, Texas. Through AEH, we provide natural gas management and transportation services to municipalities, regulated distribution companies, including certain divisions of Atmos Energy and third parties.

2. Summary of Significant Accounting Policies

Principles of consolidation — The accompanying consolidated financial statements include the accounts of Atmos Energy Corporation and its wholly-owned subsidiaries. All material intercompany transactions have been eliminated; however, we have not eliminated intercompany profits when such amounts are probable of recovery under the affiliates' rate regulation process.

Basis of comparison — Certain prior-year amounts have been reclassified to conform with the current year presentation.

Use of estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. The most significant estimates include the allowance for doubtful accounts, unbilled revenues, contingency accruals, pension and postretirement obligations, deferred income taxes, impairment of long-lived assets, risk management and trading activities, fair value measurements and the valuation of goodwill and other long-lived assets. Actual results could differ from those estimates.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Regulation — Our regulated distribution and regulated pipeline operations are subject to regulation with respect to rates, service, maintenance of accounting records and various other matters by the respective regulatory authorities in the states in which we operate. Our accounting policies recognize the financial effects of the ratemaking and accounting practices and policies of the various regulatory commissions. Accounting principles generally accepted in the United States require cost-based, rate-regulated entities that meet certain criteria to reflect the authorized recovery of costs due to regulatory decisions in their financial statements. As a result, certain costs that would normally be expensed under accounting principles generally accepted in the United States are permitted to be capitalized or deferred on the balance sheet because it is probable they can be recovered through rates. Further, regulation may impact the period in which revenues or expenses are recognized. The amounts to be recovered or recognized are based upon historical experience and our understanding of the regulations.

We record regulatory assets as a component of other current assets and deferred charges and other assets for costs that have been deferred for which future recovery through customer rates is considered probable. Regulatory liabilities are recorded either on the face of the balance sheet or as a component of current liabilities, deferred income taxes or deferred credits and other liabilities when it is probable that revenues will be reduced for amounts that will be credited to customers through the ratemaking process. Significant regulatory assets and liabilities as of September 30, 2015 and 2014 included the following:

	September 30	
	2015	2014
	(In thousands)	
Regulatory assets:		
Pension and postretirement benefit costs[1]	$121,183	$162,777
Infrastructure Mechanisms[2]	32,813	26,948
Deferred gas costs	9,715	20,069
Recoverable loss on reacquired debt	16,319	18,877
APT annual adjustment mechanism	1,002	8,479
Rate case costs	1,533	3,757
Other	9,774	9,402
	$192,339	$250,309
Regulatory liabilities:		
Regulatory cost of removal obligation	$483,676	$490,448
Deferred gas costs	28,100	35,063
Asset retirement obligation	9,063	10,508
Deferred franchise fees	—	5,268
Other	3,693	4,472
	$524,532	$545,759

(1) Includes $16.6 million and $18.8 million of pension and postretirement expense deferred pursuant to regulatory authorization.

(2) Infrastructure mechanisms in Texas and Louisiana allow for the deferral of all expenses associated with capital expenditures incurred pursuant to these rules, which primarily consists of interest costs along with depreciation and other taxes, until the next rate proceeding (rate case or annual rate filing), at which time investment and costs would be recovered through base rates.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Revenue recognition — Sales of natural gas to our regulated distribution customers are billed on a monthly basis; however, the billing cycle periods for certain classes of customers do not necessarily coincide with accounting periods used for financial reporting purposes. We follow the revenue accrual method of accounting for regulated distribution segment revenues whereby revenues applicable to gas delivered to customers, but not yet billed under the cycle billing method, are estimated and accrued and the related costs are charged to expense.

On occasion, we are permitted to implement new rates that have not been formally approved by our state regulatory commissions, which are subject to refund. As permitted by accounting principles generally accepted in the United States, we recognize this revenue and establish a reserve for amounts that could be refunded based on our experience for the jurisdiction in which the rates were implemented.

Rates established by regulatory authorities are adjusted for increases and decreases in our purchased gas costs through purchased gas cost adjustment mechanisms. Purchased gas cost adjustment mechanisms provide gas distribution companies a method of recovering purchased gas costs on an ongoing basis without filing a rate case to address all of their non-gas costs. There is no gross profit generated through purchased gas cost adjustments, but they provide a dollar-for-dollar offset to increases or decreases in our regulated distribution segment's gas costs. The effects of these purchased gas cost adjustment mechanisms are recorded as deferred gas costs on our balance sheet.

Operating revenues for our regulated pipeline and nonregulated segments are recognized in the period in which actual volumes are transported and storage services are provided.

Operating revenues for our nonregulated segment and the associated carrying value of natural gas inventory (inclusive of storage costs) are recognized when we sell the gas and physically deliver it to our customers. Operating revenues include realized gains and losses arising from the settlement of financial instruments used in our nonregulated activities.

Cash and cash equivalents — We consider all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Accounts receivable and allowance for doubtful accounts — Accounts receivable arise from natural gas sales to residential, commercial, industrial, municipal and other customers. We establish an allowance for doubtful accounts to reduce the net receivable balance to the amount we reasonably expect to collect based on our collection experience or where we are aware of a specific customer's inability or reluctance to pay. However, if circumstances change, our estimate of the recoverability of accounts receivable could be affected. Circumstances which could affect our estimates include, but are not limited to, customer credit issues, the level of natural gas prices, customer deposits and general economic conditions. Accounts are written off once they are deemed to be uncollectible.

Gas stored underground — Our gas stored underground is comprised of natural gas injected into storage to support the winter season withdrawals for our regulated distribution operations and natural gas held by our nonregulated segment to conduct their operations. The average cost method is used for substantially all of our regulated operations. Our nonregulated segment utilizes the average cost method; however, most of this inventory is hedged and is therefore reported at fair value at the end of each month. Gas in storage that is retained as cushion gas to maintain reservoir pressure is classified as property, plant and equipment and is valued at cost.

Regulated property, plant and equipment — Regulated property, plant and equipment is stated at original cost, net of contributions in aid of construction. The cost of additions includes direct construction costs, payroll related costs (taxes, pensions and other fringe benefits), administrative and general costs and an allowance for funds used during construction. The allowance for funds used during construction represents the estimated cost of funds used to finance the construction of major projects and are capitalized in the rate base for ratemaking purposes when the completed projects are placed in service. Interest expense of $2.3 million, $1.5 million and $1.9 million was capitalized in 2015, 2014 and 2013.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Major renewals, including replacement pipe, and betterments that are recoverable under our regulatory rate base are capitalized while the costs of maintenance and repairs that are not recoverable through rates are charged to expense as incurred. The costs of large projects are accumulated in construction in progress until the project is completed. When the project is completed, tested and placed in service, the balance is transferred to the regulated plant in service account included in the rate base and depreciation begins.

Regulated property, plant and equipment is depreciated at various rates on a straight-line basis. These rates are approved by our regulatory commissions and are comprised of two components: one based on average service life and one based on cost of removal. Accordingly, we recognize our cost of removal expense as a component of depreciation expense. The related cost of removal accrual is reflected as a regulatory liability on the consolidated balance sheet. At the time property, plant and equipment is retired, removal expenses less salvage, are charged to the regulatory cost of removal accrual. The composite depreciation rate was 3.3 percent, for each of the fiscal years ended September 30, 2015, 2014 and 2013.

Nonregulated property, plant and equipment — Nonregulated property, plant and equipment is stated at cost. Depreciation is generally computed on the straight-line method for financial reporting purposes based upon estimated useful lives ranging from three to 43 years.

Asset retirement obligations — We record a liability at fair value for an asset retirement obligation when the legal obligation to retire the asset has been incurred with an offsetting increase to the carrying value of the related asset. Accretion of the asset retirement obligation due to the passage of time is recorded as an operating expense.

As of September 30, 2015 and 2014, we had asset retirement obligations of $11.1 million and $10.5 million. Additionally, we had $4.8 million and $5.9 million of asset retirement costs recorded as a component of property, plant and equipment that will be depreciated over the remaining life of the underlying associated assets.

We believe we have a legal obligation to retire our natural gas storage facilities. However, we have not recognized an asset retirement obligation associated with our storage facilities because we are not able to determine the settlement date of this obligation as we do not anticipate taking our storage facilities out of service permanently. Therefore, we cannot reasonably estimate the fair value of this obligation.

Impairment of long-lived assets — We periodically evaluate whether events or circumstances have occurred that indicate that other long-lived assets may not be recoverable or that the remaining useful life may warrant revision. When such events or circumstances are present, we assess the recoverability of long-lived assets by determining whether the carrying value will be recovered through the expected future cash flows. In the event the sum of the expected future cash flows resulting from the use of the asset is less than the carrying value of the asset, an impairment loss equal to the excess of the asset's carrying value over its fair value is recorded.

Goodwill — We annually evaluate our goodwill balances for impairment during our second fiscal quarter or more frequently as impairment indicators arise. We use a present value technique based on discounted cash flows to estimate the fair value of our reporting units. These calculations are dependent on several subjective factors including the timing of future cash flows, future growth rates and the discount rate. An impairment charge is recognized if the carrying value of a reporting unit's goodwill exceeds its fair value.

Marketable securities — As of September 30, 2015 and 2014, all of our marketable securities were classified as available-for-sale. In accordance with the authoritative accounting standards, these securities are reported at market value with unrealized gains and losses shown as a component of accumulated other comprehensive income (loss). We regularly evaluate the performance of these investments on an individual investment by investment basis for impairment, taking into consideration the fund's purpose, volatility and current returns. If a determination is made that a decline in fair value is other than temporary, the related investment is written down to its estimated fair value.

Financial instruments and hedging activities — We use financial instruments to mitigate commodity price risk in our regulated distribution and nonregulated segments and interest rate risk. The objectives and strategies for using financial instruments have been tailored to our regulated and nonregulated businesses and are discussed in Note 12.

We record all of our financial instruments on the balance sheet at fair value, with changes in fair value ultimately recorded in the income statement. These financial instruments are reported as risk management assets and liabilities and are classified as current or noncurrent other assets or liabilities based upon the anticipated settlement date of the underlying financial instrument. We record the cash flow impact of our financial instruments in operating cash flows based upon their balance sheet classification.

The timing of when changes in fair value of our financial instruments are recorded in the income statement depends on whether the financial instrument has been designated and qualifies as a part of a hedging relationship or if regulatory rulings require a different accounting treatment. Changes in fair value for financial instruments that do not meet one of these criteria are recognized in the income statement as they occur.

Financial Instruments Associated with Commodity Price Risk

In our regulated distribution segment, the costs associated with and the gains and losses arising from the use of financial instruments to mitigate commodity price risk are included in our purchased gas cost adjustment mechanisms in accordance with regulatory requirements. Therefore, changes in the fair value of these financial instruments are initially recorded as a component of deferred gas costs and recognized in the consolidated statement of income as a component of purchased gas cost when the related costs are recovered through our rates and recognized in revenue in accordance with accounting principles generally accepted in the United States. Accordingly, there is no earnings impact on our regulated distribution segment as a result of the use of financial instruments.

In our nonregulated segment, we have designated most of the natural gas inventory held by this operating segment as the hedged item in a fair-value hedge. This inventory is marked to market at the end of each month based on the Gas Daily index, with changes in fair value recognized as unrealized gains or losses in purchased gas cost in the period of change. The financial instruments associated with this natural gas inventory have been designated as fair-value hedges and are marked to market each month based upon the NYMEX price with changes in fair value recognized as unrealized gains or losses in purchased gas cost in the period of change. We have elected to exclude this spot/forward differential for purposes of assessing the effectiveness of these fair-value hedges. For the fiscal years ended September 30, 2015, 2014 and 2013, we included unrealized gains (losses) on open contracts of $(2.4) million, $9.6 million and $9.0 million as a component of nonregulated purchased gas cost.

Additionally, we have elected to treat fixed-price forward contracts used in our nonregulated segment to deliver natural gas as normal purchases and normal sales. As such, these deliveries are recorded on an accrual basis in accordance with our revenue recognition policy. Financial instruments used to mitigate the commodity price risk associated with these contracts have been designated as cash flow hedges of anticipated purchases and sales at indexed prices. Accordingly, unrealized gains and losses on these open financial instruments are recorded as a component of accumulated other comprehensive income, and are recognized in earnings as a component of purchased gas cost when the hedged volumes are sold.

Gains and losses from hedge ineffectiveness are recognized in the income statement. Fair value and cash flow hedge ineffectiveness arising from natural gas market price differences between the locations of the hedged inventory and the delivery location specified in the financial instruments is referred to as basis ineffectiveness. Ineffectiveness arising from changes in the fair value of the fair value hedges due to changes in the difference between the spot price and the futures price, as well as the difference between the timing of the settlement of the futures and the valuation of the underlying physical commodity is referred to as timing ineffectiveness. Hedge ineffectiveness, to the extent incurred, is reported as a component of purchased gas cost.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Our nonregulated segment also utilizes master netting agreements with significant counterparties that allow us to offset gains and losses arising from financial instruments that may be settled in cash with gains and losses arising from financial instruments that may be settled with the physical commodity. Assets and liabilities from risk management activities, as well as accounts receivable and payable, reflect the master netting agreements in place. Additionally, the accounting guidance for master netting arrangements requires us to include the fair value of cash collateral or the obligation to return cash in the amounts that have been netted under master netting agreements used to offset gains and losses arising from financial instruments. As of September 30, 2015 and 2014, the Company netted $43.5 million and $25.8 million of cash held in margin accounts into its current and noncurrent risk management assets and liabilities.

Financial Instruments Associated with Interest Rate Risk

We manage interest rate risk, primarily when we plan to issue new long-term debt or to refinance existing long-term debt. We currently manage this risk through the use of forward starting interest rate swaps to fix the Treasury yield component of the interest cost associated with anticipated financings. We designate these financial instruments as cash flow hedges at the time the agreements are executed. Unrealized gains and losses associated with the instruments are recorded as a component of accumulated other comprehensive income (loss). When the instruments settle, the realized gain or loss is recorded as a component of accumulated other comprehensive income (loss) and recognized as a component of interest expense over the life of the related financing arrangement. Hedge ineffectiveness to the extent incurred is reported as a component of interest expense.

Fair Value Measurements — We report certain assets and liabilities at fair value, which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). We primarily use quoted market prices and other observable market pricing information in valuing our financial assets and liabilities and minimize the use of unobservable pricing inputs in our measurements.

Fair-value estimates also consider our own creditworthiness and the creditworthiness of the counterparties involved. Our counterparties consist primarily of financial institutions and major energy companies. This concentration of counterparties may materially impact our exposure to credit risk resulting from market, economic or regulatory conditions. We seek to minimize counterparty credit risk through an evaluation of their financial condition and credit ratings and the use of collateral requirements under certain circumstances.

Amounts reported at fair value are subject to potentially significant volatility based upon changes in market prices, including, but not limited to, the valuation of the portfolio of our contracts, maturity and settlement of these contracts and newly originated transactions and interest rates, each of which directly affect the estimated fair value of our financial instruments. We believe the market prices and models used to value these financial instruments represent the best information available with respect to closing exchange and over-the-counter quotations, time value and volatility factors underlying the contracts. Values are adjusted to reflect the potential impact of an orderly liquidation of our positions over a reasonable period of time under then current market conditions.

Authoritative accounting literature establishes a fair value hierarchy that prioritizes the inputs used to measure fair value based on observable and unobservable data. The hierarchy categorizes the inputs into three levels, with the highest priority given to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest priority given to unobservable inputs (Level 3). The levels of the hierarchy are described below:

Level 1 — Represents unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is defined as a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Prices actively quoted on national exchanges are used to determine the fair value of most of our assets and liabilities recorded on our balance sheet at fair value. Within our nonregulated operations, we utilize a mid-market pricing convention (the mid-point between the bid and ask prices), as permitted under current accounting standards. Values derived from these sources reflect the market in which transactions involving these financial instruments are executed.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Our Level 1 measurements consist primarily of exchange-traded financial instruments, gas stored underground that has been designated as the hedged item in a fair value hedge and our available-for-sale securities. The Level 1 measurements for investments in the Atmos Energy Corporation Master Retirement Trust (the Master Trust), Supplemental Executive Benefit Plan and postretirement benefit plan consist primarily of exchange-traded financial instruments.

Level 2 — Represents pricing inputs other than quoted prices included in Level 1 that are either directly or indirectly observable for the asset or liability as of the reporting date. These inputs are derived principally from, or corroborated by, observable market data. Our Level 2 measurements primarily consist of non-exchange-traded financial instruments, such as over-the-counter options and swaps and municipal and corporate bonds where market data for pricing is observable. The Level 2 measurements for investments in our Master Trust, Supplemental Executive Benefit Plan and postretirement benefit plan consist primarily of non-exchange traded financial instruments such as common collective trusts and investments in limited partnerships.

Level 3 — Represents generally unobservable pricing inputs which are developed based on the best information available, including our own internal data, in situations where there is little if any market activity for the asset or liability at the measurement date. The pricing inputs utilized reflect what a market participant would use to determine fair value. We utilize models and other valuation methods to determine fair value when external sources are not available. We believe the market prices and models used to value these assets and liabilities represent the best information available with respect to closing exchange and over-the-counter quotations, time value and volatility factors underlying the assets and liabilities.

Pension and other postretirement plans — Pension and other postretirement plan costs and liabilities are determined on an actuarial basis and are affected by numerous assumptions and estimates including the market value of plan assets, estimates of the expected return on plan assets, assumed discount rates and current demographic and actuarial mortality data. Our measurement date is September 30. The assumed discount rate and the expected return are the assumptions that generally have the most significant impact on our pension costs and liabilities. The assumed discount rate, the assumed health care cost trend rate and assumed rates of retirement generally have the most significant impact on our postretirement plan costs and liabilities.

The discount rate is utilized principally in calculating the actuarial present value of our pension and postretirement obligation and net pension and postretirement cost. When establishing our discount rate, we consider high quality corporate bond rates based on bonds available in the marketplace that are suitable for settling the obligations, changes in those rates from the prior year and the implied discount rate that is derived from matching our projected benefit disbursements with currently available high quality corporate bonds.

The expected long-term rate of return on assets is utilized in calculating the expected return on plan assets component of the annual pension and postretirement plan cost. We estimate the expected return on plan assets by evaluating expected bond returns, equity risk premiums, asset allocations, the effects of active plan management, the impact of periodic plan asset rebalancing and historical performance. We also consider the guidance from our investment advisors when making a final determination of our expected rate of return on assets. To the extent the actual rate of return on assets realized over the course of a year is greater than or less than the assumed rate, that year's annual pension or postretirement plan cost is not affected. Rather, this gain or loss is amortized over the expected future working lifetime of the plan participants.

The expected return on plan assets is then calculated by applying the expected long-term rate of return on plan assets to the market-related value of the plan assets. The market-related value of our plan assets represents the fair market value of the plan assets, adjusted to smooth out short-term market fluctuations over a five-year period. The use of this calculation will delay the impact of current market fluctuations on the pension expense for the period.

We use a corridor approach to amortize actuarial gains and losses. Under this approach, net gains or losses in excess of ten percent of the larger of the pension benefit obligation or the market-related value of the assets are amortized on a straight-line basis. The period of amortization is the average remaining service of active participants who are expected to receive benefits under the plan.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

We estimate the assumed health care cost trend rate used in determining our annual postretirement net cost based upon our actual health care cost experience, the effects of recently enacted legislation and general economic conditions. Our assumed rate of retirement is estimated based upon the annual review of our participant census information as of the measurement date.

Income taxes — Income taxes are determined based on the liability method, which results in income tax assets and liabilities arising from temporary differences. Temporary differences are differences between the tax bases of assets and liabilities and their reported amounts in the financial statements that will result in taxable or deductible amounts in future years. The liability method requires the effect of tax rate changes on current and accumulated deferred income taxes to be reflected in the period in which the rate change was enacted. The liability method also requires that deferred tax assets be reduced by a valuation allowance unless it is more likely than not that the assets will be realized.

The Company may recognize the tax benefit from uncertain tax positions only if it is at least more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon settlement with the taxing authorities. We recognize accrued interest related to unrecognized tax benefits as a component of interest expense. We recognize penalties related to unrecognized tax benefits as a component of miscellaneous income (expense) in accordance with regulatory requirements.

Tax collections — We are allowed to recover from customers revenue-related taxes that are imposed upon us. We record such taxes as operating expenses and record the corresponding customer charges as operating revenues. However, we do collect and remit various other taxes on behalf of various governmental authorities, and we record these amounts in our consolidated balance sheets on a net basis. We do not collect income taxes from our customers on behalf of governmental authorities.

Contingencies — In the normal course of business, we are confronted with issues or events that may result in a contingent liability. These generally relate to lawsuits, claims made by third parties or the action of various regulatory agencies. For such matters, we record liabilities when they are considered probable and reasonably estimable, based on currently available facts and our estimates of the ultimate outcome or resolution of the liability in the future. Actual results may differ from estimates, depending on actual outcomes or changes in the facts or expectations surrounding each potential exposure.

Subsequent events — Except as disclosed in Note 6 regarding the new mortality tables adopted for our pension plans and the approval of the merger of the AEH 401(k) Plan with the Retirement Savings Plan, no events occurred subsequent to the balance sheet date that would require recognition or disclosure in the financial statements.

Recent accounting pronouncements — In May 2014, the Financial Accounting Standards Board (FASB) issued a comprehensive new revenue recognition standard that will supersede virtually all existing revenue recognition guidance under generally accepted accounting principles in the United States. Under the new standard, a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In doing so, companies will need to use more judgment and make more estimates than under current guidance. On July 9, 2015, the FASB voted to approve a deferral of the effective date of the new standard by one year. With the one-year extension, the new standard is currently scheduled to become effective for us beginning on October 1, 2018 and can be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. We are currently evaluating the impact this standard may have on our financial position, results of operations and cash flows.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

In April 2015, the FASB issued guidance to simplify the presentation of debt issuance costs, which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The new standard will be effective for us beginning on October 1, 2016, and will be applied retrospectively. We are currently evaluating the impact this standard may have on our financial position, results of operations and cash flows.

In April 2015, the FASB issued guidance to simplify the accounting for fees paid in connection with arrangements with cloud-based software providers. Under the new guidance, unless a software arrangement includes specific elements enabling customers to possess and operate software on platforms other than that offered by the cloud-based provider, the cost of such arrangements is to be accounted for as an operating expense in the period incurred. The new guidance is effective for us beginning October 1, 2016 and may be applied either prospectively or retrospectively with early adoption permitted. We anticipate the adoption of this standard will not have a material impact on our financial position, results of operations and cash flows.

3. Segment Information

Atmos Energy Corporation and its subsidiaries are engaged primarily in the regulated natural gas distribution and pipeline business as well as other nonregulated businesses. We distribute natural gas through sales and transportation arrangements to over three million residential, commercial, public authority and industrial customers through our six regulated distribution divisions, which cover service areas located in eight states. In addition, we transport natural gas for others through our distribution system.

Through our nonregulated business, we provide natural gas management and transportation services to municipalities, regulated distribution companies, including certain divisions of Atmos Energy and third parties.

We operate the Company through the following three segments:

- The *regulated distribution segment*, includes our regulated distribution and related sales operations.
- The *regulated pipeline segment*, includes the regulated pipeline and storage operations of our Atmos Pipeline — Texas Division.
- The *nonregulated segment*, is comprised of our nonregulated natural gas management, nonregulated natural gas transmission, storage and other services.

Our determination of reportable segments considers the strategic operating units under which we manage sales of various products and services to customers in differing regulatory environments. Although our regulated distribution segment operations are geographically dispersed, they are reported as a single segment as each regulated distribution division has similar economic characteristics. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. We evaluate performance based on net income or loss of the respective operating units. Interest expense is allocated pro rata to each segment based upon our net investment in each segment. Income taxes are allocated to each segment as if each segment's taxes were calculated on a separate return basis.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Summarized income statements and capital expenditures by segment are shown in the following tables.

	Year Ended September 30, 2015				
	Regulated Distribution	Regulated Pipeline	Nonregulated	Eliminations	Consolidated
			(In thousands)		
Operating revenues from external parties	$2,757,585	$ 97,662	$1,286,889	$ —	$4,142,136
Intersegment revenues	6,250	272,450	185,320	(464,020)	—
	2,763,835	370,112	1,472,209	(464,020)	4,142,136
Purchased gas cost	1,526,258	—	1,399,349	(463,488)	2,462,119
Gross profit	1,237,577	370,112	72,860	(532)	1,680,017
Operating expenses					
Operation and maintenance	388,486	118,866	35,048	(532)	541,868
Depreciation and amortization	223,048	47,236	4,512	—	274,796
Taxes, other than income	205,894	22,743	3,321	—	231,958
Total operating expenses	817,428	188,845	42,881	(532)	1,048,622
Operating income	420,149	181,267	29,979	—	631,395
Miscellaneous expense	(377)	(1,243)	(760)	(2,009)	(4,389)
Interest charges	84,132	33,151	967	(2,009)	116,241
Income before income taxes	335,640	146,873	28,252	—	510,765
Income tax expense	130,827	52,211	12,652	—	195,690
Net income	$ 204,813	$ 94,662	$ 15,600	$ —	$ 315,075
Capital expenditures	$ 680,961	$292,728	$ 1,443	$ —	$ 975,132

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Year Ended September 30, 2014				
	Regulated Distribution	Regulated Pipeline	Nonregulated	Eliminations	Consolidated
			(In thousands)		
Operating revenues from external parties	$3,056,212	$ 92,166	$1,792,538	$ —	$4,940,916
Intersegment revenues	5,334	226,293	274,754	(506,381)	—
	3,061,546	318,459	2,067,292	(506,381)	4,940,916
Purchased gas cost	1,885,031	—	1,979,337	(505,878)	3,358,490
Gross profit	1,176,515	318,459	87,955	(503)	1,582,426
Operating expenses					
Operation and maintenance	387,228	91,466	26,963	(503)	505,154
Depreciation and amortization	208,376	41,031	4,580	—	253,987
Taxes, other than income	196,343	13,143	2,450	—	211,936
Total operating expenses	791,947	145,640	33,993	(503)	971,077
Operating income	384,568	172,819	53,962	—	611,349
Miscellaneous income (expense)	(381)	(3,181)	2,216	(3,889)	(5,235)
Interest charges	94,918	36,280	1,986	(3,889)	129,295
Income before income taxes	289,269	133,358	54,192	—	476,819
Income tax expense	117,684	47,167	22,151	—	187,002
Net income	$ 171,585	$ 86,191	$ 32,041	$ —	$ 289,817
Capital expenditures	$ 584,065	$249,347	$ 1,839	$ —	$ 835,251

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Year Ended September 30, 2013				
	Regulated Distribution	Regulated Pipeline	Nonregulated	Eliminations	Consolidated
			(In thousands)		
Operating revenues from external parties	$2,394,418	$ 89,011	$1,392,031	$ —	$3,875,460
Intersegment revenues	5,075	179,889	195,883	(380,847)	—
	2,399,493	268,900	1,587,914	(380,847)	3,875,460
Purchased gas cost	1,318,257	—	1,524,583	(379,430)	2,463,410
Gross profit	1,081,236	268,900	63,331	(1,417)	1,412,050
Operating expenses					
Operation and maintenance	375,188	76,686	37,569	(1,423)	488,020
Depreciation and amortization	195,581	35,302	4,196	—	235,079
Taxes, other than income	167,374	17,059	2,639	—	187,072
Total operating expenses	738,143	129,047	44,404	(1,423)	910,171
Operating income	343,093	139,853	18,927	6	501,879
Miscellaneous income (expense)	2,535	(2,285)	2,316	(2,763)	(197)
Interest charges	98,296	30,678	2,168	(2,757)	128,385
Income from continuing operations before income taxes	247,332	106,890	19,075	—	373,297
Income tax expense	96,476	38,630	7,493	—	142,599
Income from continuing operations	150,856	68,260	11,582	—	230,698
Income from discontinued operations, net of tax	7,202	—	—	—	7,202
Gain (loss) on sale of discontinued operations, net of tax	5,649	—	(355)	—	5,294
Net income	$ 163,707	$ 68,260	$ 11,227	$ —	$ 243,194
Capital expenditures	$ 528,599	$313,230	$ 3,204	$ —	$ 845,033

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes our revenues by products and services for the fiscal year ended September 30.

	2015	2014	2013
		(In thousands)	
Regulated distribution revenues:			
Gas sales revenues:			
Residential	$1,761,689	$1,933,099	$1,512,495
Commercial	772,187	876,042	661,930
Industrial	74,981	90,536	81,155
Public authority and other	53,401	64,779	60,557
Total gas sales revenues	2,662,258	2,964,456	2,316,137
Transportation revenues	67,475	64,049	55,938
Other gas revenues	27,852	27,707	22,343
Total regulated distribution revenues	2,757,585	3,056,212	2,394,418
Regulated pipeline revenues	97,662	92,166	89,011
Nonregulated revenues	1,286,889	1,792,538	1,392,031
Total operating revenues	$4,142,136	$4,940,916	$3,875,460

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Balance sheet information at September 30, 2015 and 2014 by segment is presented in the following tables.

	September 30, 2015				
	Regulated Distribution	Regulated Pipeline	Nonregulated	Eliminations	Consolidated
			(In thousands)		
ASSETS					
Property, plant and equipment, net	$5,670,306	$1,706,449	$ 53,825	$ —	$7,430,580
Investment in subsidiaries	1,038,670	—	(2,096)	(1,036,574)	—
Current assets					
Cash and cash equivalents	23,863	—	4,790	—	28,653
Assets from risk management activities	378	—	8,854	—	9,232
Other current assets	426,270	24,628	480,503	(338,301)	593,100
Intercompany receivables	887,713	—	—	(887,713)	—
Total current assets	1,338,224	24,628	494,147	(1,226,014)	630,985
Goodwill	575,449	132,542	34,711	—	742,702
Noncurrent assets from risk management activities	368	—	—	—	368
Deferred charges and other assets	265,693	17,288	5,329	—	288,310
	$8,888,710	$1,880,907	$585,916	$(2,262,588)	$9,092,945
CAPITALIZATION AND LIABILITIES					
Shareholders' equity	$3,194,797	$ 577,275	$461,395	$(1,038,670)	$3,194,797
Long-term debt	2,455,388	—	—	—	2,455,388
Total capitalization	5,650,185	577,275	461,395	(1,038,670)	5,650,185
Current liabilities					
Short-term debt	782,927	—	—	(325,000)	457,927
Liabilities from risk management activities	9,568	—	—	—	9,568
Other current liabilities	569,273	29,780	99,480	(11,205)	687,328
Intercompany payables	—	867,409	20,304	(887,713)	—
Total current liabilities	1,361,768	897,189	119,784	(1,223,918)	1,154,823
Deferred income taxes	1,008,091	406,254	(3,030)	—	1,411,315
Noncurrent liabilities from risk management activities	110,539	—	—	—	110,539
Regulatory cost of removal obligation	427,553	—	—	—	427,553
Pension and postretirement liabilities	287,373	—	—	—	287,373
Deferred credits and other liabilities	43,201	189	7,767	—	51,157
	$8,888,710	$1,880,907	$585,916	$(2,262,588)	$9,092,945

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	September 30, 2014				
	Regulated Distribution	Regulated Pipeline	Nonregulated	Eliminations	Consolidated
			(In thousands)		
ASSETS					
Property, plant and equipment, net	$5,202,761	$1,464,572	$ 58,573	$ —	$6,725,906
Investment in subsidiaries	952,171	—	(2,096)	(950,075)	—
Current assets					
Cash and cash equivalents	33,303	—	8,955	—	42,258
Assets from risk management activities	23,102	—	22,725	—	45,827
Other current assets	490,408	14,009	526,161	(342,823)	687,755
Intercompany receivables	790,442	—	—	(790,442)	—
Total current assets	1,337,255	14,009	557,841	(1,133,265)	775,840
Goodwill	574,816	132,502	34,711	—	742,029
Noncurrent assets from risk management activities	13,038	—	—	—	13,038
Deferred charges and other assets	309,965	21,826	6,100	—	337,891
	$8,390,006	$1,632,909	$655,129	$(2,083,340)	$8,594,704
CAPITALIZATION AND LIABILITIES					
Shareholders' equity	$3,086,232	$ 482,612	$469,559	$ (952,171)	$3,086,232
Long-term debt	2,455,986	—	—	—	2,455,986
Total capitalization	5,542,218	482,612	469,559	(952,171)	5,542,218
Current liabilities					
Short-term debt	522,695	—	—	(326,000)	196,695
Liabilities from risk management activities	1,730	—	—	—	1,730
Other current liabilities	559,765	24,790	142,397	(14,727)	712,225
Intercompany payables	—	763,635	26,807	(790,442)	—
Total current liabilities	1,084,190	788,425	169,204	(1,131,169)	910,650
Deferred income taxes	913,260	361,688	11,668	—	1,286,616
Noncurrent liabilities from risk management activities	20,126	—	—	—	20,126
Regulatory cost of removal obligation	445,387	—	—	—	445,387
Pension and postretirement liabilities	340,963	—	—	—	340,963
Deferred credits and other liabilities	43,862	184	4,698	—	48,744
	$8,390,006	$1,632,909	$655,129	$(2,083,340)	$8,594,704

4. Earnings Per Share

Since we have non-vested share-based payments with a nonforfeitable right to dividends or dividend equivalents (referred to as participating securities), we are required to use the two-class method of computing earnings per share. The Company's non-vested restricted stock units, granted under the 1998 Long-Term Incentive Plan, for which vesting is predicated solely on the passage of time, are considered to be participating securities. The calculation of earnings per share using the two-class method excludes income attributable to these participating securities from the numerator and excludes the dilutive impact of those shares from the denominator.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Basic and diluted earnings per share for the fiscal years ended September 30 are calculated as follows:

	2015	2014	2013
	(In thousands, except per share data)		
Basic Earnings Per Share from continuing operations			
Income from continuing operations	$315,075	$289,817	$230,698
Less: Income from continuing operations allocated to participating securities	626	711	775
Income from continuing operations available to common shareholders	$314,449	$289,106	$229,923
Basic weighted average shares outstanding	101,892	97,606	90,533
Income from continuing operations per share — Basic	$ 3.09	$ 2.96	$ 2.54
Basic Earnings Per Share from discontinued operations			
Income from discontinued operations	$ —	$ —	$ 12,496
Less: Income from discontinued operations allocated to participating securities	—	—	42
Income from discontinued operations available to common shareholders	$ —	$ —	$ 12,454
Basic weighted average shares outstanding	101,892	97,606	90,533
Income from discontinued operations per share — Basic	$ —	$ —	$ 0.14
Net income per share — Basic	$ 3.09	$ 2.96	$ 2.68
Diluted Earnings Per Share from continuing operations			
Income from continuing operations available to common shareholders	$314,449	$289,106	$229,923
Effect of dilutive stock options and other shares	—	—	5
Income from continuing operations available to common shareholders	$314,449	$289,106	$229,928
Basic weighted average shares outstanding	101,892	97,606	90,533
Additional dilutive stock options and other shares	—	2	1,178
Diluted weighted average shares outstanding	101,892	97,608	91,711
Income from continuing operations per share — Diluted	$ 3.09	$ 2.96	$ 2.50
Diluted Earnings Per Share from discontinued operations			
Income from discontinued operations available to common shareholders	$ —	$ —	$ 12,454
Effect of dilutive stock options and other shares	—	—	—
Income from discontinued operations available to common shareholders	$ —	$ —	$ 12,454
Basic weighted average shares outstanding	101,892	97,606	90,533
Additional dilutive stock options and other shares	—	2	1,178
Diluted weighted average shares outstanding	101,892	97,608	91,711
Income from discontinued operations per share — Diluted	$ —	$ —	$ 0.14
Net income per share — Diluted	$ 3.09	$ 2.96	$ 2.64

There were no out-of-the-money options excluded from the computation of diluted earnings per share for the fiscal year ended September 30, 2013. As of September 30, 2015 and 2014 there were no outstanding options.

2014 Equity Offering

On February 18, 2014, we completed the public offering of 9,200,000 shares of our common stock including the underwriters' exercise of their overallotment option of 1,200,000 shares under our existing shelf registration statement. The offering was priced at $44.00 per share and generated net proceeds of $390.2 million, which were used to repay short-term debt outstanding under our commercial paper program, to fund infrastructure spending primarily to enhance the safety and reliability of our system and for general corporate purposes.

Share Repurchase Program

On September 28, 2011 our Board of Directors approved a program authorizing the repurchase of up to five million shares of common stock over a 5-year period. The program is primarily intended to minimize the dilutive effect of equity grants under various benefit related incentive compensation plans of the Company. The program may be terminated or limited at any time. Shares may be repurchased in the open market or in privately negotiated transactions in amounts the Company deems appropriate. As of September 30, 2015, a total of 387,991 shares had been repurchased for an aggregate value of $12.5 million, with no shares repurchased since the first quarter of fiscal 2012. The share repurchase program is scheduled to end on September 30, 2016.

5. Debt

Long-term debt

Long-term debt at September 30, 2015 and 2014 consisted of the following:

	2015	2014
	(In thousands)	
Unsecured 4.95% Senior Notes, due October 2014	$ —	$ 500,000
Unsecured 6.35% Senior Notes, due 2017	250,000	250,000
Unsecured 8.50% Senior Notes, due 2019	450,000	450,000
Unsecured 5.95% Senior Notes, due 2034	200,000	200,000
Unsecured 5.50% Senior Notes, due 2041	400,000	400,000
Unsecured 4.15% Senior Notes, due 2043	500,000	500,000
Unsecured 4.125% Senior Notes, due 2044	500,000	—
Medium term Series A notes, 1995-1, 6.67%, due 2025	10,000	10,000
Unsecured 6.75% Debentures, due 2028	150,000	150,000
Total long-term debt	2,460,000	2,460,000
Less:		
Original issue discount on unsecured senior notes and debentures	4,612	4,014
	$2,455,388	$2,455,986

On October 15, 2014, we issued $500 million of 4.125% 30-year unsecured senior notes, which replaced, on a long-term basis, our $500 million unsecured 4.95% senior notes. The effective rate of these notes is 4.086%, after giving effect to the offering costs and the settlement of the associated forward starting interest rate swaps discussed in Note 12. The net proceeds of approximately $494 million were used to repay our $500 million 4.95% senior unsecured notes at maturity on October 15, 2014.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Short-term debt

Our short-term debt is utilized to fund ongoing working capital needs, such as our seasonal requirements for gas supply, general corporate liquidity and capital expenditures. Our short-term borrowings typically reach their highest levels in the winter months.

We currently finance our short-term borrowing requirements through a combination of a $1.25 billion commercial paper program, four committed revolving credit facilities and one uncommitted revolving credit facility, with a total availability from third-party lenders of approximately $1.3 billion of working capital funding. At September 30, 2015 and 2014, there was $457.9 million and $196.7 million outstanding under our commercial paper program with weighted average interest rates of 0.42% and 0.23%, with average maturities of less than one month. We also use intercompany credit facilities to supplement the funding provided by these third-party committed credit facilities. These facilities are described in greater detail below.

Regulated Operations

We fund our regulated operations as needed, primarily through our commercial paper program and three committed revolving credit facilities with third-party lenders that provide approximately $1.3 billion of working capital funding. The first facility is a five-year $1.25 billion unsecured facility with an accordion feature, which, if utilized would increase the borrowing capacity to $1.5 billion. On September 25, 2015, we terminated our existing $1.25 billion credit facility and entered into a new five-year $1.25 billion credit facility with substantially the same terms. The new facility also retains the $250 million accordion feature, which allows for an increase in the total committed loan amount to $1.5 billion. The credit facility bears interest at a base rate or at a LIBOR-based rate for the applicable interest period, plus a spread ranging from zero percent to 1.25 percent, based on the Company's credit ratings. This credit facility serves primarily as a backup liquidity facility for our commercial paper program. At September 30, 2015, there were no borrowings under this facility, but we had $457.9 million of commercial paper outstanding leaving $792.1 million available.

The second facility is a $25 million unsecured facility that bears interest at a daily negotiated rate, generally based on the Federal Funds rate plus a variable margin. This facility was renewed on April 1, 2015. At September 30, 2015, there were no borrowings outstanding under this facility.

The third facility which was renewed on September 30, 2015 for $10 million is a committed revolving credit facility, used primarily to issue letters of credit and bears interest at a LIBOR-based rate plus 1.5 percent. At September 30, 2015, there were no borrowings outstanding under this credit facility; however, letters of credit totaling $5.9 million had been issued under the facility at September 30, 2015, which reduced the amount available by a corresponding amount.

The availability of funds under these credit facilities is subject to conditions specified in the respective credit agreements, all of which we currently satisfy. These conditions include our compliance with financial covenants and the continued accuracy of representations and warranties contained in these agreements. We are required by the financial covenants in our five-year $1.25 billion unsecured facility to maintain, at the end of each fiscal quarter, a ratio of total debt to total capitalization of no greater than 70 percent. At September 30, 2015, our total-debt-to-total-capitalization ratio, as defined, was 49 percent. In addition, both the interest margin over the Eurodollar rate and the fee that we pay on unused amounts under each of these facilities are subject to adjustment depending upon our credit ratings.

In addition to these third-party facilities, our regulated operations have a $500 million intercompany revolving credit facility with AEH. This facility bears interest at the lower of (i) the Eurodollar rate under the five-year revolving credit facility or (ii) the lowest rate outstanding under the commercial paper program. Applicable state regulatory commissions have approved our use of this facility through December 31, 2015. We intend to seek renewal of this facility during the first quarter of fiscal 2016. There was $325.0 million outstanding under this facility at September 30, 2015.

Nonregulated Operations

Atmos Energy Marketing, LLC (AEM), which is wholly owned by AEH, has one uncommitted $25 million 364-day bilateral credit facility and one committed $15 million 364-day bilateral credit facility that expire in December 2015. These facilities are used primarily to issue letters of credit. Due to outstanding letters of credit, the total amount available to us under these bilateral credit facilities was $36.1 million at September 30, 2015.

AEH has a $500 million intercompany demand credit facility with AEC. This facility bears interest at a rate equal to the greater of (i) the one-month LIBOR rate plus 3.00 percent. Applicable state regulatory commissions have approved our use of this facility through December 31, 2015. We intend to seek renewal of this facility during the first quarter of fiscal 2016. There were no borrowings outstanding under this facility at September 30, 2015.

Shelf Registration

We filed a shelf registration statement with the Securities and Exchange Commission (SEC) on March 28, 2013, that originally permitted us to issue a total of $1.75 billion in common stock and/or debt securities. On February 18, 2014, we completed the public offering of 9,200,000 shares of our common stock, which generated net proceeds of $390.2 million. After giving effect to this issuance and the aforementioned $500 million senior note issuance completed in October 2014, $845 million of securities remained available for issuance under the shelf registration statement until March 28, 2016.

Debt Covenants

In addition to the financial covenants described above, our credit facilities and public indentures contain usual and customary covenants for our business, including covenants substantially limiting liens, substantial asset sales and mergers.

Additionally, our public debt indentures relating to our senior notes and debentures, as well as our revolving credit agreements, each contain a default provision that is triggered if outstanding indebtedness arising out of any other credit agreements in amounts ranging from in excess of $15 million to in excess of $100 million becomes due by acceleration or is not paid at maturity.

We were in compliance with all of our debt covenants as of September 30, 2015. If we were unable to comply with our debt covenants, we would likely be required to repay our outstanding balances on demand, provide additional collateral or take other corrective actions.

Maturities of long-term debt at September 30, 2015 were as follows (in thousands):

2016	$ —
2017	250,000
2018	—
2019	450,000
2020	—
Thereafter	1,760,000
	$2,460,000

6. Retirement and Post-Retirement Employee Benefit Plans

We have both funded and unfunded noncontributory defined benefit plans that together cover most of our employees. We also maintain post-retirement plans that provide health care benefits to retired employees. Finally, we sponsor defined contribution plans that cover substantially all employees. These plans are discussed in further detail below.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

As a rate regulated entity, we generally recover our pension costs in our rates over a period of up to 15 years. The amounts that have not yet been recognized in net periodic pension cost that have been recorded as regulatory assets are as follows:

	Defined Benefits Plans	Supplemental Executive Retirement Plans	Postretirement Plans	Total
		(In thousands)		
September 30, 2015				
Unrecognized transition obligation	$ —	$ —	$ 82	$ 82
Unrecognized prior service credit	(1,735)	—	(4,524)	(6,259)
Unrecognized actuarial loss	120,948	36,915	(47,149)	110,714
	$119,213	$36,915	$(51,591)	$104,537
September 30, 2014				
Unrecognized transition obligation	$ —	$ —	$ 354	$ 354
Unrecognized prior service credit	(1,927)	—	(6,168)	(8,095)
Unrecognized actuarial loss	109,767	34,447	7,531	151,745
	$107,840	$34,447	$ 1,717	$144,004

Defined Benefit Plans

Employee Pension Plans

Prior to December 31, 2014, we maintained two defined benefit plans: the Atmos Energy Corporation Pension Account Plan (the Plan) and the Atmos Energy Corporation Retirement Plan for Mississippi Valley Gas Union Employees (the Union Plan) (collectively referred to as the Plans). The assets of the Plans were held within the Atmos Energy Corporation Master Retirement Trust (the Master Trust). In June 2014, active collectively bargained employees of Atmos Energy's Mississippi Division voted to decertify the union. As a result of this vote, effective January 1, 2015, active participants of the Union Plan became participants in the Plan. Opening account balances were established at the time of transfer equal to the present value of their respective accrued benefits under the Union Plan at December 31, 2014. Additionally, effective January 1, 2015, current retirees in the Union Plan as well as those participants who terminated and were vested in the Union Plan were transferred to the Plan with the same provisions that were in place at the time of their retirement or termination.

The Plan is a cash balance pension plan that was established effective January 1999 and covers most of the employees of Atmos Energy's regulated operations. Opening account balances were established for participants as of January 1999 equal to the present value of their respective accrued benefits under the pension plans which were previously in effect as of December 31, 1998. The Plan credits an allocation to each participant's account at the end of each year according to a formula based on the participant's age, service and total pay (excluding incentive pay).

The Plan also provides for an additional annual allocation based upon a participant's age as of January 1, 1999 for those participants who were participants in the prior pension plans. The Plan credited this additional allocation each year through December 31, 2008. In addition, at the end of each year, a participant's account is credited with interest on the employee's prior year account balance. A special grandfathered benefit also applied through December 31, 2008, for participants who were at least age 50 as of January 1, 1999 and who were participants in one of the prior plans on December 31, 1998. Participants are fully vested in their account balances after three years of service and may choose to receive their account balances as a lump sum or an annuity. In August 2010, the Board of Directors of Atmos Energy approved a proposal to close the Plan to new participants effective October 1, 2010. Additionally, employees participating in the Plan as of October 1, 2010 were allowed to make a one-time election to migrate from the Plan into our defined contribution plan, which was enhanced, effective January 1, 2011.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Generally, our funding policy is to contribute annually an amount in accordance with the requirements of the Employee Retirement Income Security Act of 1974, including the funding requirements under the Pension Protection Act of 2006 (PPA). However, additional voluntary contributions are made from time to time as considered necessary. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future.

During fiscal 2015 and 2014 we contributed $38.0 million and $27.1 million in cash to the Plans to achieve a desired level of funding while maximizing the tax deductibility of this payment. Based upon market conditions at September 30, 2015, the current funded position of the Plans and the funding requirements under the PPA, we do not anticipate a minimum required contribution for fiscal 2016. However, we may consider whether a voluntary contribution is prudent to maintain certain funding levels.

We make investment decisions and evaluate performance of the assets in the Master Trust on a medium-term horizon of at least three to five years. We also consider our current financial status when making recommendations and decisions regarding the Master Trust's assets. Finally, we strive to ensure the Master Trust's assets are appropriately invested to maintain an acceptable level of risk and meet the Master Trust's long-term asset investment policy adopted by the Board of Directors.

To achieve these objectives, we invest the Master Trust's assets in equity securities, fixed income securities, interests in commingled pension trust funds, other investment assets and cash and cash equivalents. Investments in equity securities are diversified among the market's various subsectors in an effort to diversify risk and maximize returns. Fixed income securities are invested in investment grade securities. Cash equivalents are invested in securities that either are short term (less than 180 days) or readily convertible to cash with modest risk.

The following table presents asset allocation information for the Master Trust as of September 30, 2015 and 2014.

Security Class	Targeted Allocation Range	Actual Allocation September 30 2015	Actual Allocation September 30 2014
Domestic equities	35%-55%	41.3%	44.9%
International equities	10%-20%	14.9%	15.3%
Fixed income	5%-30%	11.0%	9.7%
Company stock	0%-15%	15.2%	12.9%
Other assets	0%-20%	17.6%	17.2%

At September 30, 2015 and 2014, the Plan held 1,169,700 shares of our common stock, which represented 15.2 percent of total Plan assets and 12.9 percent of total Master Trust assets. These shares generated dividend income for the Plan of approximately $1.8 million and $1.7 million during fiscal 2015 and 2014.

Our employee pension plan expenses and liabilities are determined on an actuarial basis and are affected by numerous assumptions and estimates including the market value of plan assets, estimates of the expected return on plan assets and assumed discount rates and demographic data. We review the estimates and assumptions underlying our employee pension plans annually based upon a September 30 measurement date. The development of our assumptions is fully described in our significant accounting policies in Note 2. The actuarial assumptions used to determine the pension liability for the Plans were determined as of September 30, 2015 and 2014 and the actuarial assumptions used to determine the net periodic pension cost for the Plans were determined as of September 30, 2014, 2013 and 2012. In October 2014, the Society of Actuaries released its final report on mortality tables and the mortality improvement scale to reflect increasing life expectancies in the United States. On October 8, 2015, the Society of Actuaries issued an additional report related to mortality tables and the mortality improvement scale. As of September 30, 2015, we updated our assumed mortality rates to incorporate both new sets of mortality tables issued by the Society of Actuaries.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Additional assumptions are presented in the following table:

	Pension Liability		Pension Cost		
	2015	2014	2015	2014	2013
Discount rate	4.55%	4.43%	4.43%	4.95%	4.04%
Rate of compensation increase	3.50%	3.50%	3.50%	3.50%	3.50%
Expected return on plan assets	7.00%	7.25%	7.25%	7.25%	7.75%

The following table presents the Plans' accumulated benefit obligation, projected benefit obligation and funded status as of September 30, 2015 and 2014:

	2015	2014
	(In thousands)	
Accumulated benefit obligation	$485,921	$466,182
Change in projected benefit obligation:		
Benefit obligation at beginning of year	$493,594	$455,799
Service cost	16,231	15,345
Interest cost	21,850	22,330
Actuarial (gain) loss	7,420	26,611
Benefits paid	(30,496)	(24,519)
Plan amendments	—	(1,972)
Benefit obligation at end of year	508,599	493,594
Change in plan assets:		
Fair value of plan assets at beginning of year	434,767	396,887
Actual return on plan assets	8,661	35,289
Employer contributions	38,000	27,110
Benefits paid	(30,496)	(24,519)
Fair value of plan assets at end of year	450,932	434,767
Reconciliation:		
Funded status	(57,667)	(58,827)
Unrecognized prior service cost	—	—
Unrecognized net loss	—	—
Net amount recognized	$ (57,667)	$ (58,827)

Net periodic pension cost for the Plans for fiscal 2015, 2014 and 2013 is recorded as operating expense and included the following components:

	Fiscal Year Ended September 30		
	2015	2014	2013
		(In thousands)	
Components of net periodic pension cost:			
Service cost	$ 16,231	$ 15,345	$ 17,754
Interest cost	21,850	22,330	19,334
Expected return on assets	(25,744)	(23,601)	(22,955)
Amortization of prior service credit	(192)	(136)	(141)
Recognized actuarial loss	13,322	13,777	19,066
Net periodic pension cost	$ 25,467	$ 27,715	$ 33,058

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table sets forth by level, within the fair value hierarchy, the Master Trust's assets at fair value as of September 30, 2015 and 2014. As required by authoritative accounting literature, assets are categorized in their entirety based on the lowest level of input that is significant to the fair value measurement. The methods used to determine fair value for the assets held by the Master Trust are fully described in Note 2. In addition to the assets shown below, the Master Trust had net accounts receivable of $2.4 million and $2.7 million at September 30, 2015 and 2014 which materially approximates fair value due to the short-term nature of these assets.

	Assets at Fair Value as of September 30, 2015			
	Level 1	Level 2	Level 3	Total
		(In thousands)		
Investments:				
Common stocks	$159,304	$ —	$ —	$159,304
Money market funds	—	11,787	—	11,787
Registered investment companies:				
Domestic funds	33,312	—	—	33,312
International funds	48,648	—	—	48,648
Common/collective trusts — domestic funds	—	93,081	—	93,081
Government securities:				
Mortgage-backed securities	—	14,359	—	14,359
U.S. treasuries	5,279	805	—	6,084
Corporate bonds	—	28,973	—	28,973
Limited partnerships	—	52,996	—	52,996
Total investments at fair value	$246,543	$202,001	$ —	$448,544

	Assets at Fair Value as of September 30, 2014			
	Level 1	Level 2	Level 3	Total
		(In thousands)		
Investments:				
Common stocks	$155,107	$ —	$ —	$155,107
Money market funds	—	11,226	—	11,226
Registered investment companies:				
Domestic funds	33,266	—	—	33,266
International funds	48,134	—	—	48,134
Common/collective trusts — domestic funds	—	91,792	—	91,792
Government securities:				
Mortgage-backed securities	—	12,520	—	12,520
U.S. treasuries	3,117	562	—	3,679
Corporate bonds	—	25,734	—	25,734
Limited partnerships	—	50,496	—	50,496
Real estate	—	—	155	155
Total investments at fair value	$239,624	$192,330	$155	$432,109

During 2015, the Company determined that a 2014 investment in the registered investment companies - domestic funds should have been classified as common/collective trusts - domestic funds. The amount has been recast in the above table.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Supplemental Executive Retirement Plans

We have three nonqualified supplemental plans which provide additional pension, disability and death benefits to our officers, division presidents and certain other employees of the Company.

The first plan is referred to as the Supplemental Executive Benefits Plan (SEBP) and covers our officers, division presidents and certain other employees of the Company who were employed on or before August 12, 1998. The SEBP is a defined benefit arrangement which provides a benefit equal to 75 percent of covered compensation under which benefits paid from the underlying qualified defined benefit plan are an offset to the benefits under the SEBP.

In August 1998, we adopted the Supplemental Executive Retirement Plan (SERP) (formerly known as the Performance-Based Supplemental Executive Benefits Plan), which covers all officers or division presidents selected to participate in the plan between August 12, 1998 and August 5, 2009, any corporate officer who may be appointed to the Management Committee after August 5, 2009 and any other employees selected by our Board of Directors at its discretion. The SERP is a defined benefit arrangement which provides a benefit equal to 60 percent of covered compensation under which benefits paid from the underlying qualified defined benefit plan are an offset to the benefits under the SERP.

Effective August 5, 2009, we adopted a new defined benefit Supplemental Executive Retirement Plan (the 2009 SERP), for corporate officers (other than such officer who is appointed as a member of the Company's Management Committee), division presidents or any other employees selected at the discretion of the Board. Under the 2009 SERP, a nominal account has been established for each participant, to which the Company contributes at the end of each calendar year an amount equal to ten percent of the total of each participant's base salary and cash incentive compensation earned during each prior calendar year, beginning December 31, 2009. The benefits vest after three years of service and attainment of age 55 and earn interest credits at the same annual rate as the Company's Pension Account Plan (currently 4.69%).

On October 2, 2013, due to the retirement of one of our executives, we recognized a settlement loss of $4.5 million associated with our SEBP and made a $16.8 million benefit payment.

On April 1, 2013, due to the retirement of certain executives, we recognized a settlement loss of $3.2 million associated with the supplemental plans and revalued the net periodic pension cost for the remainder of fiscal 2013. The revaluation of the net periodic pension cost resulted in an increase in the discount rate, effective April 1, 2013, to 4.21 percent, which reduced our net periodic pension cost by approximately $0.1 million for the remainder of the fiscal year.

Similar to our employee pension plans, we review the estimates and assumptions underlying our supplemental plans annually based upon a September 30 measurement date using the same techniques as our employee pension plans. The actuarial assumptions used to determine the pension liability for the supplemental plans were determined as of September 30, 2015 and 2014 and the actuarial assumptions used to determine the net periodic pension cost for the supplemental plans were determined as of September 30, 2014, 2013 and 2012. These assumptions are presented in the following table:

	Pension Liability		Pension Cost		
	2015	2014	2015	2014	2013
Discount rate	4.55%	4.43%	4.43%	4.95%	4.04%(1)
Rate of compensation increase	3.50%	3.50%	3.50%	3.50%	3.50%

(1) The discount rate for the supplemental plans increased from 4.04% to 4.21% effective April 1, 2013 due to a settlement loss recorded in fiscal 2013.

The following table presents the supplemental plans' accumulated benefit obligation, projected benefit obligation and funded status as of September 30, 2015 and 2014:

	2015	2014
	(In thousands)	
Accumulated benefit obligation	$ 118,835	$ 106,276
Change in projected benefit obligation:		
Benefit obligation at beginning of year	$ 113,219	$ 117,080
Service cost	3,971	3,607
Interest cost	4,943	4,966
Actuarial (gain) loss	4,811	9,468
Benefits paid	(4,551)	(5,085)
Settlements	—	(16,817)
Benefit obligation at end of year	122,393	113,219
Change in plan assets:		
Fair value of plan assets at beginning of year	—	—
Employer contribution	4,551	21,902
Benefits paid	(4,551)	(5,085)
Settlements	—	(16,817)
Fair value of plan assets at end of year	—	—
Reconciliation:		
Funded status	(122,393)	(113,219)
Unrecognized prior service cost	—	—
Unrecognized net loss	—	—
Accrued pension cost	$(122,393)	$(113,219)

Assets for the supplemental plans are held in separate rabbi trusts. At September 30, 2015 and 2014, assets held in the rabbi trusts consisted of available-for-sale securities of $41.7 million and $46.2 million, which are included in our fair value disclosures in Note 14.

Net periodic pension cost for the supplemental plans for fiscal 2015, 2014 and 2013 is recorded as operating expense and included the following components:

	Fiscal Year Ended September 30		
	2015	2014	2013
	(In thousands)		
Components of net periodic pension cost:			
Service cost	$ 3,971	$ 3,607	$ 3,039
Interest cost	4,943	4,966	4,755
Amortization of transition asset	—	—	—
Amortization of prior service cost	—	—	—
Recognized actuarial loss	2,343	1,948	2,918
Settlements	—	4,539	3,160
Net periodic pension cost	$11,257	$15,060	$13,872

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Estimated Future Benefit Payments

The following benefit payments for our defined benefit plans, which reflect expected future service, as appropriate, are expected to be paid in the following fiscal years:

	Pension Plans	Supplemental Plans
	(In thousands)	
2016	$ 30,909	$21,857
2017	31,805	13,901
2018	33,086	12,807
2019	34,712	6,808
2020	36,128	4,454
2021-2025	201,857	47,047

Postretirement Benefits

We sponsor the Retiree Medical Plan for Retirees and Disabled Employees of Atmos Energy Corporation (the Atmos Retiree Medical Plan). This plan provides medical and prescription drug protection to all qualified participants based on their date of retirement. The Atmos Retiree Medical Plan provides different levels of benefits depending on the level of coverage chosen by the participants and the terms of predecessor plans; however, we generally pay 80 percent of the projected net claims and administrative costs and participants pay the remaining 20 percent of this cost.

As of September 30, 2009, the Board of Directors approved a change to the cost sharing methodology for employees who had not met the participation requirements by that date for the Atmos Retiree Medical Plan. Starting on January 1, 2015, the contribution rates that apply to all non-grandfathered participants are determined using a cost sharing methodology by which Atmos Energy will limit its contribution to a three percent cost increase in claims and administrative costs each year. If medical costs covered by the Atmos Retiree Medical Plan increase more than three percent annually, participants will be responsible for the additional costs.

Generally, our funding policy is to contribute annually an amount in accordance with the requirements of ERISA. However, additional voluntary contributions are made annually as considered necessary. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future. We expect to contribute between $30 million and $40 million to our postretirement benefits plan during fiscal 2016.

We maintain a formal investment policy with respect to the assets in our postretirement benefits plan to ensure the assets funding the postretirement benefit plan are appropriately invested to maintain an acceptable level of risk. We also consider our current financial status when making recommendations and decisions regarding the postretirement benefits plan.

We currently invest the assets funding our postretirement benefit plan in diversified investment funds which consist of common stocks, preferred stocks and fixed income securities. The diversified investment funds may invest up to 75 percent of assets in common stocks and convertible securities. The following table presents asset allocation information for the postretirement benefit plan assets as of September 30, 2015 and 2014.

Security Class	Actual Allocation September 30 2015	2014
Diversified investment funds	97.5%	99.7%
Cash and cash equivalents	2.5%	0.3%

Similar to our employee pension and supplemental plans, we review the estimates and assumptions underlying our postretirement benefit plan annually based upon a September 30 measurement date using the same techniques as our employee pension plans. The actuarial assumptions used to determine the pension liability for our postretirement plan were determined as of September 30, 2015 and 2014 and the actuarial assumptions used to determine the net periodic pension cost for the postretirement plan were determined as of September 30, 2014, 2013 and 2012. The assumptions are presented in the following table:

	Postretirement Liability		Postretirement Cost		
	2015	2014	2015	2014	2013
Discount rate	4.55%	4.43%	4.43%	4.95%	4.04%
Expected return on plan assets	4.45%	4.60%	4.60%	4.60%	4.70%
Initial trend rate	7.50%	7.50%	7.50%	8.00%	8.00%
Ultimate trend rate	5.00%	5.00%	5.00%	5.00%	5.00%
Ultimate trend reached in	2021	2020	2020	2020	2019

The following table presents the postretirement plan's benefit obligation and funded status as of September 30, 2015 and 2014:

	2015	2014
	(In thousands)	
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 315,118	$ 312,148
Service cost	15,583	16,784
Interest cost	14,385	15,951
Plan participants' contributions	4,563	4,435
Actuarial (gain) loss	(69,962)	(18,963)
Benefits paid	(12,508)	(13,580)
Plan amendments	—	(1,657)
Benefit obligation at end of year	267,179	315,118
Change in plan assets:		
Fair value of plan assets at beginning of year	134,821	106,413
Actual return on plan assets	(8,851)	14,003
Employer contributions	19,984	23,550
Plan participants' contributions	4,563	4,435
Benefits paid	(12,508)	(13,580)
Fair value of plan assets at end of year	138,009	134,821
Reconciliation:		
Funded status	(129,170)	(180,297)
Unrecognized transition obligation	—	—
Unrecognized prior service cost	—	—
Unrecognized net loss	—	—
Accrued postretirement cost	$(129,170)	$(180,297)

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Net periodic postretirement cost for fiscal 2015, 2014 and 2013 is recorded as operating expense and included the components presented below.

	Fiscal Year Ended September 30		
	2015	2014	2013
		(In thousands)	
Components of net periodic postretirement cost:			
Service cost	$15,583	$16,784	$18,800
Interest cost	14,385	15,951	12,964
Expected return on assets	(6,431)	(5,167)	(3,988)
Amortization of transition obligation	272	274	1,081
Amortization of prior service credit	(1,644)	(1,450)	(1,450)
Recognized actuarial loss	—	631	4,196
Net periodic postretirement cost	$22,165	$27,023	$31,603

Assumed health care cost trend rates have a significant effect on the amounts reported for the plan. A one-percentage point change in assumed health care cost trend rates would have the following effects on the latest actuarial calculations:

	One-Percentage Point Increase	One-Percentage Point Decrease
	(In thousands)	
Effect on total service and interest cost components	$ 4,288	$ (3,426)
Effect on postretirement benefit obligation	$39,572	$(32,440)

We are currently recovering other postretirement benefits costs through our regulated rates under accrual accounting as prescribed by accounting principles generally accepted in the United States in substantially all of our service areas. Other postretirement benefits costs have been specifically addressed in rate orders in each jurisdiction served by our Kentucky/Mid-States, West Texas, Mid-Tex and Mississippi Divisions as well as our Kansas jurisdiction and Atmos Pipeline – Texas or have been included in a rate case and not disallowed. Management believes that this accounting method is appropriate and will continue to seek rate recovery of accrual-based expenses in its ratemaking jurisdictions that have not yet approved the recovery of these expenses.

The following tables set forth by level, within the fair value hierarchy, the Retiree Medical Plan's assets at fair value as of September 30, 2015 and 2014. The methods used to determine fair value for the assets held by the Retiree Medical Plan are fully described in Note 2.

	Assets at Fair Value as of September 30, 2015			
	Level 1	Level 2	Level 3	Total
		(In thousands)		
Investments:				
Money market funds	$ —	$3,486	$—	$ 3,486
Registered investment companies:				
Domestic funds	123,921	—	—	123,921
International funds	10,602	—	—	10,602
Total investments at fair value	$134,523	$3,486	$—	$138,009

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Assets at Fair Value as of September 30, 2014			
	Level 1	Level 2	Level 3	Total
		(In thousands)		
Investments:				
Money market funds	$ —	$434	$—	$ 434
Registered investment companies:				
Domestic funds	124,006	—	—	124,006
International funds	10,381	—	—	10,381
Total investments at fair value	$134,387	$434	$—	$134,821

During 2015, the Company determined that a 2014 investment in the registered investment companies - international funds should have been classified as registered investment companies - domestic funds. The amount has been recast in the above table.

Estimated Future Benefit Payments

The following benefit payments paid by us, retirees and prescription drug subsidy payments for our postretirement benefit plans, which reflect expected future service, as appropriate, are expected to be paid in the following fiscal years. Company payments for fiscal 2015 include contributions to our postretirement plan trusts.

	Company Payments	Retiree Payments	Subsidy Payments	Total Postretirement Benefits
		(In thousands)		
2016	$15,498	$ 2,382	$—	$ 17,880
2017	11,245	2,677	—	13,922
2018	12,185	2,980	—	15,165
2019	12,755	3,324	—	16,079
2020	13,995	3,766	—	17,761
2021-2025	86,519	26,363	—	112,882

Defined Contribution Plans

As of September 30, 2015, we maintained two defined contribution benefit plans: the Atmos Energy Corporation Retirement Savings Plan and Trust (the Retirement Savings Plan) and the Atmos Energy Holdings, LLC 401K Profit-Sharing Plan (the AEH 401K Profit-Sharing Plan).

The Retirement Savings Plan covers substantially all employees in our regulated operations and is subject to the provisions of Section 401(k) of the Internal Revenue Code. Effective January 1, 2007, employees automatically become participants of the Retirement Savings Plan on the date of employment. Participants may elect a salary reduction up to a maximum of 65 percent of eligible compensation, as defined by the Plan, not to exceed the maximum allowed by the Internal Revenue Service. New participants are automatically enrolled in the Plan at a salary reduction amount of four percent of eligible compensation, from which they may opt out. We match 100 percent of a participant's contributions, limited to four percent of the participant's salary, in our common stock. However, participants have the option to immediately transfer this matching contribution into other funds held within the plan. Participants are eligible to receive matching contributions after completing one year of service. Participants are also permitted to take out loans against their accounts subject to certain restrictions. Employees hired on or after October 1, 2010 participate in the enhanced plan in which participants receive a fixed annual contribution of four percent of eligible earnings to their Retirement Savings Plan account. Participants will continue to be eligible for company matching contributions of up to four percent of their eligible earnings and will be fully vested in the fixed annual contribution after three years of service.

Prior to December 31, 2014, we also maintained the Atmos Energy Corporation Savings Plan for MVG Union Employees (the Union 401K Plan). In June 2014, active collectively bargained employees of Atmos Energy's Mississippi Division voted to decertify the Union. As a result, effective July 19, 2014, active participants of the Union 401K Plan were eligible to participate in the Retirement Savings Plan. Participants who did not actively elect to participate in the Retirement Savings Plan were automatically enrolled in the Retirement Savings Plan at a salary reduction level of four percent, which they had the choice to opt out of within 30 days. In addition, participants could have elected to transfer their funds from the Union 401K Plan to the Retirement Savings Plan. Effective January 1, 2015, all remaining participants became participants in the Retirement Savings Plan. Following this transfer, the Union 401K Plan was terminated.

Matching contributions to the Retirement Savings Plan and the Union 401K Plan are expensed as incurred and amounted to $11.5 million, $10.9 million and $10.4 million for fiscal years 2015, 2014 and 2013. The Board of Directors may also approve discretionary contributions, subject to the provisions of the Internal Revenue Code and applicable Treasury regulations. No discretionary contributions were made for fiscal years 2015, 2014 or 2013. At September 30, 2015 and 2014, the Retirement Savings Plan held 4.3 percent and 4.5 percent of our outstanding common stock.

The AEH 401K Profit-Sharing Plan covers substantially all AEH employees and is subject to the provisions of Section 401(k) of the Internal Revenue Code. Participants may elect a salary reduction up to a maximum of 75 percent of eligible compensation, as defined by the Plan, not to exceed the maximum allowed by the Internal Revenue Service. The Company may elect to make safe harbor contributions up to four percent of the employee's salary which vest immediately. The Company may also make discretionary profit sharing contributions to the AEH 401K Profit-Sharing Plan. Participants become fully vested in the discretionary profit-sharing contributions after three years of service. Participants are also permitted to take out loans against their accounts subject to certain restrictions. Discretionary contributions to the AEH 401K Profit-Sharing Plan are expensed as incurred and amounted to $1.1 million, $1.4 million and $1.1 million for fiscal years 2015, 2014 and 2013.

On November 4, 2015, the Atmos Energy Corporation Board of Directors voted to approve the merger of the assets and liabilities of the AEH 401K Profit-Sharing Plan with the Retirement Savings Plan, effective January 1, 2016 to improve administrative efficiency and reduce total costs.

7. Stock and Other Compensation Plans

Stock-Based Compensation Plans

Total stock-based compensation expense was $27.5 million, $25.5 million and $17.8 million for the fiscal years ended September 30, 2015, 2014 and 2013, primarily related to restricted stock costs.

1998 Long-Term Incentive Plan

In August 1998, the Board of Directors approved and adopted the 1998 Long-Term Incentive Plan (LTIP), which became effective in October 1998 after approval by our shareholders. The LTIP is a comprehensive, long-term incentive compensation plan providing for discretionary awards of incentive stock options, non-qualified stock options, stock appreciation rights, bonus stock, time-lapse restricted stock, time-lapse restricted stock units, performance-based restricted stock units and stock units to certain employees and non-employee directors of the Company and our subsidiaries. The objectives of this plan include attracting and retaining the best personnel, providing for additional performance incentives and promoting our success by providing employees with the opportunity to acquire common stock.

As of September 30, 2015, we were authorized to grant awards for up to a maximum of 8.7 million shares of common stock under this plan subject to certain adjustment provisions. As of September 30, 2015, non-qualified stock options, bonus stock, time-lapse restricted stock, time-lapse restricted stock units, performance-based restricted stock units and stock units had been issued under this plan, and 308,582 shares were available for future issuance.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Restricted Stock Unit Award Grants

As noted above, the LTIP provides for discretionary awards of restricted stock units to help attract, retain and reward employees of Atmos Energy and its subsidiaries. Certain of these awards vest based upon the passage of time and other awards vest based upon the passage of time and the achievement of specified performance targets. The fair value of the awards granted is based on the market price of our stock at the date of grant. The associated expense is recognized ratably over the vesting period.

Employees who are granted time-lapse restricted stock units under our LTIP have a nonforfeitable right to dividend equivalents that are paid at the same rate and at the same time at which they are paid on shares of stock without restrictions. Time-lapse restricted stock units contain only a service condition that the employee recipients render continuous services to the Company for a period of three years from the date of grant, except for accelerated vesting in the event of death, disability, change of control of the Company or termination without cause (with certain exceptions). There are no performance conditions required to be met for employees to be vested in time-lapse restricted stock units.

Employees who are granted performance-based restricted stock units under our LTIP have a forfeitable right to dividend equivalents that accrue at the same rate at which they are paid on shares of stock without restrictions. Dividend equivalents on the performance-based restricted stock units are paid either in cash or in the form of shares upon the vesting of the award. Performance-based restricted stock units contain a service condition that the employee recipients render continuous services to the Company for a period of three years from the beginning of the applicable three-year performance period, except for accelerated vesting in the event of death, disability, change of control of the Company or termination without cause (with certain exceptions) and a performance condition based on a cumulative earnings per share target amount.

The following summarizes information regarding the restricted stock units granted under the plan during the fiscal years ended September 30, 2015, 2014 and 2013:

	2015		2014		2013	
	Number of Restricted Units	Weighted Average Grant-Date Fair Value	Number of Restricted Units	Weighted Average Grant-Date Fair Value	Number of Restricted Units	Weighted Average Grant-Date Fair Value
Nonvested at beginning of year	988,637	$42.22	1,052,844	$36.20	1,262,582	$32.46
Granted	444,543	50.50	464,438	45.05	473,775	40.48
Vested	(551,688)	39.28	(524,532)	32.67	(657,795)	32.20
Forfeited	(3,388)	48.55	(4,113)	39.00	(25,718)	33.42
Nonvested at end of year	878,104	$48.24	988,637	$42.22	1,052,844	$36.20

As of September 30, 2015, there was $10.2 million of total unrecognized compensation cost related to nonvested restricted stock units granted under the LTIP. That cost is expected to be recognized over a weighted-average period of 1.5 years. The fair value of restricted stock vested during the fiscal years ended September 30, 2015, 2014 and 2013 was $21.7 million, $17.1 million and $21.2 million.

Other Plans

Direct Stock Purchase Plan

We maintain a Direct Stock Purchase Plan, open to all investors, which allows participants to have all or part of their cash dividends paid quarterly in additional shares of our common stock. The minimum initial investment required to join the plan is $1,250. Direct Stock Purchase Plan participants may purchase additional shares of our common stock as often as weekly with voluntary cash payments of at least $25, up to an annual maximum of $100,000.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Outside Directors Stock-For-Fee Plan

In November 1994, the Board of Directors adopted the Outside Directors Stock-for-Fee Plan, which was approved by our shareholders in February 1995. The plan permits non-employee directors to receive all or part of their annual retainer and meeting fees in stock rather than in cash. This plan was terminated by the Board of Directors, effective September 1, 2014, when the LTIP was amended to incorporate substantially all of its provisions.

Equity Incentive and Deferred Compensation Plan for Non-Employee Directors

In November 1998, the Board of Directors adopted the Equity Incentive and Deferred Compensation Plan for Non-Employee Directors, which was approved by our shareholders in February 1999. This plan amended the Atmos Energy Corporation Deferred Compensation Plan for Outside Directors adopted by the Company in May 1990 and replaced the pension payable under our Retirement Plan for Non-Employee Directors. The plan provides non-employee directors of Atmos Energy with the opportunity to defer receipt, until retirement, of compensation for services rendered to the Company and invest deferred compensation into either a cash account or a stock account.

Other Discretionary Compensation Plans

We have an annual incentive program covering substantially all employees to give each employee an opportunity to share in our financial success based on the achievement of key performance measures considered critical to achieving business objectives for a given year with minimum and maximum thresholds. The Company must meet the minimum threshold for the plan to be funded and distributed to employees. These performance measures may include earnings growth objectives, improved cash flow objectives or crucial customer satisfaction and safety results. We monitor progress towards the achievement of the performance measures throughout the year and record accruals based upon the expected payout using the best estimates available at the time the accrual is recorded. During the last several fiscal years, we have used earnings per share as our sole performance measure.

8. Details of Selected Consolidated Balance Sheet Captions

The following tables provide additional information regarding the composition of certain of our balance sheet captions.

Accounts receivable

Accounts receivable was comprised of the following at September 30, 2015 and 2014:

	September 30	
	2015	2014
	(In thousands)	
Billed accounts receivable	$204,585	$262,937
Unbilled revenue	65,008	62,484
Other accounts receivable	40,850	41,971
Total accounts receivable	310,443	367,392
Less: allowance for doubtful accounts	(15,283)	(23,992)
Net accounts receivable	$295,160	$343,400

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Other current assets

Other current assets as of September 30, 2015 and 2014 were comprised of the following accounts.

	September 30	
	2015	2014
	(In thousands)	
Assets from risk management activities	$ 9,232	$ 45,827
Deferred gas costs	9,715	20,069
Taxes receivable	4,479	5,481
Prepaid expenses	27,734	25,039
Materials and supplies	12,587	5,704
Other	6,822	9,145
Total	$70,569	$111,265

Property, plant and equipment

Property, plant and equipment was comprised of the following as of September 30, 2015 and 2014:

	September 30	
	2015	2014
	(In thousands)	
Production plant	$ 131	$ 4,821
Storage plant	286,011	275,579
Transmission plant	1,844,117	1,622,846
Distribution plant	6,019,001	5,522,794
General plant	769,311	735,223
Intangible plant	41,131	38,858
	8,959,702	8,200,121
Construction in progress	280,398	247,579
	9,240,100	8,447,700
Less: accumulated depreciation and amortization	(1,809,520)	(1,721,794)
Net property, plant and equipment(1)	$ 7,430,580	$ 6,725,906

(1) Net property, plant and equipment includes plant acquisition adjustments of $(68.1) million and $(76.4) million at September 30, 2015 and 2014.

Goodwill

The following presents our goodwill balance allocated by segment and changes in the balance for the fiscal year ended September 30, 2015:

	Regulated Distribution	Regulated Pipeline	Nonregulated	Total
		(In thousands)		
Balance as of September 30, 2014	$574,816	$132,502	$34,711	$742,029
Deferred tax adjustments on prior acquisitions(1)	633	40	—	673
Balance as of September 30, 2015	$575,449	$132,542	$34,711	$742,702

(1) We annually adjust certain deferred taxes recorded in connection with acquisitions completed in fiscal 2001 and fiscal 2004, which resulted in an increase to goodwill and net deferred tax liabilities of $0.7 million for fiscal 2015.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Deferred charges and other assets

Deferred charges and other assets as of September 30, 2015 and 2014 were comprised of the following accounts.

	September 30	
	2015	2014
	(In thousands)	
Marketable securities	$ 74,200	$ 79,613
Regulatory assets	182,573	230,240
Deferred financing costs	17,873	13,698
Assets from risk management activities	368	13,038
Other	13,664	14,340
Total	$288,678	$350,929

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities as of September 30, 2015 and 2014 were comprised of the following accounts.

	September 30	
	2015	2014
	(In thousands)	
Trade accounts payable	$ 78,534	$ 77,860
Accrued gas payable	119,825	179,425
Accrued liabilities	40,583	50,801
Total	$238,942	$308,086

Other current liabilities

Other current liabilities as of September 30, 2015 and 2014 were comprised of the following accounts.

	September 30	
	2015	2014
	(In thousands)	
Customer credit balances and deposits	$100,232	$ 82,085
Accrued employee costs	47,602	46,445
Deferred gas costs	28,100	35,063
Accrued interest	34,914	36,768
Liabilities from risk management activities	9,568	1,730
Taxes payable	93,674	77,601
Pension and postretirement obligations	21,857	11,380
Current deferred tax liability	55,918	48,751
Regulatory cost of removal accrual	56,123	45,061
Other	9,966	20,985
Total	$457,954	$405,869

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Deferred credits and other liabilities

Deferred credits and other liabilities as of September 30, 2015 and 2014 were comprised of the following accounts.

	September 30	
	2015	2014
	(In thousands)	
Customer advances for construction	$ 9,316	$ 9,883
Regulatory liabilities	3,693	4,472
Asset retirement obligation	9,063	10,508
Liabilities from risk management activities	110,539	20,126
Other	29,085	23,881
Total	$161,696	$68,870

9. Leases

We have entered into operating leases for office and warehouse space, vehicles and heavy equipment used in our operations. The remaining lease terms range from one to 19 years and generally provide for the payment of taxes, insurance and maintenance by the lessee. Renewal options exist for certain of these leases.

The related future minimum lease payments at September 30, 2015 were as follows:

	Operating Leases
	(In thousands)
2016	$ 16,475
2017	16,639
2018	16,490
2019	15,207
2020	14,251
Thereafter	61,651
Total minimum lease payments	$140,713

Consolidated lease and rental expense amounted to $32.5 million, $31.7 million and $32.4 million for fiscal 2015, 2014 and 2013.

10. Commitments and Contingencies

Litigation

We are a party to various litigation that has arisen in the ordinary course of our business. While the results of such litigation cannot be predicted with certainty, we believe the final outcome of such litigation will not have a material adverse effect on our financial condition, results of operations or cash flows.

Environmental Matters

We are a party to environmental matters and claims that have arisen in the ordinary course of our business. While the ultimate results of response actions to these environmental matters and claims cannot be predicted with certainty, we believe the final outcome of such response actions will not have a material adverse effect on our financial condition, results of operations or cash flows because we believe that the expenditures related to such response actions will either be recovered through rates, shared with other parties or are adequately covered by insurance.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Purchase Commitments

Our regulated distribution divisions maintain supply contracts with several vendors that generally cover a period of up to one year. Commitments for estimated base gas volumes are established under these contracts on a monthly basis at contractually negotiated prices. Commitments for incremental daily purchases are made as necessary during the month in accordance with the terms of the individual contract.

Our Mid-Tex Division also maintains a limited number of long-term supply contracts to ensure a reliable source of gas for our customers in its service area which obligate it to purchase specified volumes at prices indexed to natural gas distribution hubs. At September 30, 2015, we were committed to purchase 36.6 Bcf within one year and 26.8 Bcf within one to three years under indexed contracts. Purchases under these contracts totaled $113.3 million, $140.9 million and $89.0 million for 2015, 2014, 2013.

Our nonregulated segment has commitments to purchase physical quantities of natural gas under contracts indexed to the forward NYMEX strip or fixed price contracts. At September 30, 2015, we were committed to purchase 101.9 Bcf within one year, 16.0 Bcf within one to three years and 0.5 Bcf after three years under indexed contracts. We are committed to purchase 3.0 Bcf within one year under fixed price contracts with prices ranging from $2.32 to $3.23 per Mcf. Purchases under these contracts totaled $1,141.3 million, $1,687.5 million and $1,246.1 million for 2015, 2014 and 2013.

In addition, our nonregulated segment maintains long-term contracts related to storage and transportation. The estimated contractual demand fees for contracted storage and transportation under these contracts as of September 30, 2015 are as follows (in thousands):

2016	$ 7,843
2017	3,522
2018	1,966
2019	426
2020	398
Thereafter	1,101
	$15,256

Regulatory Matters

In July 2010, the Dodd-Frank Act was enacted, representing an extensive overhaul of the framework for regulation of U.S. financial markets. The Dodd-Frank Act required various regulatory agencies, including the SEC and the Commodities Futures Trading Commission, to establish regulations for implementation of many of the provisions of the Dodd-Frank Act. A number of those regulations have been adopted; we have enacted new procedures and modified existing business practices and contractual arrangements to comply with such regulations. We expect additional regulations to be issued, which should provide additional clarity regarding the extent of the impact of this legislation on us. The costs of participating in financial markets for hedging certain risks inherent in our business may be further increased when these expected additional regulations are adopted. We also anticipate that the Commodities Futures Trading Commission will issue additional related reporting and disclosure obligations.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

11. Income Taxes

The components of income tax expense from continuing operations for 2015, 2014 and 2013 were as follows:

	2015	2014	2013
		(In thousands)	
Current			
Federal	$ —	$ —	$ —
State	7,251	5,527	8,178
Deferred			
Federal	175,897	169,106	124,836
State	12,548	12,375	9,605
Investment tax credits	(6)	(6)	(20)
	$195,690	$187,002	$142,599

Reconciliations of the provision for income taxes computed at the statutory rate to the reported provisions for income taxes from continuing operations for 2015, 2014 and 2013 are set forth below:

	2015	2014	2013
		(In thousands)	
Tax at statutory rate of 35%	$178,768	$166,887	$130,655
Common stock dividends deductible for tax reporting	(2,413)	(2,307)	(2,153)
State taxes (net of federal benefit)	12,869	11,636	11,559
Change in valuation allowance	4,998	6,969	1,085
Other, net	1,468	3,817	1,453
Income tax expense	$195,690	$187,002	$142,599

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Deferred income taxes reflect the tax effect of differences between the basis of assets and liabilities for book and tax purposes. The tax effect of temporary differences that gave rise to significant components of the deferred tax liabilities and deferred tax assets at September 30, 2015 and 2014 are presented below:

	2015	2014
	(In thousands)	
Deferred tax assets:		
Employee benefit plans	$ 121,619	$ 116,157
Interest rate agreements	51,067	10,565
Net operating loss carryforwards	313,224	236,626
Charitable and other credit carryforwards	22,281	21,614
Other	36,695	28,849
Total deferred tax assets	544,886	413,811
Valuation allowance	(10,872)	(6,969)
Net deferred tax assets	534,014	406,842
Deferred tax liabilities:		
Difference in net book value and net tax value of assets	(1,890,886)	(1,655,894)
Pension funding	(35,247)	(17,890)
Gas cost adjustments	(43,634)	(31,252)
Other	(31,480)	(37,173)
Total deferred tax liabilities	(2,001,247)	(1,742,209)
Net deferred tax liabilities	$(1,467,233)	$(1,335,367)
Deferred credits for rate regulated entities	$ 412	$ (109)

At September 30, 2015, we had $307.3 million of federal net operating loss carryforwards, which includes the impact of stock based compensation. The federal net operating loss carryforwards are available to offset taxable income and will begin to expire in 2029. The Company also has $10.1 million of federal alternative minimum tax credit carryforwards which do not expire. In addition, the Company has $11.4 million in charitable contribution carryforwards to offset taxable income. The Company's charitable contribution carryforwards expire in 2015 - 2020. We believe it is more likely than not that the benefit from certain charitable contribution carryforwards will not be realized. Due to the uncertainty of realizing a benefit from the deferred tax asset recorded for charitable contribution carryforwards, a valuation allowance of $4.4 million and $7.0 million was established for the years ended September 30, 2015 and 2014. In addition, $1.1 million of deferred tax assets expired for which a valuation allowance had previously been recorded during the year ended September 30, 2015.

For state taxable income, the Company has $14.9 million of state net operating loss carryforwards (net of $8.0 million of federal effects) and $0.8 million of state tax credits carryforwards (net of federal effects). Depending on the jurisdiction in which the state net operating loss was generated, the carryforwards will begin to expire between 2016 and 2030. We believe it is more likely than not that a portion of the benefit from certain state net operating loss carryfowards will not be realized. Due to the uncertainty of realizing a benefit from the deferred tax asset for these carryforwards, a valuation allowance of $0.6 million (net of federal effects) was established for the year ended September 30, 2015. The state tax credits will begin to expire in 2018.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

At September 30, 2015, we had recorded liabilities associated with unrecognized tax benefits totaling $17.1 million. The following table reconciles the beginning and ending balance of our unrecognized tax benefits:

	2015	2014
	(In thousands)	
Unrecognized tax benefits - beginning balance	$12,629	$ 4,158
Increase resulting from prior period tax positions	1,009	3,846
Increase resulting from current period tax positions	3,431	4,625
Unrecognized tax benefits - ending balance	17,069	12,629
Accrued interest and penalties	820	411
Gross unrecognized tax benefits	17,889	13,040
Less: deferred federal and state income tax benefits	(6,261)	(4,564)
Total unrecognized tax benefits that, if recognized, would impact the effective income tax rate as of the end of the year	$11,628	$ 8,476

We file income tax returns in the U.S. federal jurisdiction as well as in various states where we have operations. We have concluded substantially all U.S. federal income tax matters through fiscal year 2007.

12. Financial Instruments

We use financial instruments to mitigate commodity price risk and interest rate risk. The objectives and strategies for using financial instruments have been tailored to our regulated and nonregulated businesses. Currently, we utilize financial instruments in our regulated distribution and nonregulated segments. We currently do not manage commodity price risk with financial instruments in our regulated pipeline segment.

Our financial instruments do not contain any credit-risk-related or other contingent features that could cause accelerated payments when our financial instruments are in net liability positions.

As discussed in Note 2, we report our financial instruments as risk management assets and liabilities, each of which is classified as current or noncurrent based upon the anticipated settlement date of the underlying financial instrument. The following table shows the fair values of our risk management assets and liabilities by segment at September 30, 2015 and 2014:

	Regulated Distribution	Nonregulated	Total
		(In thousands)	
September 30, 2015			
Assets from risk management activities, current(1)	$ 378	$ 8,854	$ 9,232
Assets from risk management activities, noncurrent	368	—	368
Liabilities from risk management activities, current(1)	(9,568)	—	(9,568)
Liabilities from risk management activities, noncurrent(1)	(110,539)	—	(110,539)
Net assets (liabilities)	$(119,361)	$ 8,854	$(110,507)
September 30, 2014			
Assets from risk management activities, current(2)	$ 23,102	$22,725	$ 45,827
Assets from risk management activities, noncurrent	13,038	—	13,038
Liabilities from risk management activities, current(2)	(1,730)	—	(1,730)
Liabilities from risk management activities, noncurrent(2)	(20,126)	—	(20,126)
Net assets	$ 14,284	$22,725	$ 37,009

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(1) Includes $43.5 million of cash held on deposit to collateralize certain financial instruments. Of this amount, $34.6 million was used to offset current and noncurent risk management liabilities under master netting arrangements and the remaining $8.9 million is classified as current risk management assets.

(2) Includes $25.8 million of cash held on deposit to collateralize certain financial instruments. Of this amount, $3.1 million was used to offset current and noncurrent risk management liabilities under master netting arrangements and the remaining $22.7 million is classified as current risk management assets.

Regulated Commodity Risk Management Activities

Although our purchased gas cost adjustment mechanisms essentially insulate our regulated distribution segment from commodity price risk, our customers are exposed to the effects of volatile natural gas prices. We manage this exposure through a combination of physical storage, fixed-price forward contracts and financial instruments, primarily over-the-counter swap and option contracts, in an effort to minimize the impact of natural gas price volatility on our customers during the winter heating season.

Our regulated distribution gas supply department is responsible for executing this segment's commodity risk management activities in conformity with regulatory requirements. In jurisdictions where we are permitted to mitigate commodity price risk through financial instruments, the relevant regulatory authorities may establish the level of heating season gas purchases that can be hedged. Historically, if the regulatory authority does not establish this level, we seek to hedge between 25 and 50 percent of anticipated heating season gas purchases using financial instruments. For the 2014-2015 heating season (generally October through March), in the jurisdictions where we are permitted to utilize financial instruments, we hedged approximately 37 percent, or approximately 28.2 Bcf of the winter flowing gas requirements at a weighted average cost of approximately $4.34 per Mcf. We have not designated these financial instruments as hedges.

Nonregulated Commodity Risk Management Activities

In our nonregulated operations, we buy, sell and deliver natural gas at competitive prices by aggregating and purchasing gas supply, arranging transportation and storage logistics and effectively managing commodity price risk.

As a result of these activities, our nonregulated segment is exposed to risks associated with changes in the market price of natural gas. We manage our exposure to such risks through a combination of physical storage and financial instruments, including futures, over-the-counter and exchange-traded options and swap contracts with counterparties. Future contracts provide the right to buy or sell the commodity at a fixed price in the future. Option contracts provide the right, but not the requirement, to buy or sell the commodity at a fixed price. Swap contracts require receipt of payment for the commodity based on the difference between a fixed price and the market price on the settlement date. Specifically, these operations use financial instruments in the following ways:

- *Gas delivery and related services* - We use financial instruments, designated as cash flow hedges of anticipated purchases and sales at index prices, to mitigate the commodity price risk associated with deliveries under fixed-priced forward contracts to either deliver gas to customers or purchase gas from suppliers. These financial instruments have maturity dates ranging from one to 49 months.
- *Transportation and storage services* - Our nonregulated operations use storage and basis swaps, futures and various over-the-counter and exchange-traded options to capture additional storage arbitrage opportunities that arise subsequent to the execution of the original fair value hedge associated with our physical natural gas inventory, basis swaps to insulate and protect the economic value of our fixed price and storage books and various over-the-counter and exchange-traded options. These financial instruments have not been designated as hedges for accounting purposes.
- *Aggregating and purchasing gas supply* - Certain financial instruments, designated as fair value hedges, are used to hedge our natural gas inventory used in asset optimization activities.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Our nonregulated risk management activities are controlled through various risk management policies and procedures. Our Audit Committee has oversight responsibility for our nonregulated risk management limits and policies. A risk committee, comprised of corporate and business unit officers, is responsible for establishing and enforcing our nonregulated risk management policies and procedures.

Under our risk management policies, we seek to match our financial instrument positions to our physical storage positions as well as our expected current and future sales and purchase obligations in order to maintain no open positions at the end of each trading day. The determination of our net open position as of any day, however, requires us to make assumptions as to future circumstances, including the use of gas by our customers in relation to our anticipated storage and market positions. Because the price risk associated with any net open position at the end of each day may increase if the assumptions are not realized, we review these assumptions as part of our daily monitoring activities. Our operations can also be affected by intraday fluctuations of gas prices, since the price of natural gas purchased or sold for future delivery earlier in the day may not be hedged until later in the day. At times, limited net open positions related to our existing and anticipated commitments may occur. At the close of business on September 30, 2015, our nonregulated segment had net open positions (including existing storage and related financial contracts) of 1.0 Bcf.

Interest Rate Risk Management Activities

We currently manage interest rate risk through the use of forward starting interest rate swaps to fix the Treasury yield component of the interest cost associated with anticipated financings.

In October 2012, we entered into forward starting interest rate swaps to fix the Treasury yield component associated with the then anticipated issuance of $500 million senior notes in October 2014. These notes were issued as planned in October 2014 and we settled swaps with the receipt of $13.4 million. Because the swaps were effective, the realized gain was recorded as a component of accumulated other comprehensive income and is being recognized as a component of interest expense over the 30-year life of the senior notes. In October 2012, we entered into forward starting interest rate swaps to fix the Treasury yield component associated with the anticipated issuance of $250 million million unsecured senior notes in fiscal 2017. Additionally, in fiscal 2014 and 2015, we entered into forward starting interest rate swaps to effectively fix the Treasury yield component associated with $450 million of the anticipated issuance of $450 million unsecured senior notes in fiscal 2019. We designated all of these swaps as cash flow hedges at the time the agreements were executed. Accordingly, unrealized gains and losses associated with the forward starting interest rate swaps will be recorded as a component of accumulated other comprehensive income (loss). When the forward starting interest rate swaps settle, the realized gain or loss will be recorded as a component of accumulated other comprehensive income (loss) and recognized as a component of interest expense over the life of the related financing arrangement. Hedge ineffectiveness to the extent incurred, will be reported as a component of interest expense.

Prior to fiscal 2012, we entered into several Treasury lock agreements to fix the Treasury yield component of the interest cost of financing for various issuances of long-term debt and senior notes. The gains and losses realized upon settlement of these Treasury locks were recorded as a component of accumulated other comprehensive income (loss) when they were settled and are being recognized as a component of interest expense over the life of the associated notes from the date of settlement. The remaining amortization periods for the settled Treasury locks extend through fiscal 2045.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Quantitative Disclosures Related to Financial Instruments

The following tables present detailed information concerning the impact of financial instruments on our consolidated balance sheet and income statements.

As of September 30, 2015, our financial instruments were comprised of both long and short commodity positions. A long position is a contract to purchase the commodity, while a short position is a contract to sell the commodity. As of September 30, 2015, we had net long/(short) commodity contracts outstanding in the following quantities:

Contract Type	Hedge Designation	Regulated Distribution	Nonregulated
		Quantity (MMcf)	
Commodity contracts	Fair Value	—	(18,378)
	Cash Flow	—	56,368
	Not designated	24,849	58,513
		24,849	96,503

Financial Instruments on the Balance Sheet

The following tables present the fair value and balance sheet classification of our financial instruments by operating segment as of September 30, 2015 and 2014. The gross amounts of recognized assets and liabilities are netted within our Consolidated Balance Sheets to the extent that we have netting arrangements with the counterparties.

	Balance Sheet Location	Regulated Distribution Assets	Regulated Distribution Liabilities	Nonregulated Assets	Nonregulated Liabilities
		(In thousands)			
September 30, 2015					
Designated As Hedges:					
Commodity contracts	Other current assets / Other current liabilities	$ —	$ —	$ 11,680	$ (36,067)
Commodity contracts	Deferred charges and other assets / Deferred credits and other liabilities	—	—	126	(9,918)
Interest rate contracts	Deferred charges and other assets / Deferred credits and other liabilities	—	(110,539)	—	—
Total		—	(110,539)	11,806	(45,985)
Not Designated As Hedges:					
Commodity contracts	Other current assets / Other current liabilities	378	(9,568)	65,239	(65,780)
Commodity contracts	Deferred charges and other assets / Deferred credits and other liabilities	368	—	14,318	(14,218)
Total		746	(9,568)	79,557	(79,998)
Gross Financial Instruments		746	(120,107)	91,363	(125,983)
Gross Amounts Offset on Consolidated Balance Sheet:					
Contract netting		—	—	(91,363)	91,363
Net Financial Instruments		746	(120,107)	—	(34,620)
Cash collateral		—	—	8,854	34,620
Net Assets/Liabilities from Risk Management Activities		$746	$(120,107)	$ 8,854	$ —

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Balance Sheet Location	Regulated Distribution Assets	Regulated Distribution Liabilities	Nonregulated Assets	Nonregulated Liabilities
		(In thousands)			
September 30, 2014					
Designated As Hedges:					
Commodity contracts	Other current assets / Other current liabilities	$ —	$ —	$ 8,912	$ (7,082)
Interest rate contracts	Other current assets / Other current liabilities	21,869	—	—	—
Commodity contracts	Deferred charges and other assets / Deferred credits and other liabilities	—	—	757	(2,459)
Interest rate contracts	Deferred charges and other assets / Deferred credits and other liabilities	12,608	(19,835)	—	—
Total		34,477	(19,835)	9,669	(9,541)
Not Designated As Hedges:					
Commodity contracts	Other current assets / Other current liabilities	1,233	(1,730)	43,677	(47,729)
Commodity contracts	Deferred charges and other assets / Deferred credits and other liabilities	430	(291)	15,677	(14,786)
Total		1,663	(2,021)	59,354	(62,515)
Gross Financial Instruments		36,140	(21,856)	69,023	(72,056)
Gross Amounts Offset on Consolidated Balance Sheet:					
Contract netting		—	—	(69,023)	69,023
Net Financial Instruments		36,140	(21,856)	—	(3,033)
Cash collateral		—	—	22,725	3,033
Net Assets/Liabilities from Risk Management Activities		$36,140	$(21,856)	$ 22,725	$ —

Impact of Financial Instruments on the Income Statement

Hedge ineffectiveness for our nonregulated segment is recorded as a component of purchased gas cost and primarily results from differences in the location and timing of the derivative instrument and the hedged item. Hedge ineffectiveness could materially affect our results of operations for the reported period. For the years ended September 30, 2015, 2014 and 2013, we recognized a gain arising from fair value and cash flow hedge ineffectiveness of $0.2 million, $1.9 million and $18.2 million. Additional information regarding ineffectiveness recognized in the income statement is included in the tables below.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Fair Value Hedges

The impact of our nonregulated commodity contracts designated as fair value hedges and the related hedged item on our consolidated income statement for the years ended September 30, 2015, 2014 and 2013 is presented below.

	Fiscal Year Ended September 30		
	2015	2014	2013
		(In thousands)	
Commodity contracts	$10,311	$ (792)	$ 2,165
Fair value adjustment for natural gas inventory designated as the hedged item	(9,768)	2,486	15,938
Total decrease in purchased gas cost	$ 543	$1,694	$18,103
The decrease in purchased gas cost is comprised of the following:			
Basis ineffectiveness	$ 811	$ (919)	$ (208)
Timing ineffectiveness	(268)	2,613	18,311
	$ 543	$1,694	$18,103

Basis ineffectiveness arises from natural gas market price differences between the locations of the hedged inventory and the delivery location specified in the hedge instruments. Timing ineffectiveness arises due to changes in the difference between the spot price and the futures price, as well as the difference between the timing of the settlement of the futures and the valuation of the underlying physical commodity. As the commodity contract nears the settlement date, spot-to-forward price differences should converge, which should reduce or eliminate the impact of this ineffectiveness on purchased gas cost.

To the extent that the Company's natural gas inventory does not qualify as a hedged item in a fair-value hedge, or has not been designated as such, the natural gas inventory is valued at the lower of cost or market.

Cash Flow Hedges

The impact of cash flow hedges on our consolidated income statements for the years ended September 30, 2015, 2014 and 2013 is presented below. Note that this presentation does not reflect the financial impact arising from the hedged physical transaction. Therefore, this presentation is not indicative of the economic gross profit we realized when the underlying physical and financial transactions were settled.

	Fiscal Year Ended September 30, 2015		
	Regulated Distribution	Nonregulated	Consolidated
		(In thousands)	
Loss reclassified from AOCI for effective portion of commodity contracts	$ —	$(41,716)	$(41,716)
Loss arising from ineffective portion of commodity contracts	—	(325)	(325)
Total impact on purchased gas cost	—	(42,041)	(42,041)
Net loss on settled interest rate agreements reclassified from AOCI into interest expense	(853)	—	(853)
Total impact from cash flow hedges	$(853)	$(42,041)	$(42,894)

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Fiscal Year Ended September 30, 2014		
	Regulated Distribution	Nonregulated	Consolidated
		(In thousands)	
Gain reclassified from AOCI for effective portion of commodity contracts	$ —	$8,365	$ 8,365
Gain arising from ineffective portion of commodity contracts	—	198	198
Total impact on purchased gas cost	—	8,563	8,563
Net loss on settled interest rate agreements reclassified from AOCI into interest expense	(4,230)	—	(4,230)
Total impact from cash flow hedges	$(4,230)	$8,563	$ 4,333

	Fiscal Year Ended September 30, 2013		
	Regulated Distribution	Nonregulated	Consolidated
		(In thousands)	
Loss reclassified from AOCI for effective portion of commodity contracts	$ —	$(10,778)	$(10,778)
Gain arising from ineffective portion of commodity contracts	—	97	97
Total impact on purchased gas cost	—	(10,681)	(10,681)
Net loss on settled interest rate agreements reclassified from AOCI into interest expense	(3,489)	—	(3,489)
Total impact from cash flow hedges	$(3,489)	$(10,681)	$(14,170)

The following table summarizes the gains and losses arising from hedging transactions that were recognized as a component of other comprehensive income (loss), net of taxes, for the years ended September 30, 2015 and 2014. The amounts included in the table below exclude gains and losses arising from ineffectiveness because these amounts are immediately recognized in the income statement as incurred.

	Fiscal Year Ended September 30	
	2015	2014
	(In thousands)	
Increase (decrease) in fair value:		
Interest rate agreements	$(71,003)	$(58,973)
Forward commodity contracts	(49,211)	7,904
Recognition of (gains) losses in earnings due to settlements:		
Interest rate agreements	542	2,686
Forward commodity contracts	25,448	(5,102)
Total other comprehensive income (loss) from hedging, net of tax(1)	$(94,224)	$(53,485)

(1) Utilizing an income tax rate ranging from approximately 37 percent to 39 percent based on the effective rates in each taxing jurisdiction.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Deferred gains (losses) recorded in AOCI associated with our interest rate agreements are recognized in earnings as they are amortized, while deferred losses associated with commodity contracts are recognized in earnings upon settlement. The following amounts, net of deferred taxes, represent the expected recognition in earnings of the deferred gains (losses) recorded in AOCI associated with our financial instruments, based upon the fair values of these financial instruments as of September 30, 2015. However, the table below does not include the expected recognition in earnings of the interest rate agreements entered into in October 2012 and fiscal 2014 as those financial instruments have not yet settled.

	Interest Rate Agreements	Commodity Contracts	Total
		(In thousands)	
2016	$ (347)	$(19,484)	$(19,831)
2017	(447)	(5,044)	(5,491)
2018	(649)	(819)	(1,468)
2019	(673)	(85)	(758)
2020	(698)	(5)	(703)
Thereafter	(15,836)	—	(15,836)
Total[(1)]	$(18,650)	$(25,437)	$(44,087)

(1) Utilizing an income tax rate ranging from approximately 37 percent to 39 percent based on the effective rates in each taxing jurisdiction.

Financial Instruments Not Designated as Hedges

The impact of financial instruments that have not been designated as hedges on our consolidated income statements for the years ended September 30, 2015, 2014 and 2013 was an increase (decrease) in purchased gas cost of $15.5 million, $(5.0) million and $3.0 million. Note that this presentation does not reflect the expected gains or losses arising from the underlying physical transactions associated with these financial instruments. Therefore, this presentation is not indicative of the economic gross profit we realized when the underlying physical and financial transactions were settled.

As discussed above, financial instruments used in our regulated distribution segment are not designated as hedges. However, there is no earnings impact on our regulated distribution segment as a result of the use of these financial instruments because the gains and losses arising from the use of these financial instruments are recognized in the consolidated statement of income as a component of purchased gas cost when the related costs are recovered through our rates and recognized in revenue. Accordingly, the impact of these financial instruments is excluded from this presentation.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

13. Accumulated Other Comprehensive Income

We record deferred gains (losses) in accumulated other comprehensive income (AOCI) related to available-for-sale securities, interest rate agreement cash flow hedges and commodity contract cash flow hedges. Deferred gains (losses) for our available-for-sale securities and commodity contract cash flow hedges are recognized in earnings upon settlement, while deferred gains (losses) related to our interest rate agreement cash flow hedges are recognized in earnings as they are amortized. The following tables provide the components of our accumulated other comprehensive income (loss) balances, net of the related tax effects allocated to each component of other comprehensive income.

	Available-for-Sale Securities	Interest Rate Agreement Cash Flow Hedges	Commodity Contracts Cash Flow Hedges	Total
		(In thousands)		
September 30, 2014	$ 7,662	$(18,381)	$ (1,674)	$ (12,393)
Other comprehensive income (loss) before reclassifications	(2,173)	(71,003)	(49,211)	(122,387)
Amounts reclassified from accumulated other comprehensive income	(540)	542	25,448	25,450
Net current-period other comprehensive income (loss)	(2,713)	(70,461)	(23,763)	(96,937)
September 30, 2015	$ 4,949	$(88,842)	$(25,437)	$(109,330)

	Available-for-Sale Securities	Interest Rate Agreement Cash Flow Hedges	Commodity Contracts Cash Flow Hedges	Total
		(In thousands)		
September 30, 2013	$5,448	$ 37,906	$(4,476)	$ 38,878
Other comprehensive income (loss) before reclassifications	3,009	(58,973)	7,904	(48,060)
Amounts reclassified from accumulated other comprehensive income	(795)	2,686	(5,102)	(3,211)
Net current-period other comprehensive income (loss)	2,214	(56,287)	2,802	(51,271)
September 30, 2014	$7,662	$(18,381)	$(1,674)	$(12,393)

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following tables detail reclassifications out of AOCI for the fiscal years ended September 30, 2015 and 2014. Amounts in parentheses below indicate decreases to net income in the statement of income.

	Fiscal Year Ended September 30, 2015	
Accumulated Other Comprehensive Income Components	**Amount Reclassified from Accumulated Other Comprehensive Income**	**Affected Line Item in the Statement of Income**
	(In thousands)	
Available-for-sale securities	$ 850	Operation and maintenance expense
	850	Total before tax
	(310)	Tax expense
	$ 540	Net of tax
Cash flow hedges		
Interest rate agreements	$ (853)	Interest charges
Commodity contracts	(41,716)	Purchased gas cost
	(42,569)	Total before tax
	16,579	Tax benefit
	$(25,990)	Net of tax
Total reclassifications	$(25,450)	Net of tax

	Fiscal Year Ended September 30, 2014	
Accumulated Other Comprehensive Income Components	**Amount Reclassified from Accumulated Other Comprehensive Income**	**Affected Line Item in the Statement of Income**
	(In thousands)	
Available-for-sale securities	$ 1,252	Operation and maintenance expense
	1,252	Total before tax
	(457)	Tax expense
	$ 795	Net of tax
Cash flow hedges		
Interest rate agreements	$(4,230)	Interest charges
Commodity contracts	8,365	Purchased gas cost
	4,135	Total before tax
	(1,719)	Tax expense
	$ 2,416	Net of tax
Total reclassifications	$ 3,211	Net of tax

14. Fair Value Measurements

We report certain assets and liabilities at fair value, which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). We record cash and cash equivalents, accounts receivable and accounts payable at carrying value, which substantially approximates fair value due to the short-term nature of these assets and liabilities. For other financial assets and liabilities, we primarily use quoted market prices and other observable market pricing information to minimize the use of unobservable pricing inputs in our measurements when determining fair value. The methods used to determine fair value for our assets and liabilities are fully described in Note 2.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Fair value measurements also apply to the valuation of our pension and post-retirement plan assets. The fair value of these assets is presented in Note 6.

Quantitative Disclosures

Financial Instruments

The classification of our fair value measurements requires judgment regarding the degree to which market data are observable or corroborated by observable market data. The following tables summarize, by level within the fair value hierarchy, our assets and liabilities that were accounted for at fair value on a recurring basis as of September 30, 2015 and 2014. As required under authoritative accounting literature, assets and liabilities are categorized in their entirety based on the lowest level of input that is significant to the fair value measurement.

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)[1]	Significant Other Unobservable Inputs (Level 3)	Netting and Cash Collateral[2]	September 30, 2015
			(In thousands)		
Assets:					
Financial instruments					
Regulated distribution segment	$ —	$ 746	$ —	$ —	$ 746
Nonregulated segment	—	91,363	—	(82,509)	8,854
Total financial instruments	—	92,109	—	(82,509)	9,600
Hedged portion of gas stored underground	43,901	—	—	—	43,901
Available-for-sale securities					
Money market funds	—	1,072	—	—	1,072
Registered investment companies	40,619	—	—	—	40,619
Bonds	—	32,509	—	—	32,509
Total available-for-sale securities	40,619	33,581	—	—	74,200
Total assets	$84,520	$125,690	$ —	$ (82,509)	$127,701
Liabilities:					
Financial instruments					
Regulated distribution segment	$ —	$120,107	$ —	$ —	$120,107
Nonregulated segment	—	125,983	—	(125,983)	—
Total liabilities	$ —	$246,090	$ —	$(125,983)	$120,107

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)(1)	Significant Other Unobservable Inputs (Level 3)	Netting and Cash Collateral(3)	September 30, 2014
			(In thousands)		
Assets:					
Financial instruments					
Regulated distribution segment	$ —	$ 36,140	$ —	$ —	$ 36,140
Nonregulated segment	25	68,998	—	(46,298)	22,725
Total financial instruments	25	105,138	—	(46,298)	58,865
Hedged portion of gas stored underground	40,492	—	—	—	40,492
Available-for-sale securities					
Money market funds	—	2,185	—	—	2,185
Registered investment companies	44,014	—	—	—	44,014
Bonds	—	33,414	—	—	33,414
Total available-for-sale securities	44,014	35,599	—	—	79,613
Total assets	$84,531	$140,737	$ —	$(46,298)	$178,970
Liabilities:					
Financial instruments					
Regulated distribution segment	$ —	$ 21,856	$ —	$ —	$ 21,856
Nonregulated segment	12	72,044	—	(72,056)	—
Total liabilities	$ 12	$ 93,900	$ —	$(72,056)	$ 21,856

(1) Our Level 2 measurements consist of over-the-counter options and swaps, which are valued using a market-based approach in which observable market prices are adjusted for criteria specific to each instrument, such as the strike price, notional amount or basis differences, municipal and corporate bonds, which are valued based on the most recent available quoted market prices and money market funds which are valued at cost.

(2) This column reflects adjustments to our gross financial instrument assets and liabilities to reflect netting permitted under our master netting agreements and the relevant authoritative accounting literature. In addition, as of September 30, 2015 we had $43.5 million of cash held in margin accounts to collateralize certain financial instruments. Of this amount, $34.6 million was used to offset current and noncurrent risk management liabilities under master netting agreements and the remaining $8.9 million is classified as current risk management assets.

(3) This column reflects adjustments to our gross financial instrument assets and liabilities to reflect netting permitted under our master netting agreements and the relevant authoritative accounting literature. In addition, as of September 30, 2014 we had $25.8 million of cash held in margin accounts to collateralize certain financial instruments. Of this amount, $3.1 million was used to offset current and noncurrent risk management liabilities under master netting agreements and the remaining $22.7 million is classified as current risk management assets.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Available-for-sale securities are comprised of the following:

	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
		(In thousands)		
As of September 30, 2015				
Domestic equity mutual funds	$27,643	$ 7,332	$(456)	$34,519
Foreign equity mutual funds	5,261	905	(66)	6,100
Bonds	32,423	106	(20)	32,509
Money market funds	1,072	—	—	1,072
	$66,399	$ 8,343	$(542)	$74,200
As of September 30, 2014				
Domestic equity mutual funds	$26,633	$10,136	$ —	$36,769
Foreign equity mutual funds	5,382	1,863	—	7,245
Bonds	33,266	161	(13)	33,414
Money market funds	2,185	—	—	2,185
	$67,466	$12,160	$ (13)	$79,613

At September 30, 2015 and 2014, our available-for-sale securities included $41.7 million and $46.2 million related to assets held in separate rabbi trusts for our supplemental executive retirement plans as discussed in Note 6. At September 30, 2015 we maintained investments in bonds that have contractual maturity dates ranging from October 2015 through September 2020.

Other Fair Value Measures

In addition to the financial instruments above, we have several financial and nonfinancial assets and liabilities subject to fair value measures. These financial assets and liabilities include cash and cash equivalents, accounts receivable, accounts payable and debt. The nonfinancial assets and liabilities include asset retirement obligations and pension and post-retirement plan assets. We record cash and cash equivalents, accounts receivable, accounts payable and debt at carrying value. For cash and cash equivalents, accounts receivable and accounts payable, we consider carrying value to materially approximate fair value due to the short-term nature of these assets and liabilities.

Our debt is recorded at carrying value. The fair value of our debt is determined using third party market value quotations, which are considered Level 1 fair value measurements for debt instruments with a recent, observable trade or Level 2 fair value measurements for debt instruments where fair value is determined using the most recent available quoted market price. The following table presents the carrying value and fair value of our debt as of September 30, 2015:

	September 30, 2015
	(In thousands)
Carrying Amount	$2,460,000
Fair Value	$2,669,323

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

15. Concentration of Credit Risk

Credit risk is the risk of financial loss to us if a customer fails to perform its contractual obligations. We engage in transactions for the purchase and sale of products and services with major companies in the energy industry and with industrial, commercial, residential and municipal energy consumers. These transactions principally occur in the southern and midwestern regions of the United States. We believe that this geographic concentration does not contribute significantly to our overall exposure to credit risk. Credit risk associated with trade accounts receivable for the regulated distribution segment is mitigated by the large number of individual customers and diversity in our customer base. The credit risk for our other segments is not significant.

16. Discontinued Operations

On April 1, 2013, we completed the sale of substantially all of our regulated distribution assets and certain related nonregulated assets located in Georgia to Liberty Energy (Georgia) Corp., an affiliate of Algonquin Power & Utilities Corp. for a cash price of approximately $153 million, pursuant to an asset purchase agreement executed on August 8, 2012. In connection with the sale, we recognized a pre-tax gain of approximately $8.2 million.

As required under generally accepted accounting principles, the operating results of our Georgia operations for the year ended September 30, 2013 have been aggregated and reported on the consolidated statements of income as income from discontinued operations, net of income tax. Expenses related to general corporate overhead and interest expense allocated to their operations are not included in discontinued operations.

The following table presents statement of income data related to discontinued operations in our Georgia service area for the year ended September 30, 2013.

	Year Ended September 30, 2013
	(In thousands)
Operating revenues	$37,962
Purchased gas cost	21,464
Gross profit	16,498
Operating expenses	5,858
Operating income	10,640
Other nonoperating income	548
Income from discontinued operations before income taxes	11,188
Income tax expense	3,986
Income from discontinued operations	7,202
Gain on sale of discontinued operations, net of tax	5,294
Net income from discontinued operations	$12,496

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

17. Selected Quarterly Financial Data (Unaudited)

Summarized unaudited quarterly financial data is presented below. The sum of net income per share by quarter may not equal the net income per share for the fiscal year due to variations in the weighted average shares outstanding used in computing such amounts. Our businesses are seasonal due to weather conditions in our service areas. For further information on its effects on quarterly results, see the "Results of Operations" discussion included in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section herein.

	Quarter Ended			
	December 31	March 31	June 30	September 30
	(In thousands, except per share data)			
Fiscal year 2015:				
Operating revenues				
Regulated distribution	$ 846,772	$1,130,613	$ 416,794	$ 369,656
Regulated pipeline	83,567	91,730	97,008	97,807
Nonregulated	462,288	438,322	278,769	292,830
Intersegment eliminations	(133,862)	(120,597)	(106,170)	(103,391)
	1,258,765	1,540,068	686,401	656,902
Gross profit	423,285	520,738	381,673	354,321
Operating income	187,725	250,210	117,607	75,853
Net income	97,595	137,684	56,281	23,515
Net income per share — basic	$ 0.96	$ 1.35	$ 0.55	$ 0.23
Net income per share — diluted	$ 0.96	$ 1.35	$ 0.55	$ 0.23

	Quarter Ended			
	December 31	March 31	June 30	September 30
	(In thousands, except per share data)			
Fiscal year 2014:				
Operating revenues				
Regulated distribution	$ 843,865	$1,290,960	$ 517,707	$ 409,014
Regulated pipeline	71,341	73,615	87,189	86,314
Nonregulated	436,431	758,215	465,485	407,161
Intersegment eliminations	(107,779)	(157,936)	(127,211)	(113,455)
	1,243,858	1,964,854	943,170	789,034
Gross profit	388,957	496,277	359,533	337,659
Operating income	170,720	250,080	106,605	83,944
Net income	87,016	133,367	45,721	23,713
Net income per share — basic	$ 0.95	$ 1.38	$ 0.45	$ 0.23
Net income per share — diluted	$ 0.95	$ 1.38	$ 0.45	$ 0.23

ITEM 9. ***Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.***

None.

ITEM 9A. ***Controls and Procedures.***

Management's Evaluation of Disclosure Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of the Company's disclosure controls and procedures, as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (Exchange Act). Based on this evaluation, the Company's principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures were effective as of September 30, 2015 to provide reasonable assurance that information required to be disclosed by us, including our consolidated entities, in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified by the SEC's rules and forms, including a reasonable level of assurance that such information is accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f), in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we evaluated the effectiveness of our internal control over financial reporting based on the framework in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (COSO). Based on our evaluation under the framework in *Internal Control-Integrated Framework* issued by COSO and applicable Securities and Exchange Commission rules, our management concluded that our internal control over financial reporting was effective as of September 30, 2015, in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Ernst & Young LLP has issued its report on the effectiveness of the Company's internal control over financial reporting. That report appears below.

/s/ KIM R. COCKLIN	/s/ BRET J. ECKERT
Kim R. Cocklin Chief Executive Officer and Director	Bret J. Eckert Senior Vice President and Chief Financial Officer

November 6, 2015

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of
Atmos Energy Corporation

We have audited Atmos Energy Corporation's internal control over financial reporting as of September 30, 2015, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Atmos Energy Corporation's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Atmos Energy Corporation maintained, in all material respects, effective internal control over financial reporting as of September 30, 2015, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets as of September 30, 2015 and 2014, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended September 30, 2015 of Atmos Energy Corporation and our report dated November 6, 2015 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Dallas, Texas
November 6, 2015

Changes in Internal Control over Financial Reporting

We did not make any changes in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Act) during the fourth quarter of the fiscal year ended September 30, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. ***Other Information.***

Not applicable.

PART III

ITEM 10. ***Directors, Executive Officers and Corporate Governance.***

Information regarding directors and compliance with Section 16(a) of the Securities Exchange Act of 1934 is incorporated herein by reference to the Company's Definitive Proxy Statement for the Annual Meeting of Shareholders on February 3, 2016. Information regarding executive officers is reported below:

EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth certain information as of September 30, 2015, regarding the executive officers of the Company. It is followed by a brief description of the business experience of each executive officer.

Name	Age	Years of Service	Office Currently Held
Kim R. Cocklin	64	9	President, Chief Executive Officer and Director
Michael E. Haefner	55	7	Executive Vice President
Bret J. Eckert	48	3	Senior Vice President and Chief Financial Officer
Marvin L. Sweetin	52	15	Senior Vice President, Utility Operations
Louis P. Gregory	60	15	Senior Vice President, General Counsel and Corporate Secretary

Kim R. Cocklin was named President and designated as the Chief Executive Officer effective October 1, 2010. Mr. Cocklin joined the Company in June 2006 and served as President and Chief Operating Officer of the Company from October 1, 2008 through September 30, 2010, after having served as Senior Vice President, Regulated Operations from October 2006 through September 2008. Mr. Cocklin was appointed to the Board of Directors on November 10, 2009. On October 1, 2015, Mr. Cocklin was appointed to the newly-created position of Chief Executive Officer of the Company.

Michael E. Haefner joined the Company in June 2008 as Senior Vice President, Human Resources. On January 19, 2015, Mr. Haefner was promoted to Executive Vice President and assumed oversight responsibility for Atmos Pipeline - Texas, Atmos Energy Holdings, Inc. and the gas supply and services function. On October 1, 2015, Mr. Haefner was promoted to the role of President and Chief Operating Officer in which he also assumed oversight responsibility for the operations of our six utility divisions and customer service.

Bret J. Eckert joined the Company in June 2012 as Senior Vice President, and on October 1, 2012 he was appointed Chief Financial Officer. Prior to joining the Company, Mr. Eckert was an Assurance Partner with Ernst & Young LLP where he developed extensive accounting and financial experience in the natural gas industry over his 22-year career.

Marvin L. Sweetin was named Senior Vice President, Utility Operations in November 2011. In this role, Mr. Sweetin was responsible for the operations of our six utility divisions, as well as customer service, safety and training. On October 1, 2015, Mr. Sweetin was promoted to the position of Senior Vice President of Safety and Enterprise Services. In addition to having overall responsibility for safety and compliance for the Company, Mr. Sweetin has responsibility for business process and change management, new operations technology evaluation and deployment, supply chain and facilities management and workforce development.

Louis P. Gregory was named Senior Vice President and General Counsel in September 2000 as well as Corporate Secretary in June 2012.

Identification of the members of the Audit Committee of the Board of Directors as well as the Board of Directors' determination as to whether one or more audit committee financial experts are serving on the Audit Committee of the Board of Directors is incorporated herein by reference to the Company's Definitive Proxy Statement for the Annual Meeting of Shareholders on February 3, 2016.

The Company has adopted a code of ethics for its principal executive officer, principal financial officer and principal accounting officer. Such code of ethics is represented by the Company's Code of Conduct, which is applicable to all directors, officers and employees of the Company, including the Company's principal executive officer, principal financial officer and principal accounting officer. A copy of the Company's Code of Conduct is posted on the Company's website at *www.atmosenergy.com* under "Corporate Governance." In addition, any amendment to or waiver granted from a provision of the Company's Code of Conduct will be posted on the Company's website under "Corporate Governance."

ITEM 11. *Executive Compensation.*

Information on executive compensation is incorporated herein by reference to the Company's Definitive Proxy Statement for the Annual Meeting of Shareholders on February 3, 2016.

ITEM 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.*

Security ownership of certain beneficial owners and of management is incorporated herein by reference to the Company's Definitive Proxy Statement for the Annual Meeting of Shareholders on February 3, 2016. Information concerning our equity compensation plans is provided in Part II, Item 5, "Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities", of this Annual Report on Form 10-K.

ITEM 13. *Certain Relationships and Related Transactions, and Director Independence.*

Information on certain relationships and related transactions as well as director independence is incorporated herein by reference to the Company's Definitive Proxy Statement for the Annual Meeting of Shareholders on February 3, 2016.

ITEM 14. *Principal Accountant Fees and Services.*

Information on our principal accountant's fees and services is incorporated herein by reference to the Company's Definitive Proxy Statement for the Annual Meeting of Shareholders on February 3, 2016.

PART IV

ITEM 15. Exhibits and Financial Statement Schedules.

(a) 1. and 2. *Financial statements and financial statement schedules.*

The financial statements and financial statement schedule listed in the Index to Financial Statements in Item 8 are filed as part of this Form 10-K.

3. *Exhibits*

The exhibits listed in the accompanying Exhibits Index are filed as part of this Form 10-K. The exhibits numbered 10.3(a) through 10.12(c) are management contracts or compensatory plans or arrangements.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ATMOS ENERGY CORPORATION
(Registrant)

By: /s/ BRET J. ECKERT
Bret J. Eckert
Senior Vice President and Chief Financial Officer

Date: November 6, 2015

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Kim R. Cocklin and Bret J. Eckert, or either of them acting alone or together, as his true and lawful attorney-in-fact and agent with full power to act alone, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and all other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated:

/s/ KIM R. COCKLIN Kim R. Cocklin	Chief Executive Officer and Director	November 6, 2015
/s/ MICHAEL E. HAEFNER Michael E. Haefner	President, Chief Operating Officer and Director	November 6, 2015
/s/ BRET J. ECKERT Bret J. Eckert	Senior Vice President and Chief Financial Officer	November 6, 2015
/s/ CHRISTOPHER T. FORSYTHE Christopher T. Forsythe	Vice President and Controller (Principal Accounting Officer)	November 6, 2015
/s/ ROBERT W. BEST Robert W. Best	Chairman of the Board	November 6, 2015
/s/ RICHARD W. DOUGLAS Richard W. Douglas	Director	November 6, 2015
/s/ RUBEN E. ESQUIVEL Ruben E. Esquivel	Director	November 6, 2015
/s/ RICHARD K. GORDON Richard K. Gordon	Director	November 6, 2015
/s/ ROBERT C. GRABLE Robert C. Grable	Director	November 6, 2015
/s/ THOMAS C. MEREDITH Thomas C. Meredith	Director	November 6, 2015
/s/ NANCY K. QUINN Nancy K. Quinn	Director	November 6, 2015
/s/ RICHARD A. SAMPSON Richard A. Sampson	Director	November 6, 2015
/s/ STEPHEN R. SPRINGER Stephen R. Springer	Director	November 6, 2015
/s/ RICHARD WARE II Richard Ware II	Director	November 6, 2015

Schedule II

ATMOS ENERGY CORPORATION

Valuation and Qualifying Accounts
Three Years Ended September 30, 2015

	Balance at beginning of period	Additions: Charged to cost & expenses	Additions: Charged to other accounts	Deductions	Balance at end of period
		(In thousands)			
2015					
Allowance for doubtful accounts	$23,992	$15,082	$—	$23,791[1]	$15,283
2014					
Allowance for doubtful accounts	$20,624	$19,491	$—	$16,123[1]	$23,992
2013					
Allowance for doubtful accounts	$ 9,425	$14,484	$—	$ 3,285[1]	$20,624

(1) Uncollectible accounts written off.

EXHIBITS INDEX
Item 14.(a)(3)

Exhibit Number	Description	Page Number or Incorporation by Reference to
	Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession	
2.1	Asset Purchase Agreement by and between Atmos Energy Corporation as Seller and Liberty Energy (Georgia) Corp. as Buyer, dated as of August 8, 2012	Exhibit 2.1 to Form 8-K dated August 8, 2012 (File No. 1-10042)
	Articles of Incorporation and Bylaws	
3.1	Restated Articles of Incorporation of Atmos Energy Corporation - Texas (As Amended Effective February 3, 2010)	Exhibit 3.1 to Form 10-Q dated March 31, 2010 (File No. 1-10042)
3.2	Restated Articles of Incorporation of Atmos Energy Corporation - Virginia (As Amended Effective February 3, 2010)	Exhibit 3.2 to Form 10-Q dated March 31, 2010 (File No. 1-10042)
3.3	Amended and Restated Bylaws of Atmos Energy Corporation (as of September 28, 2015)	Exhibit 3.1 to Form 8-K dated September 28, 2015 (File No. 1-10042)
	Instruments Defining Rights of Security Holders, Including Indentures	
4.1	Specimen Common Stock Certificate (Atmos Energy Corporation)	Exhibit 4.1 to Form 10-K for fiscal year ended September 30, 2012 (File No. 1-10042)
4.2	Indenture dated as of November 15, 1995 between United Cities Gas Company and Bank of America Illinois, Trustee	Exhibit 4.11(a) to Form S-3 dated August 31, 2004 (File No. 333-118706)
4.3	Indenture dated as of July 15, 1998 between Atmos Energy Corporation and U.S. Bank Trust National Association, Trustee	Exhibit 4.8 to Form S-3 dated August 31, 2004 (File No. 333-118706)
4.4	Indenture dated as of May 22, 2001 between Atmos Energy Corporation and SunTrust Bank, Trustee	Exhibit 99.3 to Form 8-K dated May 15, 2001 (File No. 1-10042)
4.5	Indenture dated as of June 14, 2007, between Atmos Energy Corporation and U.S. Bank National Association, Trustee	Exhibit 4.1 to Form 8-K dated June 11, 2007 (File No. 1-10042)
4.6	Indenture dated as of March 23, 2009 between Atmos Energy Corporation and U.S. Bank National Corporation, Trustee	Exhibit 4.1 to Form 8-K dated March 26, 2009 (File No. 1-10042)
4.7(a)	Debenture Certificate for the 6 3/4% Debentures due 2028	Exhibit 99.2 to Form 8-K dated July 22, 1998 (File No. 1-10042)
4.7(b)	Global Security for the 5.95% Senior Notes due 2034	Exhibit 10(2)(g) to Form 10-K for fiscal year ended September 30, 2004 (File No. 1-10042)
4.7(c)	Global Security for the 6.35% Senior Notes due 2017	Exhibit 4.2 to Form 8-K dated June 11, 2007 (File No. 1-10042)
4.7(d)	Global Security for the 8.50% Senior Notes due 2019	Exhibit 4.2 to Form 8-K dated March 26, 2009 (File No. 1-10042)
4.7(e)	Global Security for the 5.5% Senior Notes due 2041	Exhibit 4.2 to Form 8-K dated June 10, 2011 (File No. 1-10042)
4.7(f)	Global Security for the 4.15% Senior Notes due 2043	Exhibit 4.2 to Form 8-K dated January 8, 2013 (File No. 1-10042)

Exhibit Number	Description	Page Number or Incorporation by Reference to
4.7(g)	Global Security for the 4.125% Senior Notes due 2044	Exhibit 4.2 to Form 8-K dated October 15, 2014 (File No. 1-10042)
	Material Contracts	
10.1	Revolving Credit Agreement, dated as of September 25, 2015 among Atmos Energy Corporation, the Lenders from time to time parties thereto, Crédit Agricole Corporate and Investment Bank as Administrative Agent, and Mizuho Bank Ltd., as Syndication Agent	Exhibit 10.1 to Form 8-K dated October 1, 2015 (File No. 1-10042)
10.2	Guaranty of Algonquin Power & Utilities Corp. dated August 8, 2012	Exhibit 10.1 to Form 8-K dated August 8, 2012 (File No. 1-10042)
	Executive Compensation Plans and Arrangements	
10.3(a)*	Form of Atmos Energy Corporation Change in Control Severance Agreement - Tier I	Exhibit 10.7(a) to Form 10-K for fiscal year ended September 30, 2010 (File No. 1-10042)
10.3(b)*	Form of Atmos Energy Corporation Change in Control Severance Agreement - Tier II	Exhibit 10.7(b) to Form 10-K for fiscal year ended September 30, 2010 (File No. 1-10042)
10.4(a)*	Atmos Energy Corporation Executive Retiree Life Plan	Exhibit 10.31 to Form 10-K for fiscal year ended September 30, 1997 (File No. 1-10042)
10.4(b)*	Amendment No. 1 to the Atmos Energy Corporation Executive Retiree Life Plan	Exhibit 10.31(a) to Form 10-K for fiscal year ended September 30, 1997 (File No. 1-10042)
10.5(a)*	Atmos Energy Corporation Annual Incentive Plan for Management (as amended and restated February 10, 2011)	Exhibit 10.14 to Form 10-K for fiscal year ended September 30, 2011 (File No. 1-10042)
10.5(b)*	Amendment No 1 to the Atmos Energy Corporation Annual Incentive Plan for Management (as amended and restated February 10, 2011)	Exhibit 10.8(b) to Form 10-K for fiscal year ended September 30, 2012 (File No. 1-10042)
10.5(c)*	Amendment No 2 to the Atmos Energy Corporation Annual Incentive Plan for Management (as amended and restated February 10, 2011)	Exhibit 10.6(c) to Form 10-K for fiscal year ended September 30, 2013 (File No. 1-10042)
10.6(a)*	Atmos Energy Corporation Supplemental Executive Benefits Plan, Amended and Restated in its Entirety August 7, 2007	Exhibit 10.8(a) to Form 10-K for fiscal year ended September 30, 2008 (File No. 1-10042)
10.6(b)*	Form of Individual Trust Agreement for the Supplemental Executive Benefits Plan	Exhibit 10.3 to Form 10-Q for quarter ended December 31, 2000 (File No. 1-10042)
10.7(a)*	Atmos Energy Corporation Supplemental Executive Retirement Plan (As Amended and Restated, Effective as of June 4, 2012)	
10.7(b)*	Atmos Energy Corporation Performance-Based Supplemental Executive Benefits Plan Trust Agreement, Effective Date December 1, 2000	Exhibit 10.1 to Form 10-Q for quarter ended December 31, 2000 (File No. 1-10042)
10.8*	Atmos Energy Corporation Account Balance Supplemental Executive Retirement Plan, Effective Date August 5, 2009	Exhibit 10.10(c) to Form 10-K for fiscal year ended September 30, 2010 (File No. 1-10042)
10.9(a)*	Mini-Med/Dental Benefit Extension Agreement dated October 1, 1994	Exhibit 10.28(f) to Form 10-K for fiscal year ended September 30, 2001 (File No. 1-10042)

Exhibit Number	Description	Page Number or Incorporation by Reference to
10.9(b)*	Amendment No. 1 to Mini-Med/Dental Benefit Extension Agreement dated August 14, 2001	Exhibit 10.28(g) to Form 10-K for fiscal year ended September 30, 2001 (File No. 1-10042)
10.9(c)*	Amendment No. 2 to Mini-Med/Dental Benefit Extension Agreement dated December 31, 2002	Exhibit 10.1 to Form 10-Q for quarter ended December 31, 2002 (File No. 1-10042)
10.10*	Atmos Energy Corporation Equity Incentive and Deferred Compensation Plan for Non-Employee Directors, Amended and Restated as of January 1, 2012	Exhibit 10.1 to Form 10-Q for quarter ended December 31, 2011 (File No. 1-10042)
10.11*	Atmos Energy Corporation Outside Directors Stock-for-Fee Plan, Amended and Restated as of October 1, 2009	Exhibit 10.13 to Form 10-K for fiscal year ended September 30, 2010 (File No. 1-10042)
10.12(a)*	Atmos Energy Corporation 1998 Long-Term Incentive Plan (as amended and restated September 1, 2014)	Exhibit 10.13(a) to Form 10-K for fiscal year ended September 30, 2014 (File No. 1-10042)
10.12(b)*	Form of Award Agreement of Time-Lapse Restricted Stock Units under the Atmos Energy Corporation 1998 Long-Term Incentive Plan	
10.12(c)*	Form of Award Agreement of Performance-Based Restricted Stock Units under the Atmos Energy Corporation 1998 Long-Term Incentive Plan	
12	Statement of computation of ratio of earnings to fixed charges	
	Other Exhibits, as indicated	
21	Subsidiaries of the registrant	
23.1	Consent of independent registered public accounting firm, Ernst & Young LLP	
24	Power of Attorney	Signature page of Form 10-K for fiscal year ended September 30, 2015
31	Rule 13a-14(a)/15d-14(a) Certifications	
32	Section 1350 Certifications**	
	Interactive Data File	
101.INS	XBRL Instance Document	
101.SCH	XBRL Taxonomy Extension Schema	
101.CAL	XBRL Taxonomy Extension Calculation Linkbase	
101.DEF	XBRL Taxonomy Extension Definition Linkbase	
101.LAB	XBRL Taxonomy Extension Labels Linkbase	
101.PRE	XBRL Taxonomy Extension Presentation Linkbase	

* This exhibit constitutes a "management contract or compensatory plan, contract, or arrangement."

** These certifications pursuant to 18 U.S.C. Section 1350 by the Company's Chief Executive Officer and Chief Financial Officer, furnished as Exhibit 32 to this Annual Report on Form 10-K, will not be deemed to be filed with the Securities and Exchange Commission or incorporated by reference into any filing by the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that the Company specifically incorporates such certifications by reference.

CASE NO. 2017-00349
FR 16(7)(p)
ATTACHMENT 1

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark One)

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended September 30, 2016

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 1-10042

Atmos Energy Corporation

(Exact name of registrant as specified in its charter)

Texas and Virginia	**75-1743247**
(State or other jurisdiction of incorporation or organization)	*(IRS employer identification no.)*
Three Lincoln Centre, Suite 1800 **5430 LBJ Freeway, Dallas, Texas**	**75240**
(Address of principal executive offices)	*(Zip code)*

Registrant's telephone number, including area code:
(972) 934-9227

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common stock, No Par Value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.45) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☑

The aggregate market value of the common voting stock held by non-affiliates of the registrant as of the last business day of the registrant's most recently completed second fiscal quarter, March 31, 2016, was $7,463,087,078.

As of November 9, 2016, the registrant had 103,964,735 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Definitive Proxy Statement to be filed for the Annual Meeting of Shareholders on February 8, 2017 are incorporated by reference into Part III of this report.

TABLE OF CONTENTS

[THIS PAGE INTENTIONALLY LEFT BLANK]

GLOSSARY OF KEY TERMS

AEC	Atmos Energy Corporation
AEH	Atmos Energy Holdings, Inc.
AEM	Atmos Energy Marketing, LLC
AOCI	Accumulated Other Comprehensive Income
APS	Atmos Pipeline and Storage, LLC
ATO	Trading symbol for Atmos Energy Corporation common stock on the New York Stock Exchange
Bcf	Billion cubic feet
CFTC	Commodity Futures Trading Commission
COSO	Committee of Sponsoring Organizations of the Treadway Commission
ERISA	Employee Retirement Income Security Act of 1974
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
Fitch	Fitch Ratings, Ltd.
GAAP	Generally Accepted Accounting Principles
GRIP	Gas Reliability Infrastructure Program
GSRS	Gas System Reliability Surcharge
KPSC	Kentucky Public Service Commission
LTIP	1998 Long-Term Incentive Plan
Mcf	Thousand cubic feet
MDWQ	Maximum daily withdrawal quantity
Mid-Tex Cities	Represents all incorporated cities other than Dallas, or approximately 80 percent of the Mid-Tex Division's customers, with whom a settlement agreement was reached during the fiscal 2008 second quarter.
MMcf	Million cubic feet
Moody's	Moody's Investor Service, Inc.
NYMEX	New York Mercantile Exchange, Inc.
NYSE	New York Stock Exchange
PAP	Pension Account Plan
PPA	Pension Protection Act of 2006
RRC	Railroad Commission of Texas
RRM	Rate Review Mechanism
RSC	Rate Stabilization Clause
S&P	Standard & Poor's Corporation
SEC	United States Securities and Exchange Commission
SRF	Stable Rate Filing
WNA	Weather Normalization Adjustment

PART I

The terms "we," "our," "us", "Atmos Energy" and the "Company" refer to Atmos Energy Corporation and its subsidiaries, unless the context suggests otherwise.

ITEM 1. *Business.*

Overview and Strategy

Atmos Energy Corporation, headquartered in Dallas, Texas, and incorporated in Texas and Virginia, is engaged primarily in the regulated natural gas distribution and pipeline businesses as well as other nonregulated natural gas businesses. We deliver natural gas through regulated sales and transportation arrangements to over three million residential, commercial, public authority and industrial customers in eight states located primarily in the South, which makes us one of the country's largest natural-gas-only distributors based on number of customers. We also operate one of the largest intrastate pipelines in Texas based on miles of pipe.

Our nonregulated businesses provide natural gas management, marketing, transportation and storage services to municipalities, local gas distribution companies, including certain of our natural gas distribution divisions and industrial customers principally in the Midwest and Southeast.

Atmos Energy's vision is to be the safest provider of natural gas services. We intend to achieve this vision by:

- operating our business exceptionally well
- investing in our people and infrastructure
- enhancing our culture.

We believe the successful execution of this strategy has delivered excellent shareholder value. Over the last five years, we have achieved growth by making significant capital investments to fortify and upgrade our distribution and transmission systems and successfully recovering these investments through regulatory mechanisms designed to minimize regulatory lag.

Our core values include focusing on our employees and customers while conducting our business with honesty and integrity. We continue to strengthen our culture through ongoing communications with our employees and enhanced employee training.

Operating Segments

We operate the Company through the following three segments:

- The *regulated distribution segment*, which includes our regulated distribution and related sales operations
- The *regulated pipeline segment*, which includes the pipeline and storage operations of our Atmos Pipeline — Texas Division and
- The *nonregulated segment*, which includes our nonregulated natural gas management, nonregulated natural gas transmission, storage and other services.

These operating segments are described in greater detail below.

Regulated Distribution Segment Overview

Our regulated distribution segment is comprised of our six regulated natural gas distribution divisions. This segment represents approximately 65 percent of our consolidated net income. The following table summarizes key information about these divisions, presented in order of total rate base. We operate in our service areas under terms of non-exclusive franchise agreements granted by the various cities and towns that we serve. At September 30, 2016, we held 1,003 franchises having terms generally ranging from five to 35 years. A significant number of our franchises expire each year, which require renewal prior to the end of their terms. Historically, we have successfully renewed these franchises and believe that we will continue to be able to renew our franchises as they expire.

Division	Service Areas	Communities Served	Customer Meters
Mid-Tex	Texas, including the Dallas/Fort Worth Metroplex	550	1,649,291
Kentucky/Mid-States	Kentucky	230	179,717
	Tennessee		143,942
	Virginia		23,820
Louisiana	Louisiana	280	358,972
West Texas	Amarillo, Lubbock, Midland	80	308,988
Mississippi	Mississippi	110	269,750
Colorado-Kansas	Colorado	170	117,017
	Kansas		134,012

Revenues in this operating segment are established by regulatory authorities in the states in which we operate. These rates are intended to be sufficient to cover the costs of conducting business and to provide a reasonable return on invested capital. In addition, we transport natural gas for others through our distribution system.

Rates established by regulatory authorities often include cost adjustment mechanisms for costs that (i) are subject to significant price fluctuations compared to our other costs, (ii) represent a large component of our cost of service and (iii) are generally outside our control.

Purchased gas cost adjustment mechanisms represent a common form of cost adjustment mechanism. Purchased gas cost adjustment mechanisms provide natural gas distribution companies a method of recovering purchased gas costs on an ongoing basis without filing a rate case because they provide a dollar-for-dollar offset to increases or decreases in natural gas distribution gas costs. Therefore, although substantially all of our distribution operating revenues fluctuate with the cost of gas that we purchase, distribution gross profit (which is defined as operating revenues less purchased gas cost) is generally not affected by fluctuations in the cost of gas.

Additionally, some jurisdictions have performance-based ratemaking adjustments to provide incentives to distribution companies to minimize purchased gas costs through improved storage management and use of financial instruments to lock in gas costs. Under the performance-based ratemaking adjustment, purchased gas costs savings are shared between the utility and its customers.

Our supply of natural gas is provided by a variety of suppliers, including independent producers, marketers and pipeline companies and withdrawals of gas from proprietary and contracted storage assets. Additionally, the natural gas supply for our Mid-Tex Division includes peaking and spot purchase agreements.

Supply arrangements consist of both base load and swing supply (peaking) quantities and are contracted from our suppliers on a firm basis with various terms at market prices. Base load quantities are those that flow at a constant level throughout the month and swing supply quantities provide the flexibility to change daily quantities to match increases or decreases in requirements related to weather conditions.

Except for local production purchases, we select our natural gas suppliers through a competitive bidding process by periodically requesting proposals from suppliers that have demonstrated that they can provide reliable service. We select these suppliers based on their ability to deliver gas supply to our designated firm pipeline receipt points at the lowest reasonable cost. Major suppliers during fiscal 2016 were Concord Energy LLC, ConocoPhillips Company, Devon Gas Services, L.P., Gulf South Pipeline Company LP, Sequent Energy Management, LP, Targa Gas Marketing LLC, Tenaska Gas Storage, LLC, Texas Gas Transmission Corporation, Texla Energy Management, Inc. and Atmos Energy Marketing, LLC and Trans Louisiana Gas Pipeline, Inc., which are wholly owned subsidiaries in our nonregulated segment.

The combination of base load, peaking and spot purchase agreements, coupled with the withdrawal of gas held in storage, allows us the flexibility to adjust to changes in weather, which minimizes our need to enter into long-term firm commitments. We estimate our peak-day availability of natural gas supply to be approximately 4.4 Bcf. The peak-day demand for our distribution operations in fiscal 2016 was on January 10, 2016, when sales to customers reached approximately 2.5 Bcf.

Currently, our distribution divisions, except for our Mid-Tex Division, utilize 40 pipeline transportation companies, both interstate and intrastate, to transport our natural gas. The pipeline transportation agreements are firm and many of them have "pipeline no-notice" storage service, which provides for daily balancing between system requirements and nominated flowing supplies. These agreements have been negotiated with the shortest term necessary while still maintaining our right of first refusal. The natural gas supply for our Mid-Tex Division is delivered primarily by our Atmos Pipeline — Texas Division (APT).

To maintain our deliveries to high priority customers, we have the ability, and have exercised our right, to curtail deliveries to certain customers under the terms of interruptible contracts or applicable state regulations or statutes. Our customers' demand on our system is not necessarily indicative of our ability to meet current or anticipated market demands or immediate delivery requirements because of factors such as the physical limitations of gathering, storage and transmission systems, the duration and severity of cold weather, the availability of gas reserves from our suppliers, the ability to purchase additional supplies on a short-term basis and actions by federal and state regulatory authorities. Curtailment rights provide us the flexibility to meet the human-needs requirements of our customers on a firm basis. Priority allocations imposed by federal and state regulatory agencies, as well as other factors beyond our control, may affect our ability to meet the demands of our customers. We do not anticipate any problems with obtaining additional gas supply as needed for our customers.

Regulated Pipeline Segment Overview

Our regulated pipeline segment consists of the regulated pipeline and storage operations of APT. APT is 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 Barnett Shale, the Texas Gulf Coast and the Delaware and Val Verde Basins of West Texas. Through it, APT provides transportation and storage services to our Mid-Tex Division, other third party local distribution companies, industrial and electric generation customers, marketers and producers. As part of its pipeline operations, APT owns and operates five underground storage reservoirs in Texas. This segment represents approximately 30 percent of our consolidated operations.

Gross profit earned from transportation and storage services for APT is subject to traditional ratemaking governed by the RRC. Rates are updated through periodic filings made under Texas' Gas Reliability Infrastructure Program (GRIP). GRIP allows us to include in our rate base annually approved capital costs incurred in the prior calendar year provided that we file a complete rate case at least once every five years. APT's existing regulatory mechanisms allow certain transportation and storage services to be provided under market-based rates.

Nonregulated Segment Overview

Our nonregulated operations are conducted through Atmos Energy Holdings, Inc. (AEH), a wholly-owned subsidiary of Atmos Energy Corporation, and typically represent approximately five percent of our consolidated net income. AEH's primary business is to buy, sell and deliver natural gas at competitive prices to approximately 1,000 customers located primarily in the Midwest and Southeast areas of the United States. AEH accomplishes this objective by aggregating and purchasing gas supply, arranging transportation and storage logistics and effectively managing commodity price risk. AEH also earns storage and transportation demand fees primarily from our regulated distribution operations in Louisiana and Kentucky. These demand fees are subject to regulatory oversight and are renewed periodically.

Ratemaking Activity

Overview

The method of determining regulated rates varies among the states in which our regulated businesses operate. The regulatory authorities have the responsibility of ensuring that utilities in their jurisdictions operate in the best interests of customers while providing utility companies the opportunity to earn a reasonable return on their investment. Generally, each regulatory authority reviews rate requests and establishes a rate structure intended to generate revenue sufficient to cover the costs of conducting business and to provide a reasonable return on invested capital.

Our rate strategy focuses on reducing or eliminating regulatory lag, obtaining adequate returns and providing stable, predictable margins, which benefit both our customers and the Company. As a result of our ratemaking efforts in recent years, Atmos Energy has:

- Formula rate mechanisms in place in four states that provide for an annual rate review and adjustment to rates.
- Infrastructure programs in place in the majority of our states that provide for an annual rate adjustment to rates for qualifying capital expenditures. Through our annual formula rate mechanisms and infrastructure programs, we have the ability to recover over 90 percent of our capital expenditures within six months.
- Authorization in tariffs, statute or commission rules that allows us to defer certain elements of our cost of service until they are included in rates, such as depreciation, ad valorem taxes and pension costs.
- WNA mechanisms in seven states that serve to minimize the effects of weather on approximately 97 percent of our distribution gross margin.
- The ability to recover the gas cost portion of bad debts in five states.

The following table provides a jurisdictional rate summary for our regulated operations. This information is for regulatory purposes only and may not be representative of our actual financial position.

Division	Jurisdiction	Effective Date of Last Rate/GRIP Action	Rate Base (thousands)[1]	Authorized Rate of Return[1]	Authorized Debt/ Equity Ratio	Authorized Return on Equity[1]
Atmos Pipeline — Texas	Texas	05/01/2011	$807,733	9.36%	50/50	11.80%
Atmos Pipeline — Texas — GRIP	Texas	05/03/2016	722,700[2]	9.36%	N/A	11.80%
Colorado-Kansas	Colorado	01/01/2016	129,094	7.82%	48/52	9.60%
	Colorado SSIR	01/01/2016	9,478	7.82%	48/52	9.60%
	Kansas	03/17/2016	200,564	(4)	(4)	(4)
Kentucky/Mid-States	Kentucky	08/15/2016	335,833	(4)	(4)	(4)
	Tennessee	06/01/2016	274,595	7.72%	47/53	9.80%
	Virginia	04/01/2016	49,132	(4)	(4)	9.00% - 10.00%
Louisiana	Trans La	04/01/2016	138,692	7.79%	46/54	9.80%
	LGS	07/01/2016	350,837	7.73%	46/54	9.80%
Mid-Tex Cities	Texas	06/01/2016	2,130,568[3]	8.43%	45/55	10.50%
Mid-Tex — Dallas	Texas	06/01/2016	2,076,415[3]	8.28%	43/57	10.10%
Mississippi	Mississippi	12/21/2015	357,646	7.94%	47/53	9.88%
	Mississippi - SGR	12/03/2015	3,475	9.37%	47/53	12.00%
West Texas[5]	Texas	03/15/2016	(4)	(4)	(4)	10.50%
	Texas-GRIP	05/03/2016	419,976	8.57%	48/52	10.50%

Division	Jurisdiction	Bad Debt Rider[6]	Formula Rate	Infrastructure Mechanism	Performance Based Rate Program[7]	WNA Period
Atmos Pipeline — Texas	Texas	No	Yes	Yes	N/A	N/A
Colorado-Kansas	Colorado	No	No	Yes	No	N/A
	Kansas	Yes	No	Yes	No	October-May
Kentucky/Mid-States	Kentucky	Yes	No	Yes	Yes	November-April
	Tennessee	Yes	Yes	No	Yes	October-April
	Virginia	Yes	No	Yes	No	January-December
Louisiana	Trans La	No	Yes	Yes	No	December-March
	LGS	No	Yes	Yes	No	December-March
Mid-Tex Cities	Texas	Yes	Yes	Yes	No	November-April
Mid-Tex — Dallas	Texas	Yes	Yes	Yes	No	November-April
Mississippi	Mississippi	No	Yes	Yes	Yes	November-April
West Texas[5]	Texas	Yes	Yes	Yes	No	October-May

(1) The rate base, authorized rate of return and authorized return on equity presented in this table are those from the most recent regulatory filing for each jurisdiction. These rate bases, rates of return and returns on equity are not necessarily indicative of current or future rate bases, rates of return or returns on equity.

(2) This APT rate base represents the incremental rate base approved through annual GRIP filings since APT's last rate case in 2011.

(3) The Mid-Tex Rate Base amounts for the Mid-Tex Cities and Dallas areas represent "system-wide", or 100 percent, of the Mid-Tex Division's rate base.

(4) A rate base, rate of return, return on equity or debt/equity ratio was not included in the respective state commission's final decision.

(5) On April 1, 2014, a rate case settlement approved by the West Texas Cities reestablished an annual rate mechanism for all West Texas Division cities except Amarillo, Channing, Dalhart and Lubbock.

(6) The bad debt rider allows us to recover from ratepayers the gas cost portion of uncollectible accounts.

(7) The performance-based rate program provides incentives to distribution companies to minimize purchased gas costs by allowing the companies and its customers to share the purchased gas costs savings.

Although substantial progress has been made in recent years by improving rate design and recovery of investment across Atmos Energy's operating areas, we will continue to seek improvements in rate design to address cost variations and pursue tariffs that reduce regulatory lag associated with investments. Further, potential changes in federal energy policy, federal safety regulations and adverse economic conditions will necessitate continued vigilance by the Company and our regulators in meeting the challenges presented by these external factors.

Recent Ratemaking Activity

Substantially all of our regulated revenues in the fiscal years ended September 30, 2016, 2015 and 2014 were derived from sales at rates set by or subject to approval by local or state authorities. Net operating income increases resulting from ratemaking activity totaling $122.5 million, $114.5 million and $93.3 million, became effective in fiscal 2016, 2015 and 2014, as summarized below:

Rate Action	Annual Increase to Operating Income For the Fiscal Year Ended September 30		
	2016	2015	2014
		(In thousands)	
Annual formula rate mechanisms	$114,974	$113,706	$71,749
Rate case filings	7,716	711	21,819
Other ratemaking activity	(183)	78	(226)
	$122,507	$114,495	$93,342

Additionally, the following ratemaking efforts were initiated during fiscal 2016 but had not been completed as of September 30, 2016:

Division	Rate Action	Jurisdiction	Operating Income Requested (In thousands)
Kentucky/Mid-States	SAVE[1]	Virginia	$ (181)
	PRP[1]	Kentucky	4,938
	ARM[2] True-Up	Tennessee	5,514
Mississippi	SIR[1]	Mississippi	3,334
	SGR[3]	Mississippi	1,292
			$14,897

(1) The Steps to Advance Virginia Energy (SAVE) Plan, the Pipeline Replacement Program (PRP) and the System Integrity Rider (SIR) surcharges relate to long-term programs to replace aging infrastructure.

(2) The Annual Rate Mechanism (ARM) is a formula rate mechanism that refreshes the Company's rates on an annual basis.

(3) The Mississippi Supplemental Growth Rider (SGR) permits the Company to pursue up to $5.0 million of eligible industrial growth projects beyond the division's normal main extension policies.

Our recent ratemaking activity is discussed in greater detail below.

Annual Formula Rate Mechanisms

As an instrument to reduce regulatory lag, formula rate mechanisms allow us to refresh our rates on an annual basis without filing a formal rate case. However, these filings still involve discovery by the appropriate regulatory authorities prior to the final determination of rates under these mechanisms. We currently have formula rate mechanisms in our Louisiana, Mississippi and Tennessee operations and in substantially all of our Texas divisions. Additionally, we have specific infrastructure programs in substantially all of our distribution divisions and our Atmos Pipeline — Texas Division with tariffs in place to permit the investment associated with these programs to have their surcharge rate adjusted annually to recover approved capital costs incurred in a prior test-year period. The following table summarizes our annual formula rate mechanisms by state.

	Annual Formula Rate Mechanisms	
State	**Infrastructure Programs**	**Formula Rate Mechanisms**
Colorado	System Safety and Integrity Rider (SSIR)	—
Kansas	Gas System Reliability Surcharge (GSRS)	—
Kentucky	Pipeline Replacement Program (PRP)	—
Louisiana	(1)	Rate Stabilization Clause (RSC)
Mississippi	System Integrity Rider (SIR)	Stable Rate Filing (SRF), Supplemental Growth Filing (SGR)
Tennessee	—	Annual Rate Mechanism (ARM)
Texas	Gas Reliability Infrastructure Program (GRIP), (1)	Dallas Annual Rate Review (DARR), Rate Review Mechanism (RRM)
Virginia	Steps to Advance Virginia Energy (SAVE)	—

(1) Infrastructure mechanisms in Texas and Louisiana allow for the deferral of all expenses associated with capital expenditures incurred pursuant to these rules, which primarily consists of interest, depreciation and other taxes (Texas only), until the next rate proceeding (rate case or annual rate filing), at which time investment and costs would be recoverable through base rates.

The following table summarizes our annual formula rate mechanisms with effective dates during the fiscal years ended September 30, 2016, 2015 and 2014:

Division	Jurisdiction	Test Year Ended	Increase (Decrease) in Annual Operating Income (In thousands)	Effective Date
2016 Filings:				
Louisiana	LGS[1]	12/2015	$ 8,686	07/01/2016
Kentucky/Mid-States	Tennessee	05/2017	4,888	06/01/2016
Mid-Tex	Mid-Tex Cities RRM	12/2015	25,816	06/01/2016
Mid-Tex	Mid-Tex DARR	09/2015	5,429	06/01/2016
Mid-Tex	Mid-Tex Environs	12/2015	1,325	05/03/2016
Atmos Pipeline — Texas	Texas	12/2015	40,658	05/03/2016
West Texas	West Texas Environs	12/2015	646	05/03/2016
West Texas	West Texas ALDC	12/2015	3,484	04/26/2016
Louisiana	Trans La[1]	09/2015	6,216	04/01/2016
Colorado-Kansas	Colorado	12/2016	764	01/01/2016
Mississippi	Mississippi-SRF[2]	10/2016	9,192	01/01/2016
Mississippi	Mississippi-SGR	10/2016	250	12/01/2015
Kentucky/Mid-States	Kentucky-PRP	09/2016	3,786	10/01/2015
Kentucky/Mid-States	Virginia-SAVE	09/2016	118	10/01/2015
West Texas	West Texas Cities	09/2015	3,716	10/01/2015
Total 2016 Filings			$114,974	
2015 Filings:				
Louisiana	LGS	12/2014	$ 1,321	07/01/2015
West Texas	Environs	12/2014	697	06/12/2015
Mid-Tex	Environs	12/2014	1,158	06/01/2015
Mid-Tex	Mid-Tex Cities	12/2014	16,801	06/01/2015
Mid-Tex	Dallas	09/2014	4,420	06/01/2015
West Texas	Cities	12/2014	4,593	05/01/2015
Atmos Pipeline — Texas	Texas	12/2014	37,248	04/08/2015
Louisiana	Trans La	09/2014	(286)	04/01/2015
West Texas	West Texas Cities	09/2014	4,300	03/15/2015
Colorado-Kansas	Kansas	09/2014	301	02/01/2015
Mississippi	Mississippi-SRF	10/2015	4,441	02/01/2015
Mississippi	Mississippi-SGR	10/2015	782	11/01/2014
Kentucky/Mid-States	Kentucky	09/2015	4,382	10/10/2014
Kentucky/Mid-States	Virginia	09/2015	133	10/01/2014
Mid-Tex	Mid-Tex Cities	12/2013	33,415	06/01/2014
Total 2015 Filings			$113,706	

Division	Jurisdiction	Test Year Ended	Increase (Decrease) in Annual Operating Income	Effective Date
			(In thousands)	
2014 Filings:				
Louisiana	LGS	12/2013	$ 1,383	07/01/2014
West Texas	West Texas	12/2013	858	06/17/2014
Mid-Tex	City of Dallas	09/2013	5,638	06/01/2014
Mid-Tex	Environs	12/2013	881	05/22/2014
Atmos Pipeline — Texas	Texas	12/2013	45,589	05/06/2014
Louisiana	Trans La	09/2013	550	04/01/2014
Colorado-Kansas	Kansas	09/2013	882	02/01/2014
Mid-Tex	Mid-Tex Cities	12/2012	12,497	11/01/2013
Kentucky/Mid-States	Kentucky	09/2014	2,493	10/01/2013
Kentucky/Mid-States	Virginia	09/2014	210	10/01/2013
Mid-Tex	Environs	12/2012	768	10/01/2013
Total 2014 Filings			$ 71,749	

(1) On April 1 and July 1, 2016, RSC rates, subject to refund, were implemented in our two Louisiana jurisdictions.

(2) The commission issued a final order approving a $9.2 million increase in annual operating income on December 21, 2015 with an effective date of January 1, 2016.

Rate Case Filings

A rate case is a formal request from Atmos Energy to a regulatory authority to increase rates that are charged to customers. Rate cases may also be initiated when the regulatory authorities request us to justify our rates. This process is referred to as a "show cause" action. Adequate rates are intended to provide for recovery of the Company's costs as well as a fair rate of return to our shareholders and ensure that we continue to safely deliver reliable, reasonably priced natural gas service to our customers. The following table summarizes our recent rate cases:

Division	State	Increase in Annual Operating Income	Effective Date
		(In thousands)	
2016 Rate Case Filings:			
Kentucky/Mid-States	Kentucky	$ 2,723	08/15/2016
Kentucky/Mid-States	Virginia(1)	537	04/01/2016
Colorado-Kansas	Kansas	2,372	03/17/2016
Colorado-Kansas	Colorado	2,084	01/01/2016
Total 2016 Rate Case Filings		$ 7,716	
2015 Rate Case Filings:			
Kentucky/Mid-States	Tennessee	$ 711	06/01/2015
Total 2015 Rate Case Filings		$ 711	
2014 Rate Case Filings:			
Kentucky/Mid-States	Virginia	$ 976	09/09/2014
Colorado-Kansas	Kansas	2,571	09/04/2014
Colorado-Kansas	Colorado	2,400	08/26/2014
Kentucky/Mid-States	Kentucky	5,823	04/22/2014
West Texas	Texas	8,440	04/01/2014
Colorado-Kansas	Colorado	1,609	03/01/2014
Total 2014 Rate Case Filings		$21,819	

(1) On April 1, 2016, interim rates, subject to refund, were implemented in Virginia.

Other Ratemaking Activity

The following table summarizes other ratemaking activity during the fiscal years ended September 30, 2016, 2015 and 2014:

Division	Jurisdiction	Rate Activity	Increase in Annual Operating Income (In thousands)	Effective Date
2016 Other Rate Activity:				
Colorado-Kansas	Kansas	Ad-Valorem[1]	$ (183)	02/01/2016
Total 2016 Other Rate Activity			$ (183)	
2015 Other Rate Activity:				
Colorado-Kansas	Kansas	Ad Valorem[1]	$ 78	02/01/2015
Total 2015 Other Rate Activity			$ 78	
2014 Other Rate Activity:				
Colorado-Kansas	Kansas	Ad Valorem[1]	$ (226)	02/01/2014
Total 2014 Other Rate Activity			$ (226)	

(1) The Ad Valorem filing relates to property taxes that are either over or uncollected compared to the amount included in our Kansas service area's base rates.

Other Regulation

Each of our regulated distribution divisions and our regulated pipeline division is regulated by various state or local public utility authorities. We are also subject to regulation by the United States Department of Transportation with respect to safety requirements in the operation and maintenance of our transmission and distribution facilities. In addition, our regulated operations are also subject to various state and federal laws regulating environmental matters. From time to time we receive inquiries regarding various environmental matters. We believe that our properties and operations substantially comply with, and are operated in substantial conformity with, applicable safety and environmental statutes and regulations. There are no administrative or judicial proceedings arising under environmental quality statutes pending or known to be contemplated by governmental agencies which would have a material adverse effect on us or our operations. Our environmental claims have arisen primarily from former manufactured gas plant sites.

The Federal Energy Regulatory Commission (FERC) allows, pursuant to Section 311 of the Natural Gas Policy Act, gas transportation services through our Atmos Pipeline — Texas assets "on behalf of" interstate pipelines or local distribution companies served by interstate pipelines, without subjecting these assets to the jurisdiction of the FERC. Additionally, the FERC has regulatory authority over the sale of natural gas in the wholesale gas market and the use and release of interstate pipeline and storage capacity. The FERC also has authority to detect and prevent market manipulation and to enforce compliance with FERC's other rules, policies and orders by companies engaged in the sale, purchase, transportation or storage of natural gas in interstate commerce. We have taken what we believe are the necessary and appropriate steps to comply with these regulations.

In July 2010, the Dodd-Frank Act was enacted, representing an extensive overhaul of the framework for regulation of U.S. financial markets. The Dodd-Frank Act required various regulatory agencies, including the SEC and the Commodities Futures Trading Commission, to establish regulations for implementation of many of the provisions of the Dodd-Frank Act. A number of those regulations have been adopted; we have enacted new procedures and modified existing business practices and contractual arrangements to comply with such regulations. We expect additional regulations to be issued, which should provide additional clarity regarding the extent of the impact of this legislation on us. The costs of participating in financial markets for hedging certain risks inherent in our business may be further increased when these expected additional regulations are adopted. We also anticipate that the Commodities Futures Trading Commission will issue additional regulations related to reporting and disclosure obligations.

Competition

Although our regulated distribution operations are not currently in significant direct competition with any other distributors of natural gas to residential and commercial customers within our service areas, we do compete with other natural gas suppliers and suppliers of alternative fuels for sales to industrial customers. We compete in all aspects of our business with alternative energy sources, including, in particular, electricity. Electric utilities offer electricity as a rival energy source and compete for the space heating, water heating and cooking markets. Promotional incentives, improved equipment efficiencies and promotional rates all contribute to the acceptability of electrical equipment. The principal means to compete against alternative fuels is lower prices, and natural gas historically has maintained its price advantage in the residential, commercial and industrial markets.

Our regulated pipeline operations historically faced competition from other existing intrastate pipelines seeking to provide or arrange transportation, storage and other services for customers. In the last few years, several new pipelines have been completed, which has increased the level of competition in this segment of our business.

Within our nonregulated operations, AEM competes with other natural gas marketers to provide natural gas management and other related services primarily to smaller customers requiring higher levels of balancing, scheduling and other related management services. AEM has experienced increased competition in recent years primarily from investment banks and major integrated oil and natural gas companies who offer lower cost, basic services. The increased competition has reduced margins most notably on its high-volume accounts.

Employees

At September 30, 2016, we had 4,747 employees, consisting of 4,639 employees in our regulated operations and 108 employees in our nonregulated operations.

Available Information

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other reports, and amendments to those reports, and other forms that we file with or furnish to the Securities and Exchange Commission (SEC) are available free of charge at our website, *www.atmosenergy.com*, under "Publications and Filings" under the "Investors" tab, as soon as reasonably practicable, after we electronically file these reports with, or furnish these reports to, the SEC. We will also provide copies of these reports free of charge upon request to Shareholder Relations at the address and telephone number appearing below:

Shareholder Relations
Atmos Energy Corporation
P.O. Box 650205
Dallas, Texas 75265-0205
972-855-3729

Corporate Governance

In accordance with and pursuant to relevant related rules and regulations of the SEC as well as corporate governance-related listing standards of the New York Stock Exchange (NYSE), the Board of Directors of the Company has established and periodically updated our Corporate Governance Guidelines and Code of Conduct, which is applicable to all directors, officers and employees of the Company. In addition, in accordance with and pursuant to such NYSE listing standards, our Chief Executive Officer during fiscal 2016, Kim R. Cocklin, certified to the New York Stock Exchange that he was not aware of any violations by the Company of NYSE corporate governance listing standards. The Board of Directors also annually reviews and updates, if necessary, the charters for each of its Audit, Human Resources and Nominating and Corporate Governance Committees. All of the foregoing documents are posted on the Corporate Governance page of our website. We will also provide copies of all corporate governance documents free of charge upon request to Shareholder Relations at the address listed above.

ITEM 1A. *Risk Factors.*

Our financial and operating results are subject to a number of risk factors, many of which are not within our control. Although we have tried to discuss key risk factors below, please be aware that other or new risks may prove to be important in the future. Investors should carefully consider the following discussion of risk factors as well as other information appearing in this report. These factors include the following:

The Company is dependent on continued access to the credit and capital markets to execute our business strategy.

Our long-term debt is currently rated as "investment grade" by Standard & Poor's Corporation, Moody's Investors Service, Inc. and Fitch Ratings, Ltd. Similar to most companies, we rely upon access to both short-term and long-term credit and capital markets to satisfy our liquidity requirements. If adverse credit conditions were to cause a significant limitation on our access to the private and public capital markets, we could see a reduction in our liquidity. A significant reduction in our liquidity could in turn trigger a negative change in our ratings outlook or even a reduction in our credit ratings by one or more of the three credit rating agencies. Such a downgrade could further limit our access to private credit and/or public capital markets and increase our costs of borrowing.

Further, if our credit ratings were downgraded, we could be required to provide additional liquidity to our nonregulated segment because the commodity financial instrument markets could become unavailable to us. Our nonregulated segment depends primarily upon an intercompany lending facility between AEH and Atmos Energy to finance its working capital needs, supplemented by two small credit facilities with outside lenders. Our ability to provide this liquidity to AEH for our nonregulated operations is limited by the terms of the lending arrangement with AEH, which is subject to annual approval by one state regulatory commission.

While we believe we can meet our capital requirements from our operations and the sources of financing available to us, we can provide no assurance that we will continue to be able to do so in the future, especially if the market price of natural gas increases significantly in the near term. The future effects on our business, liquidity and financial results of a deterioration of current conditions in the credit and capital markets could be material and adverse to us, both in the ways described above or in other ways that we do not currently anticipate.

We are subject to state and local regulations that affect our operations and financial results.

Our regulated distribution and regulated pipeline segments are subject to regulatory oversight from various state and local regulatory authorities in the eight states that we serve in our regulated distribution and pipeline segments. Therefore, our returns are continuously monitored and are subject to challenge for their reasonableness by the appropriate regulatory authorities or other third-party intervenors. In the normal course of business, as a regulated entity, we often need to place assets in service and establish historical test periods before rate cases that seek to adjust our allowed returns to recover that investment can be filed. Further, the regulatory review process can be lengthy in the context of traditional ratemaking. Because of this process, we suffer the negative financial effects of having placed assets in service without the benefit of rate relief, which is commonly referred to as "regulatory lag."

However, in the last several years, a number of regulatory authorities in the states we serve have approved rate mechanisms that provide for annual adjustments to rates that allow us to recover the cost of investments made to replace existing infrastructure or reflect changes in our cost of service. These mechanisms work to effectively reduce the regulatory lag inherent in the ratemaking process. However, regulatory lag could significantly increase if the regulatory authorities modify or terminate these rate mechanisms. The regulatory process also involves the risk that regulatory authorities may (i) review our purchases of natural gas and adjust the amount of our gas costs that we pass through to our customers or (ii) limit the costs we may have incurred from our cost of service that can be recovered from customers.

A deterioration in economic conditions could adversely affect our customers and negatively impact our financial results.

Any adverse changes in economic conditions in the United States, especially in the states in which we operate, could adversely affect the financial resources of many domestic households and lead to an increase in mortgage defaults and significant decreases in the values of our customers' homes and investment assets. As a result, our customers could seek to use even less gas and make it more difficult for them to pay their gas bills. This would likely lead to slower collections and higher than normal levels of accounts receivable. This, in turn, would probably increase our financing requirements. Additionally, should economic conditions deteriorate, our industrial customers could seek alternative energy sources, which could result in lower sales volumes.

Inflation and increased gas costs could adversely impact our customer base and customer collections and increase our level of indebtedness.

Over time, inflation has caused increases in some of our operating expenses and has required assets to be replaced at higher costs. We have a process in place to continually review the adequacy of our distribution gas rates in relation to the increasing cost of providing service and the inherent regulatory lag in adjusting those gas rates. Historically, we have been able to budget and control operating expenses and investments within the amounts authorized to be collected in rates and intend to continue to do so. However, the ability to control expenses is an important factor that could impact future financial results.

In addition, rapid increases in the costs of purchased gas would cause us to experience a significant increase in short-term debt. We must pay suppliers for gas when it is purchased, which can be significantly in advance of when these costs may be recovered through the collection of monthly customer bills for gas delivered. Increases in purchased gas costs also slow our natural gas distribution collection efforts as customers are more likely to delay the payment of their gas bills, leading to higher than normal accounts receivable. This could result in higher short-term debt levels, greater collection efforts and increased bad debt expense.

If contracted gas supplies, interstate pipeline and/or storage services are not available or delivered in a timely manner, our ability to meet our customers' natural gas requirements may be impaired and our financial condition may be adversely affected.

In order to meet our customers' annual and seasonal natural gas demands, we must obtain a sufficient supply of natural gas, interstate pipeline capacity and storage capacity. If we are unable to obtain these, either from our suppliers' inability to deliver the contracted commodity or the inability to secure replacement quantities, our financial condition and results of operations may be adversely affected. If a substantial disruption to or reduction in interstate natural gas pipelines' transmission and storage capacity occurred due to operational failures or disruptions, legislative or regulatory actions, hurricanes, tornadoes, floods, terrorist or cyber-attacks or acts of war, our operations or financial results could be adversely affected.

We are exposed to market risks that are beyond our control, which could adversely affect our financial results and capital requirements.

We are subject to market risks beyond our control, including (i) commodity price volatility caused by market supply and demand dynamics, counterparty performance or counterparty creditworthiness, and (ii) interest rate risk.

Our regulated operations are generally insulated from commodity price risk through its purchased gas cost mechanisms. Although our nonregulated operations represent only about five percent of our consolidated financial results, commodity price volatility experienced in this business segment could lead to some minor volatility in our earnings. Our nonregulated segment manages margins and limits risk exposure on the sale of natural gas inventory or the offsetting fixed-price purchase or sale commitments for physical quantities of natural gas through the use of a variety of financial instruments. However, contractual limitations could adversely affect our ability to withdraw gas from storage, which could cause us to purchase gas at spot prices in a rising market to obtain sufficient volumes to fulfill customer contracts. We could also realize financial losses on our efforts to limit risk as a result of volatility in the market prices of the underlying commodities or if a counterparty fails to perform under a contract.

With respect to interest rate risk, we have been operating in a relatively low interest-rate environment in recent years compared to historical norms for both short and long-term interest rates. However, increases in interest rates could adversely affect our future financial results.

The concentration of our distribution, pipeline and storage operations in the State of Texas exposes our operations and financial results to economic conditions, weather patterns and regulatory decisions in Texas.

Over 50 percent of our regulated distribution customers and most of our regulated pipeline assets and operations are located in the State of Texas. This concentration of our business in Texas means that our operations and financial results may be significantly affected by changes in the Texas economy in general, weather patterns and regulatory decisions by state and local regulatory authorities in Texas.

Our operations are subject to increased competition.

In residential and commercial customer markets, our regulated distribution operations compete with other energy products, such as electricity and propane. Our primary product competition is with electricity for heating, water heating and cooking. Increases in the price of natural gas could negatively impact our competitive position by decreasing the price benefits of natural gas to the consumer. This could adversely impact our business if, as a result, our customer growth slows, reducing our ability to make capital expenditures, or if our customers further conserve their use of gas, resulting in reduced gas purchases and customer billings.

In the case of industrial customers, such as manufacturing plants, adverse economic conditions, including higher gas costs, could cause these customers to use alternative sources of energy, such as electricity, or bypass our systems in favor of special competitive contracts with lower per-unit costs. Our regulated pipeline operations historically have faced limited competition from other existing intrastate pipelines and gas marketers seeking to provide or arrange transportation, storage and other services for customers. However, in the last few years, several new pipelines have been completed, which has increased the level of competition in this segment of our business.

Finally, within our nonregulated operations, AEM competes with other natural gas marketers to provide natural gas management and other related services primarily to smaller customers requiring higher levels of balancing, scheduling and other related management services. AEM has experienced increased competition in recent years from competitors who offer lower cost, basic services.

Adverse weather conditions could affect our operations or financial results.

We have weather-normalized rates for over 95 percent of our residential and commercial meters in our regulated distribution business, which substantially mitigates the adverse effects of warmer-than-normal weather for meters in those service areas. However, there is no assurance that we will continue to receive such regulatory protection from adverse weather in our rates in the future. The loss of such weather-normalized rates could have an adverse effect on our operations and financial results. In addition, our regulated distribution and regulated pipeline operating results may continue to vary somewhat with the actual temperatures during the winter heating season. Sustained cold weather could adversely affect our nonregulated operations as we may be required to purchase gas at spot rates in a rising market to obtain sufficient volumes to fulfill some customer contracts. Additionally, sustained cold weather could challenge our ability to adequately meet customer demand in our natural gas distribution and pipeline and storage operations.

Our growth in the future may be limited by the nature of our business, which requires extensive capital spending.

The regulated natural gas distribution and pipeline business is capital-intensive. We must make significant capital expenditures to renew or replace our facilities on a long-term basis to improve the safety and reliability of our facilities and to comply with the safety rules and regulations issued by the regulatory authorities responsible for the service areas we operate. In addition, we must continually build new capacity in our regulated distribution and regulated pipeline operations to serve the growing needs of the communities we serve. The magnitude of these expenditures may be affected by a number of factors, including new regulations, the general state of the economy and weather.

The liquidity required to fund our capital expenditures and other cash needs is provided from a variety of sources, including our cash flows from operations, borrowings under our short-term lending facilities, and, from time to time, funds raised from the public debt and equity capital markets. The cost and availability of borrowing funds from third party lenders or issuing equity is dependent on the liquidity of the credit markets, interest rates and other market conditions. This in turn may limit the amount of funds we can invest in our infrastructure.

The costs of providing health care benefits, pension and postretirement health care benefits and related funding requirements may increase substantially.

We provide health care benefits, a cash-balance pension plan and postretirement health care benefits to eligible full-time employees. The costs of providing health care benefits to our employees could significantly increase over time due to rapidly increasing health care inflation, and any future legislative changes related to the provision of health care benefits. The impact of additional costs which are likely to be passed on to the Company are difficult to measure at this time.

The costs of providing a cash-balance pension plan to eligible full-time employees prior to 2011 and postretirement health care benefits to eligible full-time employees and related funding requirements could be influenced by changes in the market value of the assets funding our pension and postretirement health care plans. Any significant declines in the value of these investments due to sustained declines in equity markets or a reduction in bond yields could increase the costs of our pension and postretirement health care plans and related funding requirements in the future. Further, our costs of providing such benefits and related funding requirements are also subject to a number of factors, including (i) changing demographics, including longer life expectancy of beneficiaries and an expected increase in the number of eligible former employees over the next five to ten years; (ii) various actuarial calculations and assumptions which may differ materially from actual results due primarily to changing market and economic conditions, including changes in interest rates, and higher or lower withdrawal rates; and (iii) future government regulation.

The costs to the Company of providing these benefits and related funding requirements could also increase materially in the future, should there be a material reduction in the amount of the recovery of these costs through our rates or should significant delays develop in the timing of the recovery of such costs, which could adversely affect our financial results.

The inability to continue to hire, train and retain operational, technical and managerial personnel could adversely affect our results of operations.

The average age of the employee base of Atmos Energy has been increasing for a number of years, with a number of employees becoming eligible to retire within the next five to 10 years. If we were unable to hire appropriate personnel to fill future needs, the Company could encounter operating challenges and increased costs, primarily due to a loss of knowledge, errors due to inexperience or the lengthy time period typically required to adequately train replacement personnel. In addition, higher costs could result from the increased use of contractors to replace retiring employees, loss of productivity or increased safety compliance issues. The inability to hire, train and retain new operational, technical and managerial personnel adequately and to transfer institutional knowledge and expertise could adversely affect our ability to manage and operate our business. If we were unable to hire, train and retain appropriately qualified personnel, our results of operations could be adversely affected.

We may experience increased federal, state and local regulation of the safety of our operations.

The safety and protection of the public, our customers and our employees is our top priority. We constantly monitor and maintain our pipeline and distribution system to ensure that natural gas is delivered safely, reliably and efficiently through our network of more than 72,000 miles of pipeline and distribution lines. However, in recent years, natural gas distribution and pipeline companies have continued to face increasing federal, state and local oversight of the safety of their operations. Although we believe these costs should be ultimately recoverable through our rates, the costs of complying with new laws and regulations may have at least a short-term adverse impact on our operating costs and financial results.

Some of our operations are subject to increased federal regulatory oversight that could affect our operations and financial results.

FERC has regulatory authority over some of our operations, including sales of natural gas in the wholesale gas market and the use and release of interstate pipeline and storage capacity. FERC has adopted rules designed to prevent market power abuse and market manipulation and to promote compliance with FERC's other rules, policies and orders by companies engaged in the sale, purchase, transportation or storage of natural gas in interstate commerce. These rules carry increased penalties for violations. Although we have taken steps to structure current and future transactions to comply with applicable current FERC regulations, changes in FERC regulations or their interpretation by FERC or additional regulations issued by FERC in the future could also adversely affect our business, financial condition or financial results.

We are subject to environmental regulations which could adversely affect our operations or financial results.

We are subject to laws, regulations and other legal requirements enacted or adopted by federal, state and local governmental authorities relating to protection of the environment and health and safety matters, including those that govern discharges of substances into the air and water, the management and disposal of hazardous substances and waste, the clean-up of contaminated sites, groundwater quality and availability, plant and wildlife protection, as well as work practices related to employee health and safety. Environmental legislation also requires that our facilities, sites and other properties associated with our operations be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Failure to comply with these laws, regulations, permits and licenses may expose us to fines, penalties or interruptions in our operations that could be significant to our financial results. In addition, existing environmental regulations may be revised or our operations may become subject to new regulations.

The operations and financial results of the Company could be adversely impacted as a result of climate changes or related additional legislation or regulation in the future.

To the extent climate changes occur, our businesses could be adversely impacted, although we believe it is likely that any such resulting impacts would occur very gradually over a long period of time and thus would be difficult to quantify with any degree of specificity. To the extent climate changes would result in warmer temperatures in our service territories, financial results could be adversely affected through lower gas volumes and revenues. Such climate changes could also cause shifts in population, including customers moving away from our service territories near the Gulf Coast in Louisiana and Mississippi.

Another possible climate change would be more frequent and more severe weather events, such as hurricanes and tornadoes, which could increase our costs to repair damaged facilities and restore service to our customers. If we were unable to deliver natural gas to our customers, our financial results would be impacted by lost revenues, and we generally would have to seek approval from regulators to recover restoration costs. To the extent we would be unable to recover those costs, or if higher rates resulting from our recovery of such costs would result in reduced demand for our services, our future business, financial condition or financial results could be adversely impacted.

In addition, there have been a number of federal and state legislative and regulatory initiatives proposed in recent years in an attempt to control or limit the effects of global warming and overall climate change, including greenhouse gas emissions, such as carbon dioxide. The adoption of this type of legislation by Congress or similar legislation by states or the adoption of related regulations by federal or state governments mandating a substantial reduction in greenhouse gas emissions in the future could have far-reaching and significant impacts on the energy industry. Such new legislation or regulations could result in increased compliance costs for us or additional operating restrictions on our business, affect the demand for natural gas or impact the prices we charge to our customers. At this time, we cannot predict the potential impact of such laws or regulations that may be adopted on our future business, financial condition or financial results.

Distributing, transporting and storing natural gas involve risks that may result in accidents and additional operating costs.

Our regulated distribution and regulated pipeline businesses involve a number of hazards and operating risks that cannot be completely avoided, such as leaks, accidents and operational problems, which could cause loss of human life, as well as substantial financial losses resulting from property damage, damage to the environment and to our operations. We maintain liability and property insurance coverage in place for many of these hazards and risks. However, because some of our pipeline, storage and distribution facilities are near or are in populated areas, any loss of human life or adverse financial results resulting from such events could be large. If these events were not fully covered by our general liability and property insurance, which policies are subject to certain limits and deductibles, our operations or financial results could be adversely affected.

Cyber-attacks or acts of cyber-terrorism could disrupt our business operations and information technology systems or result in the loss or exposure of confidential or sensitive customer, employee or Company information.

Our business operations and information technology systems may be vulnerable to an attack by individuals or organizations intending to disrupt our business operations and information technology systems, even though the Company has implemented policies, procedures and controls to prevent and detect these activities. We use our information technology systems to manage our distribution and intrastate pipeline operations and other business processes. Disruption of those systems could adversely impact our ability to safely deliver natural gas to our customers, operate our pipeline systems or serve our customers timely. Accordingly, if such an attack or act of terrorism were to occur, our operations and financial results could be adversely affected.

In addition, we use our information technology systems to protect confidential or sensitive customer, employee and Company information developed and maintained in the normal course of our business. Any attack on such systems that would result in the unauthorized release of customer, employee or other confidential or sensitive data could have a material adverse effect on our business reputation, increase our costs and expose us to additional material legal claims and liability. Even though we have insurance coverage in place for many of these cyber-related risks, if such an attack or act of terrorism were to occur, our operations and financial results could be adversely affected to the extent not fully covered by such insurance coverage.

Natural disasters, terrorist activities or other significant events could adversely affect our operations or financial results.

Natural disasters are always a threat to our assets and operations. In addition, the threat of terrorist activities could lead to increased economic instability and volatility in the price of natural gas that could affect our operations. Also, companies in our industry may face a heightened risk of exposure to actual acts of terrorism, which could subject our operations to increased risks. As a result, the availability of insurance covering such risks may become more limited, which could increase the risk that an event could adversely affect our operations or financial results.

ITEM 1B. *Unresolved Staff Comments.*

Not applicable.

ITEM 2. *Properties.*

Distribution, transmission and related assets

At September 30, 2016, in our regulated distribution segment, we owned an aggregate of 70,593 miles of underground distribution and transmission mains throughout our distribution systems. These mains are located on easements or rights-of-way which generally provide for perpetual use. We maintain our mains through a program of continuous inspection and repair and believe that our system of mains is in good condition. Through our regulated pipeline segment we owned 5,446 miles of gas transmission lines as well as 111 miles of transmission and gathering lines through our nonregulated segment.

Storage Assets

We own underground gas storage facilities in several states to supplement the supply of natural gas in periods of peak demand. The following table summarizes certain information regarding our underground gas storage facilities at September 30, 2016:

State	Usable Capacity (Mcf)	Cushion Gas (Mcf)[1]	Total Capacity (Mcf)	Maximum Daily Delivery Capability (Mcf)
Regulated Distribution Segment				
Kentucky	4,442,696	6,322,283	10,764,979	105,100
Kansas	3,239,000	2,300,000	5,539,000	45,000
Mississippi	1,907,571	2,442,917	4,350,488	31,000
Total	9,589,267	11,065,200	20,654,467	181,100
Regulated Pipeline Segment — Texas	46,083,549	15,878,025	61,961,574	1,235,000
Nonregulated Segment				
Kentucky	3,438,900	3,240,000	6,678,900	67,500
Louisiana	438,583	300,973	739,556	56,000
Total	3,877,483	3,540,973	7,418,456	123,500
Total	59,550,299	30,484,198	90,034,497	1,539,600

(1) Cushion gas represents the volume of gas that must be retained in a facility to maintain reservoir pressure.

Additionally, we contract for storage service in underground storage facilities on many of the interstate and intrastate pipelines serving us to supplement our proprietary storage capacity. The following table summarizes our contracted storage capacity at September 30, 2016:

Segment	Division/Company	Maximum Storage Quantity (MMBtu)	Maximum Daily Withdrawal Quantity (MDWQ)[1]
Regulated Distribution Segment			
	Colorado-Kansas Division	5,261,909	118,889
	Kentucky/Mid-States Division	11,181,603	268,739
	Louisiana Division	2,595,619	179,347
	Mid-Tex Division	3,500,000	175,000
	Mississippi Division	3,554,535	151,334
	West Texas Division	4,500,000	146,000
Total		30,593,666	1,039,309
Nonregulated Segment			
	Atmos Energy Marketing, LLC	8,026,869	250,937
	Trans Louisiana Gas Pipeline, Inc.	1,674,000	67,507
Total		9,700,869	318,444
Total Contracted Storage Capacity		40,294,535	1,357,753

(1) Maximum daily withdrawal quantity (MDWQ) amounts will fluctuate depending upon the season and the month. Unless otherwise noted, MDWQ amounts represent the MDWQ amounts as of November 1, which is the beginning of the winter heating season.

Offices

Our administrative offices and corporate headquarters are consolidated in a leased facility in Dallas, Texas. We also maintain field offices throughout our service territory, the majority of which are located in leased facilities. The headquarters for our nonregulated operations are in Houston, Texas, with offices in Houston and other locations, primarily in leased facilities.

ITEM 3. *Legal Proceedings.*

See Note 11 to the consolidated financial statements, which is incorporated in this Item 3 by reference.

ITEM 4. *Mine Safety Disclosures.*

Not applicable.

PART II

ITEM 5. *Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.*

Our stock trades on the New York Stock Exchange under the trading symbol "ATO." The high and low sale prices and dividends paid per share of our common stock for fiscal 2016 and 2015 are listed below. The high and low prices listed are the closing NYSE quotes, as reported on the NYSE composite tape, for shares of our common stock:

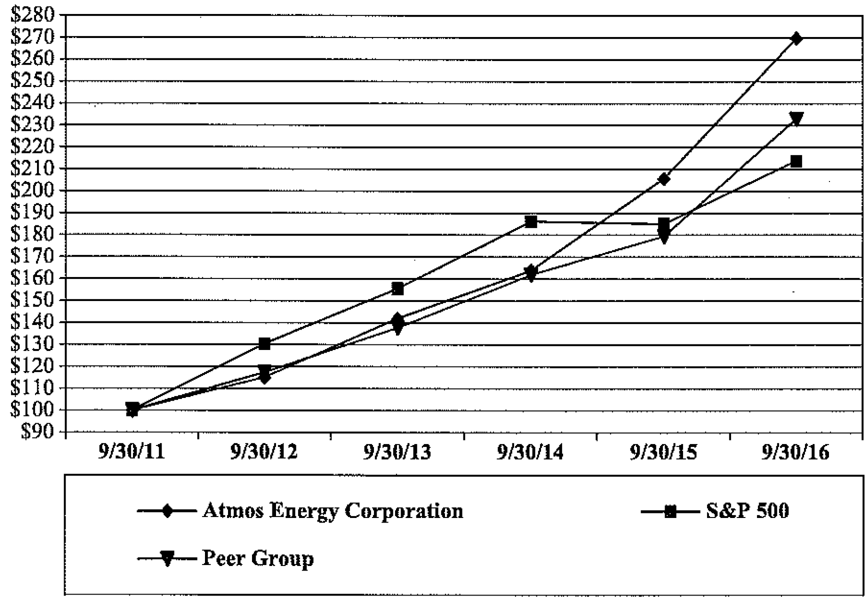
	Fiscal 2016			Fiscal 2015		
	High	Low	Dividends Paid	High	Low	Dividends Paid
Quarter ended:						
December 31	$64.25	$57.82	$0.42	$58.08	$47.35	$0.39
March 31	74.33	61.74	0.42	58.81	52.02	0.39
June 30	81.32	70.60	0.42	56.41	51.28	0.39
September 30	81.16	71.88	0.42	58.18	51.48	0.39
			$1.68			$1.56

Dividends are payable at the discretion of our Board of Directors out of legally available funds. The Board of Directors typically declares dividends in the same fiscal quarter in which they are paid. The number of record holders of our common stock on October 31, 2016 was 14,108. Future payments of dividends, and the amounts of these dividends, will depend on our financial condition, results of operations, capital requirements and other factors. We sold no securities during fiscal 2016 that were not registered under the Securities Act of 1933, as amended.

Performance Graph

The performance graph and table below compares the yearly percentage change in our total return to shareholders for the last five fiscal years with the total return of the S&P 500 Stock Index and the cumulative total return of a customized peer company group, the Comparison Company Index. The Comparison Company Index is comprised of natural gas distribution companies with similar revenues, market capitalizations and asset bases to that of the Company. The graph and table below assume that $100.00 was invested on September 30, 2011 in our common stock, the S&P 500 Index and in the common stock of the companies in the Comparison Company Index, as well as a reinvestment of dividends paid on such investments throughout the period.

Comparison of Five-Year Cumulative Total Return among Atmos Energy Corporation, S&P 500 Index and Comparison Company Index



	Cumulative Total Return					
	9/30/2011	9/30/2012	9/30/2013	9/30/2014	9/30/2015	9/30/2016
Atmos Energy Corporation	100.00	114.96	141.77	163.78	205.60	269.55
S&P 500 Index	100.00	130.20	155.39	186.05	184.91	213.44
Peer Group	100.00	117.20	137.59	161.70	179.33	232.91

The Comparison Company Index reflects the cumulative total return of companies in our peer group, which is comprised of a hybrid group of utility companies, primarily natural gas distribution companies, recommended by our independent executive compensation consulting firm and approved by the Board of Directors. The companies in our peer group are AGL Resources Inc.[(1)], CenterPoint Energy, Inc., CMS Energy Corporation, NiSource Inc., ONE Gas, Inc., Piedmont Natural Gas Company, Inc., Questar Corporation[(1)], TECO Energy, Inc.[(1)], Spire, Inc. (formerly The Laclede Group, Inc.), Vectren Corporation and WGL Holdings, Inc.

(1) AGL Resources Inc., Questar Corporation and TECO Energy, Inc. were acquired prior to September 30, 2016. As a result, the cumulative total return of these companies is not included in the Comparison Company Index represented in the graph above.

The following table sets forth the number of securities authorized for issuance under our equity compensation plans at September 30, 2016.

	Number of securities to be issued upon exercise of outstanding options, restricted stock units, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders:			
1998 Long-Term Incentive Plan	1,338,162[1]	$ —	2,359,106
Total equity compensation plans approved by security holders	1,338,162	—	2,359,106
Equity compensation plans not approved by security holders	—	—	—
Total	1,338,162	$ —	2,359,106

[1] Comprised of a total of 614,588 time-lapse restricted stock units, 326,249 director share units and 397,325 performance-based restricted stock units at the target level of performance granted under our 1998 Long-Term Incentive Plan.

On September 28, 2011, the Board of Directors approved a program authorizing the repurchase of up to five million shares of common stock over a five-year period. The program expired on September 30, 2016 and will not be renewed. We did not repurchase any shares during fiscal 2016 under the program.

ITEM 6. *Selected Financial Data.*

The following table sets forth selected financial data of the Company and should be read in conjunction with the consolidated financial statements included herein.

	Fiscal Year Ended September 30				
	2016	2015	2014	2013	2012[1]
	(In thousands, except per share data)				
Results of Operations					
Operating revenues	$ 3,349,949	$4,142,136	$4,940,916	$3,875,460	$3,436,162
Gross profit	$ 1,744,896	$1,680,017	$1,582,426	$1,412,050	$1,323,739
Income from continuing operations	$ 350,104	$ 315,075	$ 289,817	$ 230,698	$ 192,196
Net income	$ 350,104	$ 315,075	$ 289,817	$ 243,194	$ 216,717
Diluted income per share from continuing operations	$ 3.38	$ 3.09	$ 2.96	$ 2.50	$ 2.10
Diluted net income per share	$ 3.38	$ 3.09	$ 2.96	$ 2.64	$ 2.37
Cash dividends declared per share	$ 1.68	$ 1.56	$ 1.48	$ 1.40	$ 1.38
Financial Condition					
Net property, plant and equipment[2]	$ 8,280,511	$7,430,580	$6,725,906	$6,030,655	$5,475,604
Total assets	$10,010,889	$9,075,072	$8,581,006	$7,919,069	$7,484,518
Capitalization:					
Shareholders' equity	$ 3,463,059	$3,194,797	$3,086,232	$2,580,409	$2,359,243
Long-term debt (excluding current maturities)	2,188,779	2,437,515	2,442,288	2,440,472	1,945,148
Total capitalization	$ 5,651,838	$5,632,312	$5,528,520	$5,020,881	$4,304,391

[1] Financial results for fiscal 2012 reflect a $5.3 million pre-tax loss for the impairment of certain assets.

[2] Amounts shown for fiscal 2012 are net of assets held for sale.

ITEM 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations.*

INTRODUCTION

This section provides management's discussion of the financial condition, changes in financial condition and results of operations of Atmos Energy Corporation and its consolidated subsidiaries with specific information on results of operations and liquidity and capital resources. It includes management's interpretation of our financial results, the factors affecting these results, the major factors expected to affect future operating results and future investment and financing plans. This discussion should be read in conjunction with our consolidated financial statements and notes thereto.

Several factors exist that could influence our future financial performance, some of which are described in Item 1A above, "Risk Factors". They should be considered in connection with evaluating forward-looking statements contained in this report or otherwise made by or on behalf of us since these factors could cause actual results and conditions to differ materially from those set out in such forward-looking statements.

Cautionary Statement for the Purposes of the Safe Harbor under the Private Securities Litigation Reform Act of 1995

The statements contained in this Annual Report on Form 10-K may contain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical fact included in this Report are forward-looking statements made in good faith by us and are intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. When used in this Report, or any other of our documents or oral presentations, the words "anticipate", "believe", "estimate", "expect", "forecast", "goal", "intend", "objective", "plan", "projection", "seek", "strategy" or similar words are intended to identify forward-looking statements. Such forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the statements relating to our strategy, operations, markets, services, rates, recovery of costs, availability of gas supply and other factors. These risks and uncertainties include the following: our ability to continue to access the credit markets to satisfy our liquidity requirements; regulatory trends and decisions, including the impact of rate proceedings before various state regulatory commissions; the impact of adverse economic conditions on our customers; the effects of inflation and changes in the availability and price of natural gas; the availability and accessibility of contracted gas supplies, interstate pipeline and/or storage services; market risks beyond our control affecting our risk management activities, including commodity price volatility, counterparty creditworthiness or performance and interest rate risk; the concentration of our distribution, pipeline and storage operations in Texas; increased competition from energy suppliers and alternative forms of energy; adverse weather conditions; the capital-intensive nature of our regulated distribution business; increased costs of providing health care benefits along with pension and postretirement health care benefits and increased funding requirements; the inability to continue to hire, train and retain appropriate personnel; possible increased federal, state and local regulation of the safety of our operations; increased federal regulatory oversight and potential penalties; the impact of environmental regulations on our business; the impact of climate changes or related additional legislation or regulation in the future; the inherent hazards and risks involved in operating our distribution and pipeline and storage businesses; the threat of cyber-attacks or acts of cyber-terrorism that could disrupt our business operations and information technology systems; natural disasters, terrorist activities or other events and other risks and uncertainties discussed herein, all of which are difficult to predict and many of which are beyond our control. Accordingly, while we believe these forward-looking statements to be reasonable, there can be no assurance that they will approximate actual experience or that the expectations derived from them will be realized. Further, we undertake no obligation to update or revise any of our forward-looking statements whether as a result of new information, future events or otherwise.

CRITICAL ACCOUNTING POLICIES

Our consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States. Preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and the related disclosures of contingent assets and liabilities. We base our estimates on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from estimates.

Our significant accounting policies are discussed in Note 2 to our consolidated financial statements. The accounting policies discussed below are both important to the presentation of our financial condition and results of operations and require management to make difficult, subjective or complex accounting estimates. Accordingly, these critical accounting policies are reviewed periodically by the Audit Committee of the Board of Directors.

Critical Accounting Policy	Summary of Policy	Factors Influencing Application of the Policy
Regulation	Our regulated distribution and pipeline operations meet the criteria of a cost-based, rate-regulated entity under accounting principles generally accepted in the United States. Accordingly, the financial results for these operations reflect the effects of the ratemaking and accounting practices and policies of the various regulatory commissions to which we are subject. As a result, certain costs that would normally be expensed under accounting principles generally accepted in the United States are permitted to be capitalized or deferred on the balance sheet because it is probable they can be recovered through rates. Further, regulation may impact the period in which revenues or expenses are recognized. The amounts expected to be recovered or recognized are based upon historical experience and our understanding of the regulations. Discontinuing the application of this method of accounting for regulatory assets and liabilities or changes in the accounting for our various regulatory mechanisms could significantly increase our operating expenses as fewer costs would likely be capitalized or deferred on the balance sheet, which could reduce our net income.	Decisions of regulatory authorities Issuance of new regulations or regulatory mechanisms Assessing the probability of the recoverability of deferred costs Continuing to meet the criteria of a cost-based, rate regulated entity for accounting purposes
Unbilled Revenue	We follow the revenue accrual method of accounting for regulated distribution segment revenues whereby revenues attributable to gas delivered to customers, but not yet billed under the cycle billing method, are estimated and accrued and the related costs are charged to expense. On occasion, we are permitted to implement new rates that have not been formally approved by our regulatory authorities, which are subject to refund. We recognize this revenue and establish a reserve for amounts that could be refunded based on our experience for the jurisdiction in which the rates were implemented.	Estimates of delivered sales volumes based on actual tariff information and weather information and estimates of customer consumption and/or behavior Estimates of purchased gas costs related to estimated deliveries Estimates of uncollectible amounts billed subject to refund

Critical Accounting Policy	Summary of Policy	Factors Influencing Application of the Policy
Pension and other postretirement plans	Pension and other postretirement plan costs and liabilities are determined on an actuarial basis using a September 30 measurement date and are affected by numerous assumptions and estimates including the market value of plan assets, estimates of the expected return on plan assets, assumed discount rates and current demographic and actuarial mortality data. The assumed discount rate and the expected return are the assumptions that generally have the most significant impact on our pension costs and liabilities. The assumed discount rate, the assumed health care cost trend rate and assumed rates of retirement generally have the most significant impact on our postretirement plan costs and liabilities. The discount rate is utilized principally in calculating the actuarial present value of our pension and postretirement obligations and net periodic pension and postretirement benefit plan costs. When establishing our discount rate, we consider high quality corporate bond rates based on bonds available in the marketplace that are suitable for settling the obligations, changes in those rates from the prior year and the implied discount rate that is derived from matching our projected benefit disbursements with currently available high quality corporate bonds. The expected long-term rate of return on assets is utilized in calculating the expected return on plan assets component of our annual pension and postretirement plan costs. We estimate the expected return on plan assets by evaluating expected bond returns, equity risk premiums, asset allocations, the effects of active plan management, the impact of periodic plan asset rebalancing and historical performance. We also consider the guidance from our investment advisors in making a final determination of our expected rate of return on assets. To the extent the actual rate of return on assets realized over the course of a year is greater than or less than the assumed rate, that year's annual pension or postretirement plan costs are not affected. Rather, this gain or loss reduces or increases future pension or postretirement plan costs over a period of approximately ten to twelve years. The market-related value of our plan assets represents the fair market value of the plan assets, adjusted to smooth out short-term market fluctuations over a five-year period. The use of this	General economic and market conditions Assumed investment returns by asset class Assumed future salary increases Assumed discount rate Projected timing of future cash disbursements Health care cost experience trends Participant demographic information Actuarial mortality assumptions Impact of legislation Impact of regulation

Critical Accounting Policy	Summary of Policy	Factors Influencing Application of the Policy
	methodology will delay the impact of current market fluctuations on the pension expense for the period. We estimate the assumed health care cost trend rate used in determining our postretirement net expense based upon our actual health care cost experience, the effects of recently enacted legislation and general economic conditions. Our assumed rate of retirement is estimated based upon our annual review of our participant census information as of the measurement date.	
Contingencies	In the normal course of business, we are confronted with issues or events that may result in a contingent liability. These generally relate to uncollectible receivables, lawsuits, claims made by third parties or the action of various regulatory agencies. We recognize these contingencies in our consolidated financial statements when we determine, based on currently available facts and circumstances it is probable that a liability has been incurred or an asset will not be recovered, and an amount can be reasonably estimated. Actual results may differ from estimates, depending on actual outcomes or changes in the facts or expectations surrounding each potential exposure. Changes in the estimates related to contingencies could have a negative impact on our consolidated results of operations, cash flows or financial position. Our contingencies are further discussed in Note 11 to our consolidated financial statements.	Currently available facts Management's estimate of future resolution
Financial instruments and hedging activities	We use financial instruments to mitigate commodity price risk and interest rate risk. The objectives for using financial instruments have been tailored to meet the needs of our regulated and non-regulated businesses. These objectives are more fully described in Note 13 to the consolidated financial statements. We record all of our financial instruments on the balance sheet at fair value as required by accounting principles generally accepted in the United States, with changes in fair value ultimately recorded in the income statement. The recognition of the changes in fair value of these financial instruments recorded in the income statement is contingent upon whether the financial instrument has been designated and qualifies as a part of a hedging relationship or if regulatory rulings require a different accounting treatment. Our	Designation of contracts under the hedge accounting rules Judgment in the application of accounting guidance Assessment of the probability that future hedged transactions will occur Changes in market conditions and the related impact on the fair value of the hedged item and the associated designated financial instrument

Critical Accounting Policy	Summary of Policy	Factors Influencing Application of the Policy
	accounting elections for financial instruments and hedging activities utilized are more fully described in Note 13 to the consolidated financial statements. The criteria used to determine if a financial instrument meets the definition of a derivative and qualifies for hedge accounting treatment are complex and require management to exercise professional judgment. Further, as more fully discussed below, significant changes in the fair value of these financial instruments could materially impact our financial position, results of operations or cash flows. Finally, changes in the effectiveness of the hedge relationship could impact the accounting treatment.	Changes in the effectiveness of the hedge relationship
Fair Value Measurements	We report certain assets and liabilities at fair value, which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The assets and liabilities we recognize at fair value are subject to potentially significant volatility based on numerous considerations including, but not limited to changes in commodity prices, interest rates, maturity and timing of settlement. Prices actively quoted on national exchanges are used to determine the fair value of most of our assets and liabilities recorded on our balance sheet at fair value. Within our nonregulated operations, we utilize a mid-market pricing convention (the mid-point between the bid and ask prices) for determining fair value measurement, as permitted under current accounting standards. Values derived from these sources reflect the market in which transactions involving these financial instruments are executed. We utilize models and other valuation methods to determine fair value when external sources are not available. Values are adjusted to reflect the potential impact of an orderly liquidation of our positions over a reasonable period of time under then-current market conditions. We believe the market prices and models used to value these financial instruments represent the best information available with respect to the market in which transactions involving these financial instruments are executed, the closing	General economic and market conditions Volatility in underlying market conditions Maturity dates of financial instruments Creditworthiness of our counterparties Creditworthiness of Atmos Energy Impact of credit risk mitigation activities on the assessment of the creditworthiness of Atmos Energy and its counterparties

Critical Accounting Policy	Summary of Policy	Factors Influencing Application of the Policy
	exchange and over-the-counter quotations, time value and volatility factors underlying the contracts. Fair-value estimates also consider our own creditworthiness and the creditworthiness of the counterparties involved. Our counterparties consist primarily of financial institutions and major energy companies. This concentration of counterparties may materially impact our exposure to credit risk resulting from market, economic or regulatory conditions. We seek to minimize counterparty credit risk through an evaluation of their financial condition and credit ratings and the use of collateral requirements under certain circumstances.	
Impairment assessments . . .	We review the carrying value of our long-lived assets, including goodwill and identifiable intangibles, whenever events or changes in circumstance indicate that such carrying values may not be recoverable, and at least annually for goodwill, as required by U.S. accounting standards. The evaluation of our goodwill balances and other long-lived assets or identifiable assets for which uncertainty exists regarding the recoverability of the carrying value of such assets involves the assessment of future cash flows and external market conditions and other subjective factors that could impact the estimation of future cash flows including, but not limited to the commodity prices, the amount and timing of future cash flows, future growth rates and the discount rate. Unforeseen events and changes in circumstances or market conditions could adversely affect these estimates, which could result in an impairment charge.	General economic and market conditions Projected timing and amount of future discounted cash flows Judgment in the evaluation of relevant data

RESULTS OF OPERATIONS

Overview

Atmos Energy Corporation strives to operate its businesses safely and reliably while delivering superior shareholder value. In recent years we have implemented rate designs that reduce or eliminate regulatory lag and separate the recovery of our approved rate from customer usage patterns. Additionally, we have significantly increased investments in the safety and reliability of our natural gas distribution and transmission infrastructure. This increased level of investment and timely recovery of these investments through our various regulatory mechanisms has resulted in increased earnings and operating cash flow in recent years.

This trend continued during fiscal 2016 as net income increased to $350.1 million, or $3.38 per diluted share for the year ended September 30, 2016, compared with net income of $315.1 million or $3.09 per diluted share in the prior year. The year-over-year increase largely reflects positive rate outcomes, which more than offset weather that was 25 percent warmer than the prior year and increased pipeline maintenance and integrity spending.

Capital expenditures for fiscal 2016 totaled $1,087.0 million. Over 80 percent was invested to improve the safety and reliability of our distribution and transmission systems, with a significant portion of this investment incurred under regulatory mechanisms that reduce regulatory lag to six months or less. Fiscal 2015 spending under these and other mechanisms enabled the Company to complete 20 regulatory filings during fiscal 2016 that should increase annual operating income from regulated operations by $122.5 million. We funded our capital expenditure program primarily through operating cash flows of $795.0 million, net short-term borrowings and the issuance of common stock, including the At-the-Market Equity Sales (ATM) Program described below.

As we continue to invest in the safety and reliability of our distribution and transmission systems, we expect our capital spending will increase in future periods. We intend to fund this level of investment through available operating cash flows, the issuance of long-term debt securities and, to a lesser extent, the issuance of equity. In order to strengthen our ability to meet our financing needs, we:

- Entered into an ATM equity distribution agreement in March 2016 under which we may issue and sell shares of our common stock, up to an aggregate offering price of $200 million. We issued 1.4 million shares of common stock and received $98.6 million in net proceeds under the ATM program in fiscal 2016.
- Executed in September 2016 a new three-year, $200 million multi-draw term loan agreement with a syndicate of three lenders. The term loan will be used to refinance existing indebtedness and for working capital, capital expenditures and other general corporate purposes.
- Amended our existing five-year $1.25 billion unsecured credit facility in October 2016, which increased the committed loan to $1.5 billion and extended the facility through September 25, 2021. The amended facility also retains the $250 million accordion feature, which allows for an increase in the total committed loan amount to $1.75 billion.

On May 13, 2016, Standard & Poor's Corporation upgraded our senior unsecured debt rating to A from A- and upgraded our short-term debt rating to A-1 from A-2, with a ratings outlook of stable, citing strong financial performance largely due to our ability to timely recover capital investments.

On October 31, 2016, we announced the proposed sale of AEM to CenterPoint Energy Services, Inc. The transaction will include the transfer of approximately 800 delivered gas customers and AEM's related asset optimization business at an all cash price of $40.0 million plus working capital at the date of closing. No material gain or loss is currently anticipated in connection with the closing of this transaction. The proceeds from the sale will be redeployed to fund infrastructure investment in the regulated business. Upon completion of the sale, we will have fully exited the nonregulated gas marketing business.

As a result of the continued contribution and stability of our regulated earnings, cash flows and capital structure, our Board of Directors increased the quarterly dividend by 7.1 percent for fiscal 2017.

Consolidated Results

The following table presents our consolidated financial highlights for the fiscal years ended September 30, 2016, 2015 and 2014.

	For the Fiscal Year Ended September 30		
	2016	2015	2014
	(In thousands, except per share data)		
Operating revenues	$3,349,949	$4,142,136	$4,940,916
Gross profit	1,744,896	1,680,017	1,582,426
Operating expenses	1,076,878	1,048,622	971,077
Operating income	668,018	631,395	611,349
Interest charges	115,948	116,241	129,295
Income before income taxes	550,477	510,765	476,819
Net income(1)	$ 350,104	$ 315,075	$ 289,817
Diluted net income per share(1)	$ 3.38	$ 3.09	$ 2.96

(1) Unrealized gains/losses in our nonregulated operations during fiscal 2016, 2015 and 2014 increased/(decreased) net income by $0.7 million, $(1.5) million and $5.8 million, or $0.01, $(0.01) and $0.06 per diluted share.

Regulated operations contributed 95 percent, 95 percent and 89 percent to our consolidated net income for fiscal years 2016, 2015 and 2014. Our consolidated net income during the last three fiscal years was earned across our business segments as follows:

	For the Fiscal Year Ended September 30		
	2016	2015	2014
		(In thousands)	
Regulated distribution segment	$232,370	$204,813	$171,585
Regulated pipeline segment	101,689	94,662	86,191
Nonregulated segment	16,045	15,600	32,041
Net income	$350,104	$315,075	$289,817

See the following discussion regarding the results of operations for each of our business operating segments.

Regulated Distribution Segment

The primary factors that impact the results of our regulated distribution operations are our ability to earn our authorized rates of return, the cost of natural gas, competitive factors in the energy industry and economic conditions in our service areas.

Our ability to earn our authorized rates is based primarily on our ability to improve the rate design in our various ratemaking jurisdictions by reducing or eliminating regulatory lag and, ultimately, separating the recovery of our approved margins from customer usage patterns. Improving rate design is a long-term process and is further complicated by the fact that we operate in multiple rate jurisdictions. The "Ratemaking Activity" section of this Form 10-K describes our current rate strategy, progress towards implementing that strategy and recent ratemaking initiatives in more detail.

We are generally able to pass the cost of gas through to our customers without markup under purchased gas cost adjustment mechanisms; therefore the cost of gas typically does not have an impact on our gross profit as increases in the cost of gas are offset by a corresponding increase in revenues. Accordingly, we believe gross profit is a better indicator of our financial performance than revenues. However, gross profit in our Texas and Mississippi service areas include franchise fees and gross receipt taxes, which are calculated as a percentage of revenue (inclusive of gas costs). Therefore, the amount of these taxes included in revenue is influenced by the cost of gas and the level of gas sales volumes. We record the tax expense as a component of taxes, other than income. Although changes in revenue related taxes arising from changes in gas costs affect gross profit, over time the impact is offset within operating income.

Although the cost of gas typically does not have a direct impact on our gross profit, higher gas costs may adversely impact our accounts receivable collections, resulting in higher bad debt expense, and may require us to increase borrowings under our credit facilities resulting in higher interest expense. In addition, higher gas costs, as well as competitive factors in the industry and general economic conditions may cause customers to conserve or, in the case of industrial consumers, to use alternative energy sources. Currently, gas cost risk has been mitigated by rate design that allows us to collect from our customers the gas cost portion of our bad debt expense on approximately 76 percent of our residential and commercial margins.

During fiscal 2016, we completed 19 regulatory proceedings in our regulated distribution segment, which should result in a $81.8 million increase in annual operating income.

Review of Financial and Operating Results

Financial and operational highlights for our regulated distribution segment for the fiscal years ended September 30, 2016, 2015 and 2014 are presented below.

	For the Fiscal Year Ended September 30				
	2016	2015	2014	2016 vs. 2015	2015 vs. 2014
	(In thousands, unless otherwise noted)				
Gross profit	$1,272,805	$1,237,577	$1,176,515	$ 35,228	$ 61,062
Operating expenses	833,221	817,428	791,947	15,793	25,481
Operating income	439,584	420,149	384,568	19,435	35,581
Miscellaneous income (expense)	455	(377)	(381)	832	4
Interest charges	79,404	84,132	94,918	(4,728)	(10,786)
Income before income taxes	360,635	335,640	289,269	24,995	46,371
Income tax expense	128,265	130,827	117,684	(2,562)	13,143
Net Income	$ 232,370	$ 204,813	$ 171,585	$ 27,557	$ 33,228
Consolidated regulated distribution sales volumes — MMcf	242,589	293,350	317,320	(50,761)	(23,970)
Consolidated regulated distribution transportation volumes — MMcf	133,378	135,972	134,483	(2,594)	1,489
Total consolidated regulated distribution throughput — MMcf	375,967	429,322	451,803	(53,355)	(22,481)
Consolidated regulated distribution average cost of gas per Mcf sold	$ 4.20	$ 5.20	$ 5.94	$ (1.00)	$ (0.74)

Fiscal year ended September 30, 2016 compared with fiscal year ended September 30, 2015

Net income for our regulated distribution segment increased 13 percent, primarily due to a $35.2 million increase in gross profit, partially offset by a $15.8 million increase in operating expenses. The year-to-date increase in gross profit primarily reflects:

- a $47.5 million net increase in rate adjustments. Our Mid-Tex Division accounted for $20.9 million of this increase. We also experienced increases in our Mississippi and West Texas Divisions.
- The impact of weather that was 25 percent warmer than the prior year, before adjusting for weather normalization mechanisms. Therefore, although sales volumes declined 17 percent, gross margin experienced just a $3.4 million decline from lower consumption.
- Customer growth, primarily in our Mid-Tex, Louisiana and Tennessee service areas, which contributed an incremental $6.6 million.
- a $15.4 million decrease in revenue-related taxes primarily in our Mid-Tex and West Texas Divisions, offset by a corresponding $16.1 million decrease in the related tax expense.

The increase in operating expenses, which include operation and maintenance expense, bad debt expense, depreciation and amortization expense and taxes, other than income, was primarily due to pipeline maintenance and related activities and increased depreciation expense associated with increased capital investments.

Net income for the year ended September 30, 2016 includes a $5.0 million income tax benefit for equity awards that vested during the current year as a result of adopting the new stock-based accounting guidance, as described in Note 2 to our consolidated financial statements.

Fiscal year ended September 30, 2015 compared with fiscal year ended September 30, 2014

Net income for our regulated distribution segment increased 19 percent, primarily due to a $61.1 million increase in gross profit, partially offset by a $25.5 million increase in operating expenses. The year-over-year increase in gross profit primarily reflects:

- a $70.6 million net increase in rate adjustments, primarily in our Mid-Tex, West Texas, Kentucky/Mid-States and Colorado-Kansas Divisions.

- a $4.5 million increase in transportation revenue. Transportation volumes increased one percent due to increased economic activity experienced in our Kentucky/Mid-States Division and increased consumption in our West Texas Division due to colder than normal weather.
- a $10.5 million decrease in consumption associated with an eight percent decrease in sales volumes. Fiscal 2015 weather was ten percent warmer compared to fiscal 2014, before adjusting for weather normalization mechanisms.
- a $2.5 million decrease in revenue-related taxes primarily in our Mid-Tex Division.

The increase in operating expenses, which include operation and maintenance expense, bad debt expense, depreciation and amortization expense and taxes, other than income, was primarily due to increased depreciation expense associated with increased capital investments and increased ad valorem and franchise taxes.

Interest charges decreased by $10.8 million, primarily due to replacing our $500 million unsecured 4.95% senior notes with $500 million of 4.125% 30-year unsecured senior notes on October 15, 2014.

The following table shows our operating income by regulated distribution division, in order of total rate base, for the fiscal years ended September 30, 2016, 2015 and 2014. The presentation of our regulated distribution operating income is included for financial reporting purposes and may not be appropriate for ratemaking purposes.

	For the Fiscal Year Ended September 30				
	2016	2015	2014	2016 vs. 2015	2015 vs. 2014
			(In thousands)		
Mid-Tex	$211,578	$197,559	$187,265	$14,019	$10,294
Kentucky/Mid-States	62,413	59,233	55,968	3,180	3,265
Louisiana	52,223	51,001	56,648	1,222	(5,647)
West Texas	41,322	37,180	29,250	4,142	7,930
Mississippi	37,559	34,333	28,473	3,226	5,860
Colorado-Kansas	31,998	28,720	28,077	3,278	643
Other	2,491	12,123	(1,113)	(9,632)	13,236
Total	$439,584	$420,149	$384,568	$19,435	$35,581

Regulated Pipeline Segment

Our regulated pipeline segment consists of the pipeline and storage operations of APT. APT is 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 Barnett Shale, the Texas Gulf Coast and the Delaware and Val Verde Basins of West Texas. APT provides transportation and storage services to our Mid-Tex Division, other third party local distribution companies, industrial and electric generation customers, marketers and producers. As part of its pipeline operations, APT manages five underground storage reservoirs in Texas.

Our regulated pipeline segment is impacted by seasonal weather patterns, competitive factors in the energy industry and economic conditions in APT's service area. Natural gas prices do not directly impact the results of this segment as revenues are derived from the transportation of natural gas. However, natural gas prices and demand for natural gas could influence the level of drilling activity in the markets that we serve, which may influence the level of throughput we may be able to transport on our pipeline. Further, natural gas price differences between the various hubs that we serve determine the market value for transportation services between those geographic areas.

The results of APT are also significantly impacted by the natural gas requirements of the Mid-Tex Division because APT is the Mid-Tex Division's primary transporter of natural gas.

Finally, as a regulated pipeline, the operations of APT may be impacted by the timing of when costs and expenses are incurred and when these costs and expenses are recovered through its tariffs.

Review of Financial and Operating Results

Financial and operational highlights for our regulated pipeline segment for the fiscal years ended September 30, 2016, 2015 and 2014 are presented below.

	For the Fiscal Year Ended September 30				
	2016	2015	2014	2016 vs. 2015	2015 vs. 2014
	(In thousands, unless otherwise noted)				
Mid-Tex Division transportation	$308,621	$264,059	$227,230	$ 44,562	$36,829
Third-party transportation	85,996	94,893	76,109	(8,897)	18,784
Storage and park and lend services	3,783	3,575	5,344	208	(1,769)
Other	10,433	7,585	9,776	2,848	(2,191)
Gross profit	408,833	370,112	318,459	38,721	51,653
Operating expenses	209,399	188,845	145,640	20,554	43,205
Operating income	199,434	181,267	172,819	18,167	8,448
Miscellaneous expense	(1,683)	(1,243)	(3,181)	(440)	1,938
Interest charges	36,574	33,151	36,280	3,423	(3,129)
Income before income taxes	161,177	146,873	133,358	14,304	13,515
Income tax expense	59,488	52,211	47,167	7,277	5,044
Net income	$101,689	$ 94,662	$ 86,191	$ 7,027	$ 8,471
Gross pipeline transportation volumes — MMcf	677,001	738,532	714,464	(61,531)	24,068
Consolidated pipeline transportation volumes — MMcf	505,188	528,068	493,360	(22,880)	34,708

Fiscal year ended September 30, 2016 compared with fiscal year ended September 30, 2015

Net income for our regulated pipeline segment increased seven percent, primarily due to a $38.7 million increase in gross profit, partially offset by a $20.6 million increase in operating expenses. The increase in gross profit primarily reflects a $39.6 million increase in rates from the approved 2015 and 2016 Gas Reliability Infrastructure Program (GRIP) filings. Additionally, gross profit reflects a $3.6 million increase from the sale of excess retention gas, which was offset by a $4.0 million decrease in through-system volumes and lower storage and blending fees due to warmer weather in the current year compared to the prior year.

Operating expenses increased $20.6 million, primarily due to increased levels of pipeline maintenance activities to improve the safety and reliability of our system and increased property taxes and depreciation expense associated with increased capital investments.

Fiscal year ended September 30, 2015 compared with fiscal year ended September 30, 2014

Net income for our regulated pipeline segment increased 10 percent, primarily due to a $51.7 million increase in gross profit, partially offset by a $43.2 million increase in operating expenses. The increase in gross profit primarily reflects a $47.0 million increase in rates from the approved 2014 and 2015 GRIP filings. Additionally, gross profit reflects increased pipeline demand fees and through-system transportation volumes and rates that were offset by lower park and lend, storage and blending fees and the absence of a $1.8 million increase recorded in the fiscal 2014 associated with the renewal of an annual adjustment mechanism.

Operating expenses increased $43.2 million, primarily due to increased levels of pipeline and right-of-way maintenance activities to improve the safety and reliability of our system and increased depreciation expense associated with increased capital investments, along with the absence of a $6.7 million refund received in fiscal 2014 as a result of the completion of a state use tax audit.

Nonregulated Segment

Our nonregulated operations are conducted through Atmos Energy Holdings, Inc. (AEH), a wholly-owned subsidiary of Atmos Energy Corporation and typically represent approximately five percent of our consolidated net income.

AEH's primary business is to buy, sell and deliver natural gas at competitive prices to approximately 1,000 customers located primarily in the Midwest and Southeast areas of the United States. AEH accomplishes this objective by aggregating and purchasing gas supply, arranging transportation and storage logistics and effectively managing commodity price risk.

AEH also earns storage and transportation demand fees primarily from our regulated distribution operations in Louisiana and Kentucky. These demand fees are subject to regulatory oversight and are renewed periodically.

Our nonregulated activities are significantly influenced by competitive factors in the industry and general economic conditions. Therefore, the margins earned from these activities are dependent upon our ability to attract and retain customers and to minimize the cost of buying, selling and delivering natural gas to offer more competitive pricing to those customers.

Further, natural gas market conditions, most notably the price of natural gas and the level of price volatility, affect our nonregulated businesses. Natural gas prices and the level of volatility are influenced by a number of factors including, but not limited to, general economic conditions, the demand for natural gas in different parts of the country, domestic natural gas production and natural gas inventory levels.

Natural gas prices can influence:

- The demand for natural gas. Higher prices may cause customers to conserve or use alternative energy sources. Conversely, lower prices could cause customers such as electric power generators to switch from alternative energy sources to natural gas.
- Collection of accounts receivable from customers, which could affect the level of bad debt expense recognized by this segment.
- The level of borrowings under our credit facilities, which affects the amount of interest expense recognized by this segment.

Natural gas price volatility can also influence our nonregulated business in the following ways:

- Price volatility influences basis differentials, which provide opportunities to profit from identifying the lowest cost alternative among the natural gas supplies, transportation and markets to which we have access.
- Increased or decreased volatility impacts the amounts of unrealized margins recorded in our gross profit and could impact the amount of cash required to collateralize our risk management liabilities.

Our nonregulated segment manages its exposure to natural gas commodity price risk through a combination of physical storage and financial instruments. Therefore, results for this segment include unrealized gains or losses on its net physical gas position and the related financial instruments used to manage commodity price risk. These margins fluctuate based upon changes in the spreads between the physical and forward natural gas prices. The magnitude of the unrealized gains and losses is also contingent upon the levels of our net physical position at the end of the reporting period.

Review of Financial and Operating Results

Financial and operational highlights for our nonregulated segment for the fiscal years ended September 30, 2016, 2015 and 2014 are presented below.

	For the Fiscal Year Ended September 30				
	2016	2015	2014	2016 vs. 2015	2015 vs. 2014
	(In thousands, unless otherwise noted)				
Realized margins					
Gas delivery and related services	$ 46,664	$ 48,930	$ 39,529	$ (2,266)	$ 9,401
Storage and transportation services	13,395	13,575	14,696	(180)	(1,121)
Other	2,470	12,755	24,170	(10,285)	(11,415)
Total realized margins	62,529	75,260	78,395	(12,731)	(3,135)
Unrealized margins	1,261	(2,400)	9,560	3,661	(11,960)
Gross profit	63,790	72,860	87,955	(9,070)	(15,095)
Operating expenses	34,790	42,881	33,993	(8,091)	8,888
Operating income	29,000	29,979	53,962	(979)	(23,983)
Miscellaneous income (expense)	1,443	(760)	2,216	2,203	(2,976)
Interest charges	1,778	967	1,986	811	(1,019)
Income before income taxes	28,665	28,252	54,192	413	(25,940)
Income tax expense	12,620	12,652	22,151	(32)	(9,499)
Net income	$ 16,045	$ 15,600	$ 32,041	$ 445	$(16,441)
Gross nonregulated delivered gas sales volumes — MMcf	387,379	410,044	439,014	(22,665)	(28,970)
Consolidated nonregulated delivered gas sales volumes — MMcf	341,597	351,427	377,441	(9,830)	(26,014)
Net physical position (Bcf)	19.2	14.6	9.3	4.6	5.3

Fiscal year ended September 30, 2016 compared with fiscal year ended September 30, 2015

Net income for our nonregulated segment increased 3 percent compared to the prior year due to both lower gross profit and lower operating expenses.

The $9.1 million period-over-period decrease in gross profit was primarily due to a $12.7 million decrease in realized margins combined with a $3.7 million increase in unrealized margins. The decrease in realized margins reflects:

- A $10.3 million decrease in other realized margins. As a result of warmer weather, we modified storage positions to meet customer needs throughout the winter and captured less favorable spread values on the related supply repurchases. Additionally, we experienced an increase in storage demand fees related primarily to higher park and loan activity.
- A $2.3 million decrease in gas delivery and related services margins, primarily due to a three percent decrease in consolidated sales volumes due to warmer weather. However, lower net transportation costs and other variable costs driven by fewer deliveries resulted in per-unit margins of 12 cents per Mcf, which is consistent with prior year per-unit margins.

Operating expenses decreased $8.1 million, primarily due to lower administrative expenses.

Fiscal year ended September 30, 2015 compared with fiscal year ended September 30, 2014

Net income for our nonregulated segment decreased 51 percent from compared to fiscal 2014 due to lower gross profit and higher operating expenses.

The $15.1 million year-over-year decrease in gross profit was primarily due to a $12.0 million decrease in unrealized margins combined with a $3.1 million decrease in realized margins. The decrease in realized margins reflects:

- An $11.4 million decrease in other realized margins primarily due to lower natural gas price volatility. In fiscal 2014, strong market demand caused by significantly colder-than-normal weather resulted in increased market volatility. These market conditions created the opportunity to accelerate physical withdrawals that had been planned for future periods in the fiscal 2014 second quarter to capture incremental gross profit margin. Market conditions in fiscal 2015 were less volatile than fiscal 2014, which provided fewer opportunities to capture incremental gross profit.
- A $9.4 million increase in gas delivery and related services margins, primarily due to an increase in per-unit margins from 9 cents to 12 cents per Mcf, partially offset by a seven percent decrease in consolidated sales volumes. AEH elected not to renew excess transportation capacity in certain markets in late fiscal 2014 and early fiscal 2015. As a result, AEH experienced fewer deliveries to low-margin marketing and power generation customers during fiscal 2015, which was the primary driver for the decrease in consolidated sales volumes and higher per-unit margins.

Operating expenses increased $8.9 million, primarily due to higher legal expenses as a result of the favorable settlement in fiscal 2014 of the Kentucky litigation and the resolution of the Tennessee Business License Tax matter.

LIQUIDITY AND CAPITAL RESOURCES

The liquidity required to fund our working capital, capital expenditures and other cash needs is provided from a variety of sources, including internally generated funds as well as borrowings under our commercial paper program and bank credit facilities. Additionally, we have various uncommitted trade credit lines with our gas suppliers that we utilize to purchase natural gas on a monthly basis. Finally, from time to time, we raise funds from the public debt and equity capital markets to fund our liquidity needs.

We regularly evaluate our funding strategy and capital structure to ensure that we (i) have sufficient liquidity for our short-term and long-term needs and (ii) maintain a balanced capital structure with a debt-to-capitalization ratio in a target range of 45 to 55 percent. We also evaluate the levels of committed borrowing capacity that we require. We currently have over $1 billion of committed capacity from our short-term facilities.

As we continue to invest in the safety and reliability of our distribution and transportation system, we expect our capital spending will increase. We intend to fund this additional investment through available operating cash flows, the issuance of long-term debt securities and, to a lesser extent, the issuance of equity. We believe the liquidity provided by these sources combined with our committed credit facilities will be sufficient to fund our working capital needs and capital expenditure program for fiscal year 2017 and beyond.

To support our capital market activities, we filed a registration statement with the SEC on March 28, 2016 to issue, from time to time, up to $2.5 billion in common stock and/or debt securities, which replaced our registration statement that expired on March 28, 2016. On March 28, 2016, we entered into an ATM equity distribution agreement under which we may issue and sell, shares of our common stock, up to an aggregate offering price of $200 million. The shares will be issued under our shelf registration statement. Proceeds from the ATM program will be used primarily to repay short-term debt outstanding under our $1.25 billion commercial paper program, to fund capital spending primarily to enhance the safety and reliability of our system and for general corporate purposes. During fiscal 2016, we issued 1.4 million shares of common stock and received $98.6 million in net proceeds under the ATM program. At September 30, 2016, $2.4 billion of securities remain available for issuance under the shelf registration statement.

On September 22, 2016, we entered into a three year, $200 million multi-draw term loan agreement with a syndicate of three lenders. The term loan will be used to refinance existing indebtedness and for working capital, capital expenditures and other general corporate purposes. At September 30, 2016, there were no borrowings under the term loan. On October 5, 2016, we amended our existing five-year $1.25 billion credit facility, which increased the committed loan to $1.5 billion and extended the facility through September 25, 2021. The amended facility also retains the $250 million accordion feature, which allows for an increase in the total committed loan amount to $1.75 billion.

Additionally, we plan to issue new unsecured senior notes to replace $250 million and $450 million of unsecured senior notes that will mature in fiscal 2017 and fiscal 2019. During fiscal 2014 and 2015, we entered into forward starting interest rate swaps to fix the Treasury yield component associated with the anticipated fiscal 2019 issuances at 3.782%. In fiscal 2012, we entered into forward starting interest rate swaps to fix the Treasury yield component associated with the anticipated fiscal 2017 issuances at 3.367%.

The following table presents our capitalization as of September 30, 2016 and 2015:

	September 30			
	2016		2015	
	(In thousands, except percentages)			
Short-term debt	$ 829,811	12.3%	$ 457,927	7.5%
Long-term debt[1]	2,438,779	36.2%	2,437,515	40.0%
Shareholders' equity	3,463,059	51.5%	3,194,797	52.5%
Total capitalization, including short-term debt	$6,731,649	100.0%	$6,090,239	100.0%

(1) Net of $17.0 million and $17.9 million of unamortized debt issuance costs which were reclassified from deferred charges and other assets to long-term debt on the September 30, 2016 and 2015 consolidated balance sheets, as discussed in Note 2.

Cash Flows

Our internally generated funds may change in the future due to a number of factors, some of which we cannot control. These factors include regulatory changes, the price for our services, the demand for such products and services, margin requirements resulting from significant changes in commodity prices, operational risks and other factors.

Cash flows from operating, investing and financing activities for the years ended September 30, 2016, 2015 and 2014 are presented below.

	For the Fiscal Year Ended September 30				
	2016	2015	2014	2016 vs. 2015	2015 vs. 2014
			(In thousands)		
Total cash provided by (used in)					
Operating activities	$ 794,990	$ 811,914	$ 732,813	$ (16,924)	$ 79,101
Investing activities	(1,079,732)	(956,602)	(824,979)	(123,130)	(131,623)
Financing activities	303,623	131,083	68,225	172,540	62,858
Change in cash and cash equivalents	18,881	(13,605)	(23,941)	32,486	10,336
Cash and cash equivalents at beginning of period	28,653	42,258	66,199	(13,605)	(23,941)
Cash and cash equivalents at end of period	$ 47,534	$ 28,653	$ 42,258	$ 18,881	$ (13,605)

Cash flows from operating activities

Year-over-year changes in our operating cash flows primarily are attributable to changes in net income, working capital changes, particularly within our regulated distribution segment resulting from changes in the price of natural gas and the timing of customer collections, payments for natural gas purchases and deferred gas cost recoveries.

Fiscal Year ended September 30, 2016 compared with fiscal year ended September 30, 2015

For the fiscal year ended September 30, 2016, we generated operating cash flows of $795.0 million compared with $811.9 million in the prior year. The year-over-year decrease primarily reflects the timing of deferred gas cost recoveries.

Fiscal Year ended September 30, 2015 compared with fiscal year ended September 30, 2014

For the fiscal year ended September 30, 2015, we generated operating cash flows of $811.9 million compared with $732.8 million in fiscal 2014. The year-over-year increase primarily reflects successful rate case outcomes in fiscal 2014, the timing of gas cost recoveries under our purchased gas cost mechanisms and lower gas prices during the fiscal 2015 storage injection season.

Cash flows from investing activities

In recent years, we have used substantial amounts of cash to fund our ongoing construction program, which enables us to enhance the safety and reliability of the systems used to provide regulated distribution services to our existing customer base, expand our natural gas distribution services into new markets, enhance the integrity of our pipelines and, more recently, expand our intrastate pipeline network. Over the last three fiscal years, approximately 80 percent of our capital spending has been committed to improving the safety and reliability of our system.

In executing our regulatory strategy, we target our capital spending on regulatory mechanisms that permit us to earn an adequate return timely on our investment without compromising the safety or reliability of our system. Substantially all of our regulated jurisdictions have rate tariffs that provide the opportunity to include in their rate base approved capital costs on a periodic basis without being required to file a rate case.

For the fiscal year ended September 30, 2016, we incurred $1,087.0 million for capital expenditures compared with $963.6 million for the fiscal year ended September 30, 2015 and $824.4 million for the fiscal year ended September 30, 2014.

Fiscal Year ended September 30, 2016 compared with fiscal year ended September 30, 2015

The $123.4 million increase in capital expenditures in fiscal 2016 compared to fiscal 2015 primarily reflects:

- A $69.5 million increase in capital spending in our regulated distribution segment, which reflects the repair and replacement of our transmission and distribution pipelines as part of a planned increase in safety and reliability investment in fiscal 2016, the installation and replacement of measurement and regulating equipment and other pipeline integrity projects.
- A $54.8 million increase in capital spending in our regulated pipeline segment, primarily related to the enhancement and fortification of two storage fields to ensure the reliability of gas service to our Mid-Tex Division.

Fiscal Year ended September 30, 2015 compared with fiscal year ended September 30, 2014

The $139.2 million increase in capital expenditures in fiscal 2015 compared to fiscal 2014 primarily reflects:

- A $96.2 million increase in capital spending in our regulated distribution segment, which primarily reflects a planned increase in safety and reliability investment in fiscal 2015.
- A $43.4 million increase in capital spending in our regulated pipeline segment, primarily related to the enhancement and fortification of two storage fields to ensure the reliability of gas service to our Mid-Tex Division.

Cash flows from financing activities

We generated a net $303.6 million, $131.1 million and $68.2 million in cash from financing activities for fiscal years 2016, 2015 and 2014. Our significant financing activities for the fiscal years ended September 30, 2016, 2015 and 2014 are summarized as follows:

2016

During the fiscal year ended September 30, 2016, our financing activities generated $303.6 million of cash compared with $131.1 million of cash generated in the prior year. The increase is primarily due to higher net short-term borrowings due to increased capital expenditures and period-over-period changes in working capital funding needs compared to the prior year, as well as proceeds received from the issuance of common stock under our ATM program in the third fiscal quarter of 2016.

2015

During the fiscal year ended September 30, 2015, our financing activities generated $131.1 million of cash compared with $68.2 million of cash generated in fiscal 2014. The increase is primarily due to timing between short-term debt borrowings and repayments during fiscal 2015, proceeds from the issuance of $500 million unsecured 4.125% senior notes in October 2014 and the settlement of the associated forward starting interest rate swaps. Partially offsetting these increases were the repayment of $500 million 4.95% senior unsecured notes at maturity on October 15, 2014, compared with short-term debt borrowings and repayments in fiscal 2014 and proceeds generated from the equity offering completed in February 2014.

2014

During the fiscal year ended September 30, 2014, our financing activities generated $68.2 million of cash compared with $85.7 million of cash generated in fiscal 2013. The decrease is primarily due to timing between short-term debt borrowings and repayments during fiscal 2014, partially offset by proceeds from the equity offering completed in February 2014 compared with proceeds generated from the issuance of long-term debt in fiscal 2013.

The following table shows the number of shares issued for the fiscal years ended September 30, 2016, 2015 and 2014:

	For the Fiscal Year Ended September 30		
	2016	2015	2014
Shares issued:			
Direct Stock Purchase Plan	133,133	176,391	83,150
Retirement Savings Plan	359,414	398,047	—
1998 Long-Term Incentive Plan	598,439	664,752	653,130
Outside Directors Stock-For-Fee Plan	—	—	1,735
February 2014 Offering	—	—	9,200,000
At-the-Market (ATM) Equity Sales Program	1,360,756	—	—
Total shares issued	2,451,742	1,239,190	9,938,015

The increase in the number of shares issued in fiscal 2016 compared with the number of shares issued in fiscal 2015 primarily reflects shares issued under the ATM program. At September 30, 2016, of the 11.2 million shares authorized for issuance from the LTIP, 2,359,106 shares remained available.

The decrease in the number of shares issued in fiscal 2015 compared with the number of shares issued in fiscal 2014 primarily reflects the equity offering completed in February 2014, partially offset by the fact that we began issuing shares for use by the Direct Stock Purchase Plan and the Retirement Savings Plan and Trust rather than using shares purchased in the open market. For the year ended September 30, 2015, we canceled and retired 148,464 shares attributable to federal income tax withholdings on equity awards which are not included in the table above.

Credit Facilities

Our short-term borrowing requirements are affected by the seasonal nature of the natural gas business. Changes in the price of natural gas and the amount of natural gas we need to supply to meet our customers' needs could significantly affect our borrowing requirements.

As of September 30, 2016, we financed our short-term borrowing requirements through a combination of a $1.25 billion commercial paper program, four committed revolving credit facilities and one uncommitted revolving credit facility, with a total availability from third-party lenders of approximately $1.3 billion of working capital funding. On October 5, 2016, we amended our existing $1.25 billion unsecured credit facility which increased the committed loan to $1.5 billion and extended the facility through September 25, 2021. The amended facility also retains the $250 million accordion feature, which provides the opportunity to increase the total committed loan amount to $1.75 billion. We also use intercompany credit facilities to supplement the funding provided by these third-party committed credit facilities.

Shelf Registration

On March 28, 2016, we filed a registration statement with the SEC that originally permitted us to issue, from time to time, up to $2.5 billion in common stock and/or debt securities, which replaced our registration statement that expired on March 28, 2016. At September 30, 2016, $2.4 billion of securities remain available for issuance under the shelf registration statement.

Credit Ratings

Our credit ratings directly affect our ability to obtain short-term and long-term financing, in addition to the cost of such financing. In determining our credit ratings, the rating agencies consider a number of quantitative factors, including debt to total capitalization, operating cash flow relative to outstanding debt, operating cash flow coverage of interest and pension liabilities and funding status. In addition, the rating agencies consider qualitative factors such as consistency of our earnings over time, the quality of our management and business strategy, the risks associated with our regulated and nonregulated businesses and the regulatory environment in the states where we operate.

Our debt is rated by three rating agencies: Standard & Poor's Corporation (S&P), Moody's Investors Service (Moody's) and Fitch Ratings (Fitch). On May 13, 2016, S&P upgraded our senior unsecured debt rating to A from A- and upgraded our short-term debt rating to A-1 from A-2, with a ratings outlook of stable, citing strong financial performance largely due to our ability to timely recover capital investments. As of September 30, 2016, all three rating agencies maintained a stable outlook.

Our current debt ratings are all considered investment grade and are as follows:

	S&P	Moody's	Fitch
Senior unsecured long-term debt	A	A2	A
Short-term debt	A-1	P-1	F-2

A significant degradation in our operating performance or a significant reduction in our liquidity caused by more limited access to the private and public credit markets as a result of deteriorating global or national financial and credit conditions could trigger a negative change in our ratings outlook or even a reduction in our credit ratings by the three credit rating agencies. This would mean more limited access to the private and public credit markets and an increase in the costs of such borrowings.

A credit rating is not a recommendation to buy, sell or hold securities. The highest investment grade credit rating is AAA for S&P, Aaa for Moody's and AAA for Fitch. The lowest investment grade credit rating is BBB- for S&P, Baa3 for Moody's and BBB- for Fitch. Our credit ratings may be revised or withdrawn at any time by the rating agencies, and each rating should be evaluated independently of any other rating. There can be no assurance that a rating will remain in effect for any given period of time or that a rating will not be lowered, or withdrawn entirely, by a rating agency if, in its judgment, circumstances so warrant.

Debt Covenants

We were in compliance with all of our debt covenants as of September 30, 2016. Our debt covenants are described in Note 5 to the consolidated financial statements.

Contractual Obligations and Commercial Commitments

The following table provides information about contractual obligations and commercial commitments at September 30, 2016.

	Payments Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
			(In thousands)		
Contractual Obligations					
Long-term debt(1)	$2,460,000	$ 250,000	$450,000	$ —	$1,760,000
Short-term debt(1)	829,811	829,811	—	—	—
Interest charges(2)	2,112,610	135,518	227,809	172,134	1,577,149
Operating leases(3)	125,875	17,073	32,274	28,814	47,714
Demand fees for contracted storage(4)	6,670	4,865	1,590	215	—
Demand fees for contracted transportation(5)	6,560	4,200	1,170	512	678
Financial instrument obligations(6)	240,819	56,771	184,048	—	—
Pension and postretirement benefit plan contributions(7)	407,359	52,410	62,497	83,377	209,075
Uncertain tax positions (including interest)(8)	20,298	—	20,298	—	—
Total contractual obligations	$6,210,002	$1,350,648	$979,686	$285,052	$3,594,616

(1) See Note 5 to the consolidated financial statements.

(2) Interest charges were calculated using the effective rate for each debt issuance.

(3) See Note 10 to the consolidated financial statements.

(4) Represents third party contractual demand fees for contracted storage in our nonregulated segment. Contractual demand fees for contracted storage for our regulated distribution segment are excluded as these costs are fully recoverable through our purchase gas adjustment mechanisms.

(5) Represents third party contractual demand fees for transportation in our nonregulated segment.

(6) Represents liabilities for natural gas commodity and interest rate financial instruments that were valued as of September 30, 2016. The ultimate settlement amounts of these remaining liabilities are unknown because they are subject to continuing market risk until the financial instruments are settled.

(7) Represents expected contributions to our pension and postretirement benefit plans, which are discussed in Note 7 to the consolidated financial statements.

(8) Represents liabilities associated with uncertain tax positions claimed or expected to be claimed on tax returns.

Our regulated distribution segment maintains supply contracts with several vendors that generally cover a period of up to one year. Commitments for estimated base gas volumes are established under these contracts on a monthly basis at contractually negotiated prices. Commitments for incremental daily purchases are made as necessary during the month in accordance with the terms of individual contracts. Our Mid-Tex Division also maintains a limited number of long-term supply contracts to ensure a reliable source of gas for our customers in its service area which obligate it to purchase specified volumes at market and fixed prices. At September 30, 2016, we were committed to purchase 28.5 Bcf within one year, 4.2 Bcf within two to three years and 0.6 Bcf after three years under indexed contracts.

AEH has commitments to purchase physical quantities of natural gas under contracts indexed to the forward NYMEX strip or fixed price contracts. At September 30, 2016, AEH was committed to purchase 93.5 Bcf within one year, 9.1 Bcf within two to three years and 0.2 Bcf after three years under indexed contracts. AEH is committed to purchase 11.9 Bcf within one year and 1.3 Bcf within two to three years under fixed price contracts with prices ranging from $0.25 to $3.16 per Mcf.

Risk Management Activities

As discussed above in our Critical Accounting Policies, we use financial instruments to mitigate commodity price risk and, periodically, to manage interest rate risk. We conduct risk management activities through our regulated distribution and nonregulated segments. In our regulated distribution segment, we use a combination of physical storage, fixed physical contracts and fixed financial contracts to reduce our exposure to unusually large winter-period gas price increases. In our nonregulated segments, we manage our exposure to the risk of natural gas price changes and lock in our gross profit margin through a combination of storage and financial instruments, including futures, over-the-counter and exchange-traded options and swap contracts with counterparties. To the extent our inventory cost and actual sales and actual purchases do not correlate with the changes in the market indices we use in our hedges, we could experience ineffectiveness or the hedges may no longer meet the accounting requirements for hedge accounting, resulting in the financial instruments being marked to market through earnings.

We record our financial instruments as a component of risk management assets and liabilities, which are classified as current or noncurrent based upon the anticipated settlement date of the underlying financial instrument. Substantially all of our financial instruments are valued using external market quotes and indices.

The following table shows the components of the change in fair value of our regulated distribution segment's financial instruments for the fiscal year ended September 30, 2016 (in thousands):

Fair value of contracts at September 30, 2015	$(119,361)
Contracts realized/settled	(20,847)
Fair value of new contracts	4,811
Other changes in value	(126,241)
Fair value of contracts at September 30, 2016	(261,638)
Netting of cash collateral	25,670
Cash collateral and fair value of contracts at September 30, 2016	$(235,968)

The fair value of our regulated distribution segment's financial instruments at September 30, 2016, is presented below by time period and fair value source:

	Fair Value of Contracts at September 30, 2016				
	Maturity in years				
Source of Fair Value	Less than 1	1-3	4-5	Greater than 5	Total Fair Value
	(In thousands)				
Prices actively quoted	$(65,452)	$(196,186)	$—	$—	$(261,638)
Prices based on models and other valuation methods	—	—	—	—	—
Total Fair Value	$(65,452)	$(196,186)	$—	$—	$(261,638)

The following table shows the components of the change in fair value of our nonregulated segment's financial instruments for the fiscal year ended September 30, 2016 (in thousands):

Fair value of contracts at September 30, 2015	$(34,620)
Contracts realized/settled	25,958
Fair value of new contracts	—
Other changes in value	(9,243)
Fair value of contracts at September 30, 2016	(17,905)
Netting of cash collateral	24,680
Cash collateral and fair value of contracts at September 30, 2016	$ 6,775

The fair value of our nonregulated segment's financial instruments at September 30, 2016, is presented below by time period and fair value source:

	Fair Value of Contracts at September 30, 2016				
	Maturity in years				
Source of Fair Value	Less than 1	1-3	4-5	Greater than 5	Total Fair Value
	(In thousands)				
Prices actively quoted	$(15,946)	$(1,418)	$(541)	$—	$(17,905)
Prices based on models and other valuation methods	—	—	—	—	—
Total Fair Value	$(15,946)	$(1,418)	$(541)	$—	$(17,905)

Employee Benefits Programs

An important element of our total compensation program, and a significant component of our operation and maintenance expense, is the offering of various benefits programs to our employees. These programs include medical and dental insurance coverage and pension and postretirement programs.

Medical and Dental Insurance

We offer medical and dental insurance programs to substantially all of our employees. We believe these programs are compliant with all current and future provisions that will be going into effect under *The Patient Protection and Affordable Care Act* and consistent with other programs in our industry. In recent years, we have endeavored to actively manage our health care costs through the introduction of a wellness strategy that is focused on helping employees to identify health risks and to manage these risks through improved lifestyle choices.

Over the last five fiscal years, we have experienced annual medical and prescription inflation of approximately six percent. For fiscal 2017, we anticipate the medical and prescription drug inflation rate will continue at approximately six percent, primarily due to the inflation of health care costs.

Net Periodic Pension and Postretirement Benefit Costs

For the fiscal year ended September 30, 2016, our total net periodic pension and other benefits costs was $46.0 million, compared with $58.9 million and $69.8 million for the fiscal years ended September 30, 2015 and 2014. These costs relating to our regulated distribution operations are recoverable through our distribution rates. A portion of these costs is capitalized into our distribution rate base, and the remaining costs are recorded as a component of operation and maintenance expense.

Our fiscal 2016 costs were determined using a September 30, 2015 measurement date. At that date, interest and corporate bond rates utilized to determine our discount rates were higher than the interest and corporate bond rates as of September 30, 2014, the measurement date for our fiscal 2015 net periodic cost. Therefore, we increased the discount rate used to measure our fiscal 2016 net periodic cost from 4.43 percent to 4.55 percent. We lowered expected return on plan assets from 7.25 percent to 7.00 percent in the determination of our fiscal 2016 net periodic pension cost based upon expected market returns for our targeted asset allocation. As a result of the net impact of these and other assumptions, our fiscal 2016 pension and postretirement medical costs were approximately 20 percent lower than in the prior year.

Our fiscal 2015 costs were determined using a September 30, 2014 measurement date. At that date, interest and corporate bond rates utilized to determine our discount rates were lower than the interest and corporate bond rates as of September 30, 2013, the measurement date for our fiscal 2014 net periodic cost. Therefore, we decreased the discount rate used to measure our fiscal 2015 net periodic cost from 4.95 percent to 4.43 percent. We maintained our expected return on plan assets at 7.25 percent in the determination of our fiscal 2015 net periodic pension cost based upon expected market returns for our targeted asset allocation. As a result of the net impact of these and other assumptions, our fiscal 2015 pension and postretirement medical costs were lower than in the prior year.

Pension and Postretirement Plan Funding

Generally, our funding policy is to contribute annually an amount that will at least equal the minimum amount required to comply with the Employee Retirement Income Security Act of 1974 (ERISA). However, additional voluntary contributions are made from time to time as considered necessary. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future.

In accordance with the Pension Protection Act of 2006 (PPA), we determined the funded status of our plans as of January 1, 2016. Based on this valuation, we contributed cash of $15.0 million, $38.0 million and $27.1 million to our pension plans during fiscal 2016, 2015 and 2014. Each contribution increased the level of our plan assets to achieve a desired PPA funding threshold.

We contributed $16.6 million, $20.0 million and $23.6 million to our postretirement benefits plans for the fiscal years ended September 30, 2016, 2015 and 2014. The contributions represent the portion of the postretirement costs we are responsible for under the terms of our plan and minimum funding required by state regulatory commissions.

Outlook for Fiscal 2017 and Beyond

As of September 30, 2016, interest and corporate bond rates were lower than the rates as of September 30, 2015. Therefore, we decreased the discount rate used to measure our fiscal 2017 net periodic cost from 4.55 percent to 3.73 percent. We maintained the expected return on plan assets of 7.00 percent in the determination of our fiscal 2017 net periodic pension cost based upon expected market returns for our targeted asset allocation. On October 20, 2016, the Society of Actuaries released its annually-updated mortality improvement scale for pension plans incorporating new assumptions surrounding life expectancies in the United States. As of September 30, 2016, we updated our assumed mortality rates to incorporate the updated mortality table. As a result of the net impact of changes in these and other assumptions, we expect our fiscal 2017 net periodic pension cost to be consistent with fiscal 2016.

Based upon current market conditions, the current funded position of the plans and the funding requirements under the PPA, we do not anticipate a minimum required contribution for fiscal 2017. However, we may consider whether a voluntary contribution is prudent to maintain certain funding levels. With respect to our postretirement medical plans, we anticipate contributing between $10 million and $20 million during fiscal 2017.

Actual changes in the fair market value of plan assets and differences between the actual and expected return on plan assets could have a material effect on the amount of pension costs ultimately recognized. A 0.25 percent change in our discount rate would impact our pension and postretirement costs by approximately $2.9 million. A 0.25 percent change in our expected rate of return would impact our pension and postretirement costs by approximately $1.3 million.

The projected liability, future funding requirements and the amount of expense or income recognized for each of our pension and other post-retirement benefit plans are subject to change, depending on the actuarial value of plan assets, and the determination of future benefit obligations as of each subsequent calculation date. These amounts are impacted by actual investment returns, changes in interest rates, changes in the demographic composition of the participants in the plans and other actuarial assumptions.

RECENT ACCOUNTING DEVELOPMENTS

Recent accounting developments and their impact on our financial position, results of operations and cash flows are described in Note 2 to the consolidated financial statements.

ITEM 7A. *Quantitative and Qualitative Disclosures About Market Risk.*

We are exposed to risks associated with commodity prices and interest rates. Commodity price risk is the potential loss that we may incur as a result of changes in the fair value of a particular instrument or commodity. Interest-rate risk results from our portfolio of debt and equity instruments that we issue to provide financing and liquidity for our business activities.

We conduct risk management activities through both our regulated distribution and nonregulated segments. In our regulated distribution segment, we use a combination of physical storage, fixed physical contracts and fixed financial contracts to protect us and our customers against unusually large winter period gas price increases. In our nonregulated segment, we manage our exposure to the risk of natural gas price changes and lock in our gross profit margin through a combination of storage and financial instruments including futures, over-the-counter and exchange-traded options and swap contracts with counterparties. Our risk management activities and related accounting treatment are described in further detail in Note 13 to the consolidated financial statements. Additionally, our earnings are affected by changes in short-term interest rates as a result of our issuance of short-term commercial paper and our other short-term borrowings.

Commodity Price Risk

Regulated distribution segment

We purchase natural gas for our regulated distribution operations. Substantially all of the costs of gas purchased for regulated distribution operations are recovered from our customers through purchased gas cost adjustment mechanisms. Therefore, our regulated distribution operations have limited commodity price risk exposure.

Nonregulated segment

Our nonregulated segment is also exposed to risks associated with changes in the market price of natural gas. For our nonregulated segment, we use a sensitivity analysis to estimate commodity price risk. For purposes of this analysis, we estimate commodity price risk by applying a $0.50 change in the forward NYMEX price to our net open position (including existing storage and related financial contracts) at the end of each period. Based on AEH's net open position (including existing storage and related financial contracts) at September 30, 2016 of 0.1 Bcf, a $0.50 change in the forward NYMEX price would have had an impact of less than $0.1 million on our consolidated net income.

Changes in the difference between the indices used to mark to market our physical inventory (Gas Daily) and the related fair-value hedge (NYMEX) can result in volatility in our reported net income; but, over time, gains and losses on the sale of storage gas inventory will be offset by gains and losses on the fair-value hedges. Based upon our net physical position at September 30, 2016 and assuming our hedges would still qualify as highly effective, a $0.50 change in the difference between the Gas Daily and NYMEX indices would impact our reported net income by approximately $5.9 million.

Additionally, these changes could cause us to recognize a risk management liability, which would require us to place cash into an escrow account to collateralize this liability position. This, in turn, would reduce the amount of cash we would have on hand to fund our working capital needs.

Interest Rate Risk

Our earnings are exposed to changes in short-term interest rates associated with our short-term commercial paper program and other short-term borrowings. We use a sensitivity analysis to estimate our short-term interest rate risk. For purposes of this analysis, we estimate our short-term interest rate risk as the difference between our actual interest expense for the period and estimated interest expense for the period assuming a hypothetical average one percent increase in the interest rates associated with our short-term borrowings. Had interest rates associated with our short-term borrowings increased by an average of one percent, our interest expense would have increased by approximately $6.4 million during 2016.

ITEM 8. *Financial Statements and Supplementary Data.*

Index to financial statements and financial statement schedule:

All other financial statement schedules are omitted because the required information is not present, or not present in amounts sufficient to require submission of the schedule or because the information required is included in the financial statements and accompanying notes thereto.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of
Atmos Energy Corporation

We have audited the accompanying consolidated balance sheets of Atmos Energy Corporation as of September 30, 2016 and 2015, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended September 30, 2016. Our audits also included the financial statement schedule listed in the Index at Item 8. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Atmos Energy Corporation at September 30, 2016 and 2015, and the consolidated results of its operations and its cash flows for each of the three years in the period ended September 30, 2016, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the financial statements taken as a whole, presents fairly, in all material respects the financial information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Atmos Energy Corporation's internal control over financial reporting as of September 30, 2016, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated November 14, 2016 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Dallas, Texas
November 14, 2016

ATMOS ENERGY CORPORATION

CONSOLIDATED BALANCE SHEETS

	September 30 2016	September 30 2015
	(In thousands, except share data)	
ASSETS		
Property, plant and equipment	$ 9,987,078	$8,959,702
Construction in progress	184,062	280,398
	10,171,140	9,240,100
Less accumulated depreciation and amortization	1,890,629	1,809,520
Net property, plant and equipment	8,280,511	7,430,580
Current assets		
Cash and cash equivalents	47,534	28,653
Accounts receivable, less allowance for doubtful accounts of $13,367 in 2016 and $15,283 in 2015	300,007	295,160
Gas stored underground	233,316	236,603
Other current assets	100,829	65,890
Total current assets	681,686	626,306
Goodwill	743,407	742,702
Deferred charges and other assets	305,285	275,484
	$10,010,889	$9,075,072
CAPITALIZATION AND LIABILITIES		
Shareholders' equity		
Common stock, no par value (stated at $.005 per share); 200,000,000 shares authorized; issued and outstanding: 2016 — 103,930,560 shares, 2015 — 101,478,818 shares	$ 520	$ 507
Additional paid-in capital	2,388,027	2,230,591
Accumulated other comprehensive loss	(188,022)	(109,330)
Retained earnings	1,262,534	1,073,029
Shareholders' equity	3,463,059	3,194,797
Long-term debt	2,188,779	2,437,515
Total capitalization	5,651,838	5,632,312
Commitments and contingencies		
Current liabilities		
Accounts payable and accrued liabilities	259,434	238,942
Other current liabilities	449,036	457,954
Short-term debt	829,811	457,927
Current maturities of long-term debt	250,000	—
Total current liabilities	1,788,281	1,154,823
Deferred income taxes	1,603,056	1,411,315
Regulatory cost of removal obligation	424,281	427,553
Pension and postretirement liabilities	297,743	287,373
Deferred credits and other liabilities	245,690	161,696
	$10,010,889	$9,075,072

See accompanying notes to consolidated financial statements.

ATMOS ENERGY CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

	Year Ended September 30		
	2016	2015	2014
	(In thousands, except per share data)		
Operating revenues			
Regulated distribution segment	$2,291,866	$2,763,835	$3,061,546
Regulated pipeline segment	408,833	370,112	318,459
Nonregulated segment	1,066,363	1,472,209	2,067,292
Intersegment eliminations	(417,113)	(464,020)	(506,381)
	3,349,949	4,142,136	4,940,916
Purchased gas cost			
Regulated distribution segment	1,019,061	1,526,258	1,885,031
Regulated pipeline segment	—	—	—
Nonregulated segment	1,002,573	1,399,349	1,979,337
Intersegment eliminations	(416,581)	(463,488)	(505,878)
	1,605,053	2,462,119	3,358,490
Gross profit	1,744,896	1,680,017	1,582,426
Operating expenses			
Operation and maintenance	560,766	541,868	505,154
Depreciation and amortization	293,096	274,796	253,987
Taxes, other than income	223,016	231,958	211,936
Total operating expenses	1,076,878	1,048,622	971,077
Operating income	668,018	631,395	611,349
Miscellaneous expense, net	(1,593)	(4,389)	(5,235)
Interest charges	115,948	116,241	129,295
Income before income taxes	550,477	510,765	476,819
Income tax expense	200,373	195,690	187,002
Net income	$ 350,104	$ 315,075	$ 289,817
Basic net income per share	$ 3.38	$ 3.09	$ 2.96
Diluted net income per share	$ 3.38	$ 3.09	$ 2.96
Weighted average shares outstanding:			
Basic	103,524	101,892	97,606
Diluted	103,524	101,892	97,608

See accompanying notes to consolidated financial statements.

ATMOS ENERGY CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended September 30		
	2016	2015	2014
		(In thousands)	
Net income	$350,104	$315,075	$289,817
Other comprehensive income (loss), net of tax			
Net unrealized holding gains (losses) on available-for-sale securities, net of tax of $(245), $(1,559) and $1,199	(465)	(2,713)	2,214
Cash flow hedges:			
Amortization and unrealized loss on interest rate agreements, net of tax of $(56,723), $(40,501) and $(32,353)	(98,682)	(70,461)	(56,287)
Net unrealized gains (losses) on commodity cash flow hedges, net of tax of $13,078, $(15,193) and $1,791	20,455	(23,763)	2,802
Total other comprehensive loss	(78,692)	(96,937)	(51,271)
Total comprehensive income	$271,412	$218,138	$238,546

See accompanying notes to consolidated financial statements.

ATMOS ENERGY CORPORATION

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Common stock			Accumulated		
	Number of Shares	Stated Value	Additional Paid-in Capital	Other Comprehensive Income (Loss)	Retained Earnings	Total
	(In thousands, except share and per share data)					
Balance, September 30, 2013	90,640,211	$453	$1,765,811	$ 38,878	$ 775,267	$2,580,409
Net income	—	—	—	—	289,817	289,817
Other comprehensive loss	—	—	—	(51,271)	—	(51,271)
Repurchase of equity awards	(190,134)	(1)	(8,716)	—	—	(8,717)
Cash dividends ($1.48 per share)	—	—	—	—	(146,248)	(146,248)
Common stock issued:						
Public offering	9,200,000	46	390,159	—	—	390,205
Direct stock purchase plan	83,150	1	4,066	—	—	4,067
1998 Long-term incentive plan	653,130	3	5,214	—	(864)	4,353
Employee stock-based compensation	—	—	23,536	—	—	23,536
Outside directors stock-for-fee plan	1,735	—	81	—	—	81
Balance, September 30, 2014	100,388,092	502	2,180,151	(12,393)	917,972	3,086,232
Net income	—	—	—	—	315,075	315,075
Other comprehensive loss	—	—	—	(96,937)	—	(96,937)
Repurchase of equity awards	(148,464)	(1)	(7,984)	—	—	(7,985)
Cash dividends ($1.56 per share)	—	—	—	—	(160,018)	(160,018)
Common stock issued:						
Direct stock purchase plan	176,391	1	10,625	—	—	10,626
Retirement savings plan	398,047	2	20,324	—	—	20,326
1998 Long-term incentive plan	664,752	3	2,263	—	—	2,266
Employee stock-based compensation	—	—	25,212	—	—	25,212
Balance, September 30, 2015	101,478,818	507	2,230,591	(109,330)	1,073,029	3,194,797
Net income	—	—	—	—	350,104	350,104
Other comprehensive loss	—	—	—	(78,692)	—	(78,692)
Cash dividends ($1.68 per share)	—	—	—	—	(175,126)	(175,126)
Cumulative effect of accounting change	—	—	—	—	14,527	14,527
Common stock issued:						
Public offering	1,360,756	7	98,567	—	—	98,574
Direct stock purchase plan	133,133	1	9,228	—	—	9,229
Retirement savings plan	359,414	2	25,047	—	—	25,049
1998 Long-term incentive plan	598,439	3	3,175	—	—	3,178
Employee stock-based compensation	—	—	21,419	—	—	21,419
Balance, September 30, 2016	103,930,560	$520	$2,388,027	$(188,022)	$1,262,534	$3,463,059

See accompanying notes to consolidated financial statements.

ATMOS ENERGY CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended September 30		
	2016	2015	2014
		(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 350,104	$ 315,075	$ 289,817
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	293,096	274,796	253,987
Deferred income taxes	193,556	192,886	189,952
Stock-based compensation	14,760	15,980	14,721
Debt financing costs	5,667	5,922	9,409
Other	1,019	359	541
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(4,847)	48,240	(41,408)
(Increase) decrease in gas stored underground	20,577	33,234	(31,996)
Increase in other current assets	(18,739)	(11,951)	(24,411)
(Increase) decrease in deferred charges and other assets	(24,860)	51,614	28,875
Increase (decrease) in accounts payable and accrued liabilities	(5,195)	(59,112)	60,465
Increase (decrease) in other current liabilities	(44,482)	896	2,413
Increase (decrease) in deferred credits and other liabilities	14,334	(56,025)	(19,552)
Net cash provided by operating activities	794,990	811,914	732,813
CASH FLOWS USED IN INVESTING ACTIVITIES			
Capital expenditures	(1,086,950)	(963,621)	(824,441)
Purchases of available-for-sale securities	(32,551)	(29,527)	(32,734)
Proceeds from sale of available-for-sale securities	27,019	24,889	24,872
Maturities of available-for-sale securities	6,290	6,235	5,215
Other, net	6,460	5,422	2,109
Net cash used in investing activities	(1,079,732)	(956,602)	(824,979)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase (decrease) in short-term debt	371,884	261,232	(171,289)
Proceeds from issuance of long-term debt, net of discount	—	499,060	—
Net proceeds from equity offering	98,574	—	390,205
Issuance of common stock through stock purchase and employee retirement plans	34,278	30,952	4,274
Settlement of interest rate agreements	—	13,364	—
Interest rate agreements cash collateral	(25,670)	—	—
Repayment of long-term debt	—	(500,000)	—
Cash dividends paid	(175,126)	(160,018)	(146,248)
Repurchase of equity awards	—	(7,985)	(8,717)
Other	(317)	(5,522)	—
Net cash provided by financing activities	303,623	131,083	68,225
Net increase (decrease) in cash and cash equivalents	18,881	(13,605)	(23,941)
Cash and cash equivalents at beginning of year	28,653	42,258	66,199
Cash and cash equivalents at end of year	$ 47,534	$ 28,653	$ 42,258
CASH PAID (RECEIVED) DURING THE PERIOD FOR:			
Interest	$ 154,748	$ 151,334	$ 156,606
Income taxes	$ 7,794	$ 1,802	$ (610)

See accompanying notes to consolidated financial statements.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Business

Atmos Energy Corporation ("Atmos Energy" or the "Company") and our subsidiaries are engaged primarily in the regulated natural gas distribution and pipeline businesses as well as certain other nonregulated businesses. Through our regulated distribution business, we deliver natural gas through sales and transportation arrangements to over three million residential, commercial, public-authority and industrial customers through our six regulated distribution divisions in the service areas described below:

Division	Service Area
Atmos Energy Colorado-Kansas Division	Colorado, Kansas
Atmos Energy Kentucky/Mid-States Division	Kentucky, Tennessee, Virginia(1)
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

(1) Denotes location where we have more limited service areas.

In addition, we transport natural gas for others through our distribution system. Our distribution business is subject to federal and state regulation and/or regulation by local authorities in each of the states in which our regulated distribution divisions operate. Our corporate headquarters and shared-services function are located in Dallas, Texas, and our customer support centers are located in Amarillo and Waco, Texas.

Our regulated pipeline business, which is also subject to federal and state regulation, consists of the regulated operations of our Atmos Pipeline — Texas Division, a division of the Company. This division transports natural gas to our Mid-Tex Division, transports natural gas for third parties and manages five underground storage reservoirs in Texas. We also provide ancillary services customary to the pipeline industry including parking arrangements, lending and sales of inventory on hand.

Our nonregulated businesses operate primarily in the Midwest and Southeast through various wholly-owned subsidiaries of Atmos Energy Holdings, Inc., (AEH). AEH is a wholly-owned subsidiary of the Company and based in Houston, Texas. Through AEH, we provide natural gas management and transportation services to municipalities, regulated distribution companies, including certain divisions of Atmos Energy and third parties.

2. Summary of Significant Accounting Policies

Principles of consolidation — The accompanying consolidated financial statements include the accounts of Atmos Energy Corporation and its wholly-owned subsidiaries. All material intercompany transactions have been eliminated; however, we have not eliminated intercompany profits when such amounts are probable of recovery under the affiliates' rate regulation process.

Basis of comparison — As described under Recent Accounting Pronouncements below, we reclassified debt issuance costs from deferred charges and other assets to long-term debt. Additionally, we recorded immaterial corrections to the presentation of certain activities on our Consolidated Statement of Cash Flows for the years ended September 30, 2015 and 2014.

Use of estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. The most significant estimates include the allowance for doubtful accounts, unbilled revenues, contingency accruals, pension and postretirement obligations, deferred income taxes, impairment of long-lived assets, risk management and trading activities, fair value measurements and the valuation of goodwill and other long-lived assets. Actual results could differ from those estimates.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Regulation — Our regulated distribution and regulated pipeline operations are subject to regulation with respect to rates, service, maintenance of accounting records and various other matters by the respective regulatory authorities in the states in which we operate. Our accounting policies recognize the financial effects of the ratemaking and accounting practices and policies of the various regulatory commissions. Accounting principles generally accepted in the United States require cost-based, rate-regulated entities that meet certain criteria to reflect the authorized recovery of costs due to regulatory decisions in their financial statements. As a result, certain costs that would normally be expensed under accounting principles generally accepted in the United States are permitted to be capitalized or deferred on the balance sheet because it is probable they can be recovered through rates. Further, regulation may impact the period in which revenues or expenses are recognized. The amounts to be recovered or recognized are based upon historical experience and our understanding of the regulations.

We record regulatory assets as a component of other current assets and deferred charges and other assets for costs that have been deferred for which future recovery through customer rates is considered probable. Regulatory liabilities are recorded either on the face of the balance sheet or as a component of current liabilities, deferred income taxes or deferred credits and other liabilities when it is probable that revenues will be reduced for amounts that will be credited to customers through the ratemaking process. Significant regulatory assets and liabilities as of September 30, 2016 and 2015 included the following:

	September 30	
	2016	2015
	(In thousands)	
Regulatory assets:		
Pension and postretirement benefit costs[1]	$132,348	$121,183
Infrastructure Mechanisms[2]	42,719	32,813
Deferred gas costs	45,184	9,715
Recoverable loss on reacquired debt	13,761	16,319
Deferred pipeline record collection costs	7,336	3,118
APT annual adjustment mechanism	7,171	1,002
Rate case costs	1,539	1,533
Other	13,565	6,656
	$263,623	$192,339
Regulatory liabilities:		
Regulatory cost of removal obligation	$476,891	$483,676
Deferred gas costs	20,180	28,100
Asset retirement obligation	13,404	9,063
Other	4,250	3,693
	$514,725	$524,532

(1) Includes $12.4 million and $16.6 million of pension and postretirement expense deferred pursuant to regulatory authorization.

(2) Infrastructure mechanisms in Texas and Louisiana allow for the deferral of all eligible expenses associated with capital expenditures incurred pursuant to these rules, including the recording of interest on the deferred expenses until the next rate proceeding (rate case or annual rate filing), at which time investment and costs would be recovered through base rates.

Revenue recognition — Sales of natural gas to our regulated distribution customers are billed on a monthly basis; however, the billing cycle periods for certain classes of customers do not necessarily coincide with accounting periods used for financial reporting purposes. We follow the revenue accrual method of accounting for regulated distribution segment revenues whereby revenues applicable to gas delivered to customers, but not yet billed under the cycle billing method, are estimated and accrued and the related costs are charged to expense.

On occasion, we are permitted to implement new rates that have not been formally approved by our state regulatory commissions, which are subject to refund. As permitted by accounting principles generally accepted in the United States, we recognize this revenue and establish a reserve for amounts that could be refunded based on our experience for the jurisdiction in which the rates were implemented.

Rates established by regulatory authorities are adjusted for increases and decreases in our purchased gas costs through purchased gas cost adjustment mechanisms. Purchased gas cost adjustment mechanisms provide gas distribution companies a method of recovering purchased gas costs on an ongoing basis without filing a rate case to address all of their non-gas costs. There is no gross profit generated through purchased gas cost adjustments, but they provide a dollar-for-dollar offset to increases or decreases in our regulated distribution segment's gas costs. The effects of these purchased gas cost adjustment mechanisms are recorded as deferred gas costs on our balance sheet.

Operating revenues for our regulated pipeline and nonregulated segments are recognized in the period in which actual volumes are transported and storage services are provided.

Operating revenues for our nonregulated segment and the associated carrying value of natural gas inventory (inclusive of storage costs) are recognized when we sell the gas and physically deliver it to our customers. Operating revenues include realized gains and losses arising from the settlement of financial instruments used in our nonregulated activities.

Cash and cash equivalents — We consider all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Accounts receivable and allowance for doubtful accounts — Accounts receivable arise from natural gas sales to residential, commercial, industrial, municipal and other customers. We establish an allowance for doubtful accounts to reduce the net receivable balance to the amount we reasonably expect to collect based on our collection experience or where we are aware of a specific customer's inability or reluctance to pay. However, if circumstances change, our estimate of the recoverability of accounts receivable could be affected. Circumstances which could affect our estimates include, but are not limited to, customer credit issues, the level of natural gas prices, customer deposits and general economic conditions. Accounts are written off once they are deemed to be uncollectible.

Gas stored underground — Our gas stored underground is comprised of natural gas injected into storage to support the winter season withdrawals for our regulated distribution operations and natural gas held by our nonregulated segment to conduct their operations. The average cost method is used for substantially all of our regulated operations. Our nonregulated segment utilizes the average cost method; however, most of this inventory is hedged and is therefore reported at fair value at the end of each month. Gas in storage that is retained as cushion gas to maintain reservoir pressure is classified as property, plant and equipment and is valued at cost.

Regulated property, plant and equipment — Regulated property, plant and equipment is stated at original cost, net of contributions in aid of construction. The cost of additions includes direct construction costs, payroll related costs (taxes, pensions and other fringe benefits), administrative and general costs and an allowance for funds used during construction. The allowance for funds used during construction represents the estimated cost of funds used to finance the construction of major projects and are capitalized in the rate base for ratemaking purposes when the completed projects are placed in service. Interest expense of $2.8 million, $2.3 million and $1.5 million was capitalized in 2016, 2015 and 2014.

Major renewals, including replacement pipe, and betterments that are recoverable under our regulatory rate base are capitalized while the costs of maintenance and repairs that are not recoverable through rates are charged to expense as incurred. The costs of large projects are accumulated in construction in progress until the project is completed. When the project is completed, tested and placed in service, the balance is transferred to the regulated plant in service account included in the rate base and depreciation begins.

Regulated property, plant and equipment is depreciated at various rates on a straight-line basis. These rates are approved by our regulatory commissions and are comprised of two components: one based on average service life and one based on cost of removal. Accordingly, we recognize our cost of removal expense as a component of depreciation expense. The related cost of removal accrual is reflected as a regulatory liability on the consolidated balance sheet. At the time property, plant and equipment is retired, removal expenses less salvage, are charged to the regulatory cost of removal accrual. The composite depreciation rate was 3.2 percent for the fiscal year ended September 30, 2016, and 3.3 percent for each of the fiscal years ended September 30, 2015 and 2014.

Nonregulated property, plant and equipment — Nonregulated property, plant and equipment is stated at cost. Depreciation is generally computed on the straight-line method for financial reporting purposes based upon estimated useful lives ranging from three to 43 years.

Asset retirement obligations — We record a liability at fair value for an asset retirement obligation when the legal obligation to retire the asset has been incurred with an offsetting increase to the carrying value of the related asset. Accretion of the asset retirement obligation due to the passage of time is recorded as an operating expense.

As of September 30, 2016 and 2015, we had asset retirement obligations of $13.4 million and $11.1 million. Additionally, we had $8.1 million and $4.8 million of asset retirement costs recorded as a component of property, plant and equipment that will be depreciated over the remaining life of the underlying associated assets.

We believe we have a legal obligation to retire our natural gas storage facilities. However, we have not recognized an asset retirement obligation associated with our storage facilities because we are not able to determine the settlement date of this obligation as we do not anticipate taking our storage facilities out of service permanently. Therefore, we cannot reasonably estimate the fair value of this obligation.

Impairment of long-lived assets — We periodically evaluate whether events or circumstances have occurred that indicate that other long-lived assets may not be recoverable or that the remaining useful life may warrant revision. When such events or circumstances are present, we assess the recoverability of long-lived assets by determining whether the carrying value will be recovered through the expected future cash flows. In the event the sum of the expected future cash flows resulting from the use of the asset is less than the carrying value of the asset, an impairment loss equal to the excess of the asset's carrying value over its fair value is recorded.

Goodwill — We annually evaluate our goodwill balances for impairment during our second fiscal quarter or more frequently as impairment indicators arise. We use a present value technique based on discounted cash flows to estimate the fair value of our reporting units. These calculations are dependent on several subjective factors including the timing of future cash flows, future growth rates and the discount rate. An impairment charge is recognized if the carrying value of a reporting unit's goodwill exceeds its fair value.

Marketable securities — As of September 30, 2016 and 2015, all of our marketable securities were classified as available for sale. In accordance with the authoritative accounting standards, these securities are reported at market value with unrealized gains and losses shown as a component of accumulated other comprehensive income (loss). We regularly evaluate the performance of these investments on an individual investment by investment basis for impairment, taking into consideration the fund's purpose, volatility and current returns. If a determination is made that a decline in fair value is other than temporary, the related investment is written down to its estimated fair value.

Financial instruments and hedging activities — We use financial instruments to mitigate commodity price risk in our regulated distribution and nonregulated segments and interest rate risk. The objectives and strategies for using financial instruments have been tailored to our regulated and nonregulated businesses and are discussed in Note 13.

We record all of our financial instruments on the balance sheet at fair value, with changes in fair value ultimately recorded in the income statement. These financial instruments are reported as risk management assets and liabilities and are classified as current or noncurrent other assets or liabilities based upon the anticipated settlement date of the underlying financial instrument. We record the cash flow impact of our financial instruments in operating cash flows based upon their balance sheet classification.

The timing of when changes in fair value of our financial instruments are recorded in the income statement depends on whether the financial instrument has been designated and qualifies as a part of a hedging relationship or if regulatory rulings require a different accounting treatment. Changes in fair value for financial instruments that do not meet one of these criteria are recognized in the income statement as they occur.

Financial Instruments Associated with Commodity Price Risk

In our regulated distribution segment, the costs associated with and the gains and losses arising from the use of financial instruments to mitigate commodity price risk are included in our purchased gas cost adjustment mechanisms in accordance with regulatory requirements. Therefore, changes in the fair value of these financial instruments are initially recorded as a component of deferred gas costs and recognized in the consolidated statement of income as a component of purchased gas cost when the related costs are recovered through our rates and recognized in revenue in accordance with accounting principles generally accepted in the United States. Accordingly, there is no earnings impact on our regulated distribution segment as a result of the use of financial instruments.

In our nonregulated segment, we have designated most of the natural gas inventory held by this operating segment as the hedged item in a fair-value hedge. This inventory is marked to market at the end of each month based on the Gas Daily index, with changes in fair value recognized as unrealized gains or losses in purchased gas cost in the period of change. The financial instruments associated with this natural gas inventory have been designated as fair-value hedges and are marked to market each month based upon the NYMEX price with changes in fair value recognized as unrealized gains or losses in purchased gas cost in the period of change. We have elected to exclude this spot/forward differential for purposes of assessing the effectiveness of these fair-value hedges. For the fiscal years ended September 30, 2016, 2015 and 2014, we included unrealized gains (losses) on open contracts of $1.3 million, $(2.4) million and $9.6 million as a component of nonregulated purchased gas cost.

Additionally, we have elected to treat fixed-price forward contracts used in our nonregulated segment to deliver natural gas as normal purchases and normal sales. As such, these deliveries are recorded on an accrual basis in accordance with our revenue recognition policy. Financial instruments used to mitigate the commodity price risk associated with these contracts have been designated as cash flow hedges of anticipated purchases and sales at indexed prices. Accordingly, unrealized gains and losses on these open financial instruments are recorded as a component of accumulated other comprehensive income, and are recognized in earnings as a component of purchased gas cost when the hedged volumes are sold.

Gains and losses from hedge ineffectiveness are recognized in the income statement. Fair value and cash flow hedge ineffectiveness arising from natural gas market price differences between the locations of the hedged inventory and the delivery location specified in the financial instruments is referred to as basis ineffectiveness. Ineffectiveness arising from changes in the fair value of the fair value hedges due to changes in the difference between the spot price and the futures price, as well as the difference between the timing of the settlement of the futures and the valuation of the underlying physical commodity is referred to as timing ineffectiveness. Hedge ineffectiveness, to the extent incurred, is reported as a component of purchased gas cost.

Our nonregulated segment also utilizes master netting agreements with significant counterparties that allow us to offset gains and losses arising from financial instruments that may be settled in cash with gains and losses arising from financial instruments that may be settled with the physical commodity. Assets and liabilities from

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

risk management activities, as well as accounts receivable and payable, reflect the master netting agreements in place. Additionally, the accounting guidance for master netting arrangements requires us to include the fair value of cash collateral or the obligation to return cash in the amounts that have been netted under master netting agreements used to offset gains and losses arising from financial instruments. As of September 30, 2016 and 2015, the Company netted $24.7 million and $43.5 million of cash held in margin accounts into its current and noncurrent risk management assets and liabilities.

Financial Instruments Associated with Interest Rate Risk

We manage interest rate risk, primarily when we plan to issue new long-term debt or to refinance existing long-term debt. We currently manage this risk through the use of forward starting interest rate swaps to fix the Treasury yield component of the interest cost associated with anticipated financings. We designate these financial instruments as cash flow hedges at the time the agreements are executed. Unrealized gains and losses associated with the instruments are recorded as a component of accumulated other comprehensive income (loss). When the instruments settle, the realized gain or loss is recorded as a component of accumulated other comprehensive income (loss) and recognized as a component of interest expense over the life of the related financing arrangement. Hedge ineffectiveness to the extent incurred is reported as a component of interest expense. As of September 30, 2016, the Company netted $25.7 million of cash held in margin accounts into its current and noncurrent risk management liabilities. As of September 30, 2015 no cash was required to be held in margin accounts.

Fair Value Measurements — We report certain assets and liabilities at fair value, which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). We primarily use quoted market prices and other observable market pricing information in valuing our financial assets and liabilities and minimize the use of unobservable pricing inputs in our measurements.

Fair-value estimates also consider our own creditworthiness and the creditworthiness of the counterparties involved. Our counterparties consist primarily of financial institutions and major energy companies. This concentration of counterparties may materially impact our exposure to credit risk resulting from market, economic or regulatory conditions. We seek to minimize counterparty credit risk through an evaluation of their financial condition and credit ratings and the use of collateral requirements under certain circumstances.

Amounts reported at fair value are subject to potentially significant volatility based upon changes in market prices, including, but not limited to, the valuation of the portfolio of our contracts, maturity and settlement of these contracts and newly originated transactions and interest rates, each of which directly affect the estimated fair value of our financial instruments. We believe the market prices and models used to value these financial instruments represent the best information available with respect to closing exchange and over-the-counter quotations, time value and volatility factors underlying the contracts. Values are adjusted to reflect the potential impact of an orderly liquidation of our positions over a reasonable period of time under then current market conditions.

Authoritative accounting literature establishes a fair value hierarchy that prioritizes the inputs used to measure fair value based on observable and unobservable data. The hierarchy categorizes the inputs into three levels, with the highest priority given to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest priority given to unobservable inputs (Level 3). The levels of the hierarchy are described below:

Level 1 — Represents unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is defined as a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Prices actively quoted on national exchanges are used to determine the fair value of most of our assets and liabilities recorded on our balance sheet at fair value. Within our nonregulated operations, we utilize a mid-market pricing convention (the mid-point between the bid and ask prices), as permitted under current accounting standards. Values derived from these sources reflect the market in which transactions involving these financial instruments are executed.

Our Level 1 measurements consist primarily of exchange-traded financial instruments, gas stored underground that has been designated as the hedged item in a fair value hedge and our available-for-sale securities. The Level 1 measurements for investments in the Atmos Energy Corporation Master Retirement Trust (the Master Trust), Supplemental Executive Benefit Plan and postretirement benefit plan consist primarily of exchange-traded financial instruments.

Level 2 — Represents pricing inputs other than quoted prices included in Level 1 that are either directly or indirectly observable for the asset or liability as of the reporting date. These inputs are derived principally from, or corroborated by, observable market data. Our Level 2 measurements primarily consist of non-exchange-traded financial instruments, such as over-the-counter options and swaps and municipal and corporate bonds where market data for pricing is observable. The Level 2 measurements for investments in our Master Trust, Supplemental Executive Benefit Plan and postretirement benefit plan consist primarily of non-exchange traded financial instruments such as common collective trusts, corporate bonds and investments in limited partnerships.

Level 3 — Represents generally unobservable pricing inputs which are developed based on the best information available, including our own internal data, in situations where there is little if any market activity for the asset or liability at the measurement date. The pricing inputs utilized reflect what a market participant would use to determine fair value. We currently do not have any Level 3 investments.

Pension and other postretirement plans — Pension and other postretirement plan costs and liabilities are determined on an actuarial basis and are affected by numerous assumptions and estimates including the market value of plan assets, estimates of the expected return on plan assets, assumed discount rates and current demographic and actuarial mortality data. Our measurement date is September 30. The assumed discount rate and the expected return are the assumptions that generally have the most significant impact on our pension costs and liabilities. The assumed discount rate, the assumed health care cost trend rate and assumed rates of retirement generally have the most significant impact on our postretirement plan costs and liabilities.

The discount rate is utilized principally in calculating the actuarial present value of our pension and postretirement obligation and net pension and postretirement cost. When establishing our discount rate, we consider high quality corporate bond rates based on bonds available in the marketplace that are suitable for settling the obligations, changes in those rates from the prior year and the implied discount rate that is derived from matching our projected benefit disbursements with currently available high quality corporate bonds.

The expected long-term rate of return on assets is utilized in calculating the expected return on plan assets component of the annual pension and postretirement plan cost. We estimate the expected return on plan assets by evaluating expected bond returns, equity risk premiums, asset allocations, the effects of active plan management, the impact of periodic plan asset rebalancing and historical performance. We also consider the guidance from our investment advisors when making a final determination of our expected rate of return on assets. To the extent the actual rate of return on assets realized over the course of a year is greater than or less than the assumed rate, that year's annual pension or postretirement plan cost is not affected. Rather, this gain or loss is amortized over the expected future working lifetime of the plan participants.

The expected return on plan assets is then calculated by applying the expected long-term rate of return on plan assets to the market-related value of the plan assets. The market-related value of our plan assets represents the fair market value of the plan assets, adjusted to smooth out short-term market fluctuations over a five-year period. The use of this calculation will delay the impact of current market fluctuations on the pension expense for the period.

We use a corridor approach to amortize actuarial gains and losses. Under this approach, net gains or losses in excess of ten percent of the larger of the pension benefit obligation or the market-related value of the assets are

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

amortized on a straight-line basis. The period of amortization is the average remaining service of active participants who are expected to receive benefits under the plan.

We estimate the assumed health care cost trend rate used in determining our annual postretirement net cost based upon our actual health care cost experience, the effects of recently enacted legislation and general economic conditions. Our assumed rate of retirement is estimated based upon the annual review of our participant census information as of the measurement date.

Income taxes — Income taxes are determined based on the liability method, which results in income tax assets and liabilities arising from temporary differences. Temporary differences are differences between the tax bases of assets and liabilities and their reported amounts in the financial statements that will result in taxable or deductible amounts in future years. The liability method requires the effect of tax rate changes on accumulated deferred income taxes to be reflected in the period in which the rate change was enacted. The liability method also requires that deferred tax assets be reduced by a valuation allowance unless it is more likely than not that the assets will be realized.

The Company may recognize the tax benefit from uncertain tax positions only if it is at least more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon settlement with the taxing authorities. We recognize accrued interest related to unrecognized tax benefits as a component of interest expense. We recognize penalties related to unrecognized tax benefits as a component of miscellaneous income (expense) in accordance with regulatory requirements.

Tax collections — We are allowed to recover from customers revenue-related taxes that are imposed upon us. We record such taxes as operating expenses and record the corresponding customer charges as operating revenues. However, we do collect and remit various other taxes on behalf of various governmental authorities, and we record these amounts in our consolidated balance sheets on a net basis. We do not collect income taxes from our customers on behalf of governmental authorities.

Contingencies — In the normal course of business, we are confronted with issues or events that may result in a contingent liability. These generally relate to lawsuits, claims made by third parties or the action of various regulatory agencies. For such matters, we record liabilities when they are considered probable and reasonably estimable, based on currently available facts and our estimates of the ultimate outcome or resolution of the liability in the future. Actual results may differ from estimates, depending on actual outcomes or changes in the facts or expectations surrounding each potential exposure.

Subsequent events — Except as noted in Note 5 regarding the renewal of our revolving credit facility and the AEM uncommitted 364-day bilateral credit facility and Note 15 regarding the proposed sale of AEM, no events occurred subsequent to the balance sheet date that would require recognition or disclosure in the financial statements.

Recent accounting pronouncements — In May 2014, the Financial Accounting Standards Board (FASB) issued a comprehensive new revenue recognition standard that will supersede virtually all existing revenue recognition guidance under generally accepted accounting principles in the United States. Under the new standard, a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In doing so, companies will need to use more judgment and make more estimates than under current guidance. The new standard is currently scheduled to become effective for us beginning on October 1, 2018 and can be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. As of September 30, 2016, we were actively evaluating all of our sources of revenue to determine the potential effect of the new standard on our financial position, results of operations and cash flows and the transition approach we will utilize. We are also actively monitoring the deliberations of the FASB's Transition Resource Group as decisions made by this group will impact the final conclusions of this evaluation.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

In April 2015, the FASB issued guidance to simplify the presentation of debt issuance costs, which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. The new guidance aligns the presentation of debt issuance costs with debt discounts and premiums. While the guidance would have been effective for us beginning October 1, 2016, we elected early adoption effective September 30, 2016 and have applied the provisions of the new guidance to each prior period presented. As a result, we reclassified $17.0 million and $17.9 million of unamortized debt issuance costs from deferred charges and other assets to long-term debt on the September 30, 2016 and 2015 consolidated balance sheets.

In April 2015, the FASB issued guidance to simplify the accounting for fees paid in connection with arrangements with cloud-based software providers. Under the new guidance, unless a software arrangement includes specific elements enabling customers to possess and operate software on platforms other than that offered by the cloud-based provider, the cost of such arrangements is to be accounted for as an operating expense in the period incurred. The new guidance is effective for us beginning October 1, 2016 and may be applied either prospectively or retrospectively with early adoption permitted. The adoption of this standard will not impact on our financial position, results of operations and cash flows.

In May 2015, the FASB issued guidance removing the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The guidance is effective for us on October 1, 2016 to be applied retrospectively. The adoption of this standard will have no impact on our results of operations, consolidated balance sheets or cash flows.

In November 2015, the FASB issued guidance that requires all deferred income tax liabilities and assets to be presented as noncurrent in a classified balance sheet. Previously, entities were required to separate deferred income tax liabilities and assets into current and noncurrent amounts in a classified balance sheet. As permitted under the new guidance, we elected early adoption as of March 31, 2016. The adoption of this guidance had no impact on our results of operations or cash flows. Because we adopted this new guidance prospectively, prior periods have not been adjusted.

In January 2016, the FASB issued guidance related to the classification and measurement of financial instruments. The amendments modify the accounting and presentation for certain financial liabilities and equity investments not consolidated or reported using the equity method. The guidance is effective for us beginning October 1, 2018; limited early adoption is permitted. We are currently evaluating the potential impact of this new guidance.

In February 2016, the FASB issued a comprehensive new leasing standard that will require lessees to recognize a lease liability and a right-of-use asset for all leases, including operating leases, with a term greater than 12 months on its balance sheet. The new standard will be effective for us beginning on October 1, 2019; early adoption is permitted. The new leasing standard requires modified retrospective transition, which requires application of the new guidance at the beginning of the earliest comparative period presented in the year of adoption. We are currently evaluating the effect on our financial position, results of operations and cash flows.

In March 2016, the FASB issued guidance to simplify the accounting and reporting of share-based payment arrangements. Key modifications required under the new guidance include:

- Recognition of all excess tax benefits and tax deficiencies associated with stock-based compensation as income tax expense or benefit in the income statement in the period the awards vest. The guidance also requires these income tax inflows and outflows to be classified as an operating activity.
- Simplification of the accounting for forfeitures.
- Clarification that cash paid by an employer when directly withholding shares for tax-withholding purposes should be classified as a financing activity.

As permitted under the new guidance, we elected early adoption as of March 31, 2016. In accordance with the transition requirements, we recorded a $14.5 million cumulative-effect increase to retained earnings as of October 1, 2015, with an offsetting increase to the Company's net operating loss (NOL) deferred tax asset to recognize the effect of excess tax benefits earned prior to September 30, 2015. For the year ended September 30, 2016, we have recognized a total income tax benefit of $5.0 million. The new guidance provides for certain provisions to be accounted for prospectively and others retrospectively.

In June 2016, the FASB issued new guidance which will require credit losses on most financial assets measured at amortized cost and certain other instruments to be measured using an expected credit loss model. Under this model, entities will estimate credit losses over the entire contractual term of the instrument from the date of initial recognition of that instrument. In contrast, current U.S. GAAP is based on an incurred loss model that delays recognition of credit losses until it is probable the loss has been incurred. The new guidance also introduces a new impairment recognition model for available-for-sale securities that will require credit losses for available-for-sale debt securities to be recorded through an allowance account. The new standard will be effective for us beginning on October 1, 2021; early adoption is permitted beginning on October 1, 2019. We are currently evaluating the potential impact of this new guidance.

3. Segment Information

Atmos Energy Corporation and its subsidiaries are engaged primarily in the regulated natural gas distribution and pipeline business as well as other nonregulated businesses. We distribute natural gas through sales and transportation arrangements to over three million residential, commercial, public authority and industrial customers through our six regulated distribution divisions, which cover service areas located in eight states. In addition, we transport natural gas for others through our distribution system.

Through our nonregulated business, we provide natural gas management and transportation services to municipalities, regulated distribution companies, including certain divisions of Atmos Energy and third parties.

We operate the Company through the following three segments:

- The *regulated distribution segment*, includes our regulated distribution and related sales operations.
- The *regulated pipeline segment*, includes the regulated pipeline and storage operations of our Atmos Pipeline — Texas Division.
- The *nonregulated segment*, is comprised of our nonregulated natural gas management, nonregulated natural gas transmission, storage and other services.

Our determination of reportable segments considers the strategic operating units under which we manage sales of various products and services to customers in differing regulatory environments. Although our regulated distribution segment operations are geographically dispersed, they are aggregated and reported as a single segment as each regulated distribution division has similar economic characteristics. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. We evaluate performance based on net income or loss of the respective operating units. Interest expense is allocated pro rata to each segment based upon our net investment in each segment. Income taxes are allocated to each segment as if each segment's taxes were calculated on a separate return basis.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Summarized income statements and capital expenditures by segment are shown in the following tables.

	Year Ended September 30, 2016				
	Regulated Distribution	Regulated Pipeline	Nonregulated	Eliminations	Consolidated
			(In thousands)		
Operating revenues from external parties	$2,284,185	$104,007	$ 961,757	$ —	$3,349,949
Intersegment revenues	7,681	304,826	104,606	(417,113)	—
	2,291,866	408,833	1,066,363	(417,113)	3,349,949
Purchased gas cost	1,019,061	—	1,002,573	(416,581)	1,605,053
Gross profit	1,272,805	408,833	63,790	(532)	1,744,896
Operating expenses					
Operation and maintenance	404,115	129,525	27,658	(532)	560,766
Depreciation and amortization	233,036	55,576	4,484	—	293,096
Taxes, other than income	196,070	24,298	2,648	—	223,016
Total operating expenses	833,221	209,399	34,790	(532)	1,076,878
Operating income	439,584	199,434	29,000	—	668,018
Miscellaneous income (expense)	455	(1,683)	1,443	(1,808)	(1,593)
Interest charges	79,404	36,574	1,778	(1,808)	115,948
Income before income taxes	360,635	161,177	28,665	—	550,477
Income tax expense	128,265	59,488	12,620	—	200,373
Net income	$ 232,370	$101,689	$ 16,045	$ —	$ 350,104
Capital expenditures	$ 740,039	$346,400	$ 511	$ —	$1,086,950

	Year Ended September 30, 2015				
	Regulated Distribution	Regulated Pipeline	Nonregulated	Eliminations	Consolidated
			(In thousands)		
Operating revenues from external parties	$2,757,585	$ 97,662	$1,286,889	$ —	$4,142,136
Intersegment revenues	6,250	272,450	185,320	(464,020)	—
	2,763,835	370,112	1,472,209	(464,020)	4,142,136
Purchased gas cost	1,526,258	—	1,399,349	(463,488)	2,462,119
Gross profit	1,237,577	370,112	72,860	(532)	1,680,017
Operating expenses					
Operation and maintenance	388,486	118,866	35,048	(532)	541,868
Depreciation and amortization	223,048	47,236	4,512	—	274,796
Taxes, other than income	205,894	22,743	3,321	—	231,958
Total operating expenses	817,428	188,845	42,881	(532)	1,048,622
Operating income	420,149	181,267	29,979	—	631,395
Miscellaneous expense	(377)	(1,243)	(760)	(2,009)	(4,389)
Interest charges	84,132	33,151	967	(2,009)	116,241
Income before income taxes	335,640	146,873	28,252	—	510,765
Income tax expense	130,827	52,211	12,652	—	195,690
Net income	$ 204,813	$ 94,662	$ 15,600	$ —	$ 315,075
Capital expenditures	$ 670,575	$291,603	$ 1,443	$ —	$ 963,621

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Year Ended September 30, 2014				
	Regulated Distribution	Regulated Pipeline	Nonregulated	Eliminations	Consolidated
			(In thousands)		
Operating revenues from external parties	$3,056,212	$ 92,166	$1,792,538	$ —	$4,940,916
Intersegment revenues	5,334	226,293	274,754	(506,381)	—
	3,061,546	318,459	2,067,292	(506,381)	4,940,916
Purchased gas cost	1,885,031	—	1,979,337	(505,878)	3,358,490
Gross profit	1,176,515	318,459	87,955	(503)	1,582,426
Operating expenses					
Operation and maintenance	387,228	91,466	26,963	(503)	505,154
Depreciation and amortization	208,376	41,031	4,580	—	253,987
Taxes, other than income	196,343	13,143	2,450	—	211,936
Total operating expenses	791,947	145,640	33,993	(503)	971,077
Operating income	384,568	172,819	53,962	—	611,349
Miscellaneous income (expense)	(381)	(3,181)	2,216	(3,889)	(5,235)
Interest charges	94,918	36,280	1,986	(3,889)	129,295
Income before income taxes	289,269	133,358	54,192	—	476,819
Income tax expense	117,684	47,167	22,151	—	187,002
Net income	$ 171,585	$ 86,191	$ 32,041	$ —	$ 289,817
Capital expenditures	$ 574,372	$248,230	$ 1,839	$ —	$ 824,441

The following table summarizes our revenues from external parties by products and services for the fiscal year ended September 30.

	2016	2015	2014
		(In thousands)	
Regulated distribution revenues:			
Gas sales revenues:			
Residential	$1,477,049	$1,761,689	$1,933,099
Commercial	619,979	772,187	876,042
Industrial	51,999	74,981	90,536
Public authority and other	41,307	53,401	64,779
Total gas sales revenues	2,190,334	2,662,258	2,964,456
Transportation revenues	70,383	67,475	64,049
Other gas revenues	23,468	27,852	27,707
Total regulated distribution revenues	2,284,185	2,757,585	3,056,212
Regulated pipeline revenues	104,007	97,662	92,166
Nonregulated revenues	961,757	1,286,889	1,792,538
Total operating revenues	$3,349,949	$4,142,136	$4,940,916

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Balance sheet information at September 30, 2016 and 2015 by segment is presented in the following tables.

	September 30, 2016				
	Regulated Distribution	Regulated Pipeline	Nonregulated	Eliminations	Consolidated
			(In thousands)		
ASSETS					
Property, plant and equipment, net	$6,220,425	$2,008,997	$ 51,089	$ —	$ 8,280,511
Investment in subsidiaries	1,026,859	—	—	(1,026,859)	—
Current assets					
Cash and cash equivalents	21,072	—	26,462	—	47,534
Assets from risk management activities	3,029	—	6,775	—	9,804
Other current assets	446,868	19,204	367,220	(208,944)	624,348
Intercompany receivables	978,093	—	—	(978,093)	—
Total current assets	1,449,062	19,204	400,457	(1,187,037)	681,686
Goodwill	576,114	132,582	34,711	—	743,407
Noncurrent assets from risk management activities	1,822	—	—	—	1,822
Deferred charges and other assets	275,496	27,631	336	—	303,463
	$9,549,778	$2,188,414	$486,593	$(2,213,896)	$10,010,889
CAPITALIZATION AND LIABILITIES					
Shareholders' equity	$3,463,059	$ 678,964	$347,895	$(1,026,859)	$ 3,463,059
Long-term debt	2,188,779	—	—	—	2,188,779
Total capitalization	5,651,838	678,964	347,895	(1,026,859)	5,651,838
Current liabilities					
Current maturities of long-term debt	250,000	—	—	—	250,000
Short-term debt	1,026,811	—	—	(197,000)	829,811
Liabilities from risk management activities	56,771	—	—	—	56,771
Other current liabilities	549,328	22,427	91,888	(11,944)	651,699
Intercompany payables	—	950,215	27,878	(978,093)	—
Total current liabilities	1,882,910	972,642	119,766	(1,187,037)	1,788,281
Deferred income taxes	1,058,895	536,732	7,429	—	1,603,056
Noncurrent liabilities from risk management activities	184,048	—	—	—	184,048
Regulatory cost of removal obligation	424,281	—	—	—	424,281
Pension and postretirement liabilities	297,743	—	—	—	297,743
Deferred credits and other liabilities	50,063	76	11,503	—	61,642
	$9,549,778	$2,188,414	$486,593	$(2,213,896)	$10,010,889

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	September 30, 2015				
	Regulated Distribution	Regulated Pipeline	Nonregulated	Eliminations	Consolidated
			(In thousands)		
ASSETS					
Property, plant and equipment, net	$5,670,306	$1,706,449	$ 53,825	$ —	$7,430,580
Investment in subsidiaries	1,038,670	—	(2,096)	(1,036,574)	—
Current assets					
Cash and cash equivalents	23,863	—	4,790	—	28,653
Assets from risk management activities	378	—	8,854	—	9,232
Other current assets	421,591	24,628	480,503	(338,301)	588,421
Intercompany receivables	887,713	—	—	(887,713)	—
Total current assets	1,333,545	24,628	494,147	(1,226,014)	626,306
Goodwill	575,449	132,542	34,711	—	742,702
Noncurrent assets from risk management activities	368	—	—	—	368
Deferred charges and other assets	252,499	17,288	5,329	—	275,116
	$8,870,837	$1,880,907	$585,916	$(2,262,588)	$9,075,072
CAPITALIZATION AND LIABILITIES					
Shareholders' equity	$3,194,797	$ 577,275	$461,395	$(1,038,670)	$3,194,797
Long-term debt	2,437,515	—	—	—	2,437,515
Total capitalization	5,632,312	577,275	461,395	(1,038,670)	5,632,312
Current liabilities					
Short-term debt	782,927	—	—	(325,000)	457,927
Liabilities from risk management activities	9,568	—	—	—	9,568
Other current liabilities	569,273	29,780	99,480	(11,205)	687,328
Intercompany payables	—	867,409	20,304	(887,713)	—
Total current liabilities	1,361,768	897,189	119,784	(1,223,918)	1,154,823
Deferred income taxes	1,008,091	406,254	(3,030)	—	1,411,315
Noncurrent liabilities from risk management activities	110,539	—	—	—	110,539
Regulatory cost of removal obligation	427,553	—	—	—	427,553
Pension and postretirement liabilities	287,373	—	—	—	287,373
Deferred credits and other liabilities	43,201	189	7,767	—	51,157
	$8,870,837	$1,880,907	$585,916	$(2,262,588)	$9,075,072

4. Earnings Per Share

Since we have non-vested share-based payments with a nonforfeitable right to dividends or dividend equivalents (referred to as participating securities), we are required to use the two-class method of computing earnings per share. The Company's non-vested restricted stock units, granted under the 1998 Long-Term Incentive Plan, for which vesting is predicated solely on the passage of time, are considered to be participating securities. The calculation of earnings per share using the two-class method excludes income attributable to these participating securities from the numerator and excludes the dilutive impact of those shares from the denominator.

Basic and diluted earnings per share for the fiscal years ended September 30 are calculated as follows:

	2016	2015	2014
	(In thousands, except per share data)		
Basic Earnings Per Share			
Net Income	$350,104	$315,075	$289,817
Less: Income allocated to participating securities	546	626	711
Net Income available to common shareholders	$349,558	$314,449	$289,106
Basic weighted average shares outstanding	103,524	101,892	97,606
Net Income per share — Basic	$ 3.38	$ 3.09	$ 2.96
Diluted Earnings Per Share			
Net Income available to common shareholders	$349,558	$314,449	$289,106
Effect of dilutive stock options and other shares	—	—	—
Net Income available to common shareholders	$349,558	$314,449	$289,106
Basic weighted average shares outstanding	103,524	101,892	97,606
Additional dilutive stock options and other shares	—	—	2
Diluted weighted average shares outstanding	103,524	101,892	97,608
Net Income per share — Diluted	$ 3.38	$ 3.09	$ 2.96

5. Debt

Long-term debt

Long-term debt at September 30, 2016 and 2015 consisted of the following:

	2016	2015
	(In thousands)	
Unsecured 6.35% Senior Notes, due June 2017	250,000	250,000
Unsecured 8.50% Senior Notes, due 2019	450,000	450,000
Unsecured 5.95% Senior Notes, due 2034	200,000	200,000
Unsecured 5.50% Senior Notes, due 2041	400,000	400,000
Unsecured 4.15% Senior Notes, due 2043	500,000	500,000
Unsecured 4.125% Senior Notes, due 2044	500,000	500,000
Medium term Series A notes, 1995-1, 6.67%, due 2025	10,000	10,000
Unsecured 6.75% Debentures, due 2028	150,000	150,000
Total long-term debt	2,460,000	2,460,000
Less:		
Original issue discount on unsecured senior notes and debentures	4,270	4,612
Debt issuance cost	16,951	17,873
Current maturities	250,000	—
	$2,188,779	$2,437,515

On September 22, 2016, we entered into a three year, $200 million multi-draw term loan agreement with a syndicate of three lenders. Borrowings under the term loan may be made in increments of $1.0 million or higher, may be repaid at any time during the loan period and will bear interest at a rate dependent upon our credit ratings at the time of such borrowing and based, at our election, on a base rate or LIBOR for the applicable interest period. The term loan will be used to refinance existing indebtedness and for working capital, capital expenditures and other general corporate purposes. At September 30, 2016, there were no borrowings under the term loan.

On October 15, 2014, we issued $500 million of 4.125% 30-year unsecured senior notes, which replaced, on a long-term basis, our $500 million unsecured 4.95% senior notes. The effective rate of these notes is 4.086%, after giving effect to the offering costs and the settlement of the associated forward starting interest rate swaps discussed in Note 13. The net proceeds of approximately $494 million were used to repay our $500 million 4.95% senior unsecured notes at maturity on October 15, 2014.

Short-term debt

Our short-term debt is utilized to fund ongoing working capital needs, such as our seasonal requirements for gas supply and general corporate liquidity. Our short-term borrowings typically reach their highest levels in the winter months.

As of September 30, 2016, we financed our short-term borrowing requirements through a combination of a $1.25 billion commercial paper program, four committed revolving credit facilities and one uncommitted revolving credit facility, with a total availability from third-party lenders of approximately $1.3 billion of working capital funding. On October 5, 2016, we amended our existing $1.25 billion unsecured credit facility (the five-year unsecured credit facility) which increased the committed loan to $1.5 billion and extended the facility through September 25, 2021. The amended facility also retains the $250 million accordion feature, which provides the opportunity to increase the total committed loan amount to $1.75 billion. After giving effect to the amended facility, we have total availability from third-party lenders of approximately $1.6 billion of working capital funding. At September 30, 2016 and 2015, there was $829.8 million and $457.9 million outstanding under our commercial paper program with weighted average interest rates of 0.81% and 0.42%, with average maturities of less than one month. We also use intercompany credit facilities to supplement the funding provided by these third-party committed credit facilities. These facilities are described in greater detail below.

Regulated Operations

We fund our regulated operations as needed, primarily through our commercial paper program and three committed revolving credit facilities with third-party lenders. The first facility is the five-year unsecured credit facility described above, which bears interest at a base rate or at a LIBOR-based rate for the applicable interest period, plus a spread ranging from zero percent to 1.25 percent, based on the Company's credit ratings. This credit facility serves primarily as a backup liquidity facility for our commercial paper program. At September 30, 2016, there were no borrowings under this facility, but we had $829.8 million of commercial paper outstanding leaving $420.2 million available.

The second facility is a $25 million unsecured facility that bears interest at a daily negotiated rate, generally based on the Federal Funds rate plus a variable margin. This facility was renewed on April 1, 2016. At September 30, 2016, there were no borrowings outstanding under this facility.

The third facility, which was renewed on September 30, 2016, is a $10 million committed revolving credit facility, used primarily to issue letters of credit and bears interest at a LIBOR-based rate plus 1.5 percent. At September 30, 2016, there were no borrowings outstanding under this credit facility; however, letters of credit totaling $5.9 million had been issued under the facility at September 30, 2016, which reduced the amount available by a corresponding amount.

The availability of funds under these credit facilities is subject to conditions specified in the respective credit agreements, all of which we currently satisfy. These conditions include our compliance with financial covenants and the continued accuracy of representations and warranties contained in these agreements. We are required by the financial covenants in our five-year unsecured facility to maintain, at the end of each fiscal quarter, a ratio of total debt to total capitalization of no greater than 70 percent. At September 30, 2016, our total-debt-to-total-capitalization ratio, as defined, was 50 percent. In addition, both the interest margin over the

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Eurodollar rate and the fee that we pay on unused amounts under each of these facilities are subject to adjustment depending upon our credit ratings.

In addition to these third-party facilities, our regulated operations have a $500 million intercompany revolving credit facility with AEH. This facility bears interest at the lower of (i) the Eurodollar rate under the five-year revolving credit facility or (ii) the lowest rate outstanding under the commercial paper program. Applicable state regulatory commissions have approved our use of this facility through December 31, 2016. We intend to seek renewal of this facility during the first quarter of fiscal 2017. There was $197.0 million outstanding under this facility at September 30, 2016.

Nonregulated Operations

Atmos Energy Marketing, LLC (AEM), which is wholly owned by AEH, has one uncommitted $25 million 364-day bilateral credit facility that expires in December 2016 and one committed $15 million 364-day bilateral credit facility that was renewed on September 30, 2016. On October 25, 2016, the uncommitted $25 million 364-day bilateral credit facility was renewed through July 31, 2017. These facilities are used primarily to issue letters of credit. Due to outstanding letters of credit, the total amount available to us under these bilateral credit facilities was $32.8 million at September 30, 2016.

AEH has a $500 million intercompany demand credit facility with AEC. This facility bears interest at a rate equal to the one-month LIBOR rate plus 3.00 percent. Applicable state regulatory commissions have approved our use of this facility through December 31, 2016. We intend to seek renewal of this facility during the first quarter of fiscal 2017. There were no borrowings outstanding under this facility at September 30, 2016.

Debt Covenants

In addition to the financial covenants described above, our credit facilities and public indentures contain usual and customary covenants for our business, including covenants substantially limiting liens, substantial asset sales and mergers.

Additionally, our public debt indentures relating to our senior notes and debentures, as well as our revolving credit agreements, each contain a default provision that is triggered if outstanding indebtedness arising out of any other credit agreements in amounts ranging from in excess of $15 million to in excess of $100 million becomes due by acceleration or is not paid at maturity.

We were in compliance with all of our debt covenants as of September 30, 2016. If we were unable to comply with our debt covenants, we would likely be required to repay our outstanding balances on demand, provide additional collateral or take other corrective actions.

Maturities of long-term debt at September 30, 2016 were as follows (in thousands):

2017	$ 250,000
2018	—
2019	450,000
2020	—
2021	—
Thereafter	1,760,000
	$2,460,000

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

6. Shareholders' Equity

Shelf Registration

On March 28, 2016, we filed a registration statement with the Securities and Exchange Commission (SEC) that originally permitted us to issue, from time to time, up to $2.5 billion in common stock and/or debt securities, which replaced our registration statement that expired on March 28, 2016. At September 30, 2016, $2.4 billion of securities remain available for issuance under the shelf registration statement.

At-the-Market Equity Sales Program

On March 28, 2016, we entered into an at-the-market (ATM) equity distribution agreement (the Agreement) with Goldman, Sachs & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Morgan Stanley & Co. LLC in their capacity as agents and/or as principals (Agents). Under the terms of the Agreement, we may issue and sell, through any of the Agents, shares of our common stock, up to an aggregate offering price of $200 million, through the period ended March 28, 2019. We may also sell shares from time to time to an Agent for its own account at a price to be agreed upon at the time of sale. We will pay each Agent a commission of 1.0% of the gross offering proceeds of the shares sold through it as a sales agent. We have no obligation to offer or sell any shares under the Agreement, and may at any time suspend offers and sales under the Agreement. The shares will be issued pursuant to our shelf registration statement filed with the SEC on March 28, 2016. During fiscal 2016, we sold 1,360,756 shares of common stock under the ATM program for $100.0 million and received net proceeds of $98.6 million.

1998 Long-Term Incentive Plan

In August 1998, the Board of Directors approved and adopted the 1998 Long-Term Incentive Plan (LTIP), which became effective in October 1998 after approval by our shareholders. The LTIP is a comprehensive, long-term incentive compensation plan providing for discretionary awards of incentive stock options, non-qualified stock options, stock appreciation rights, bonus stock, time-lapse restricted stock, time-lapse restricted stock units, performance-based restricted stock units and stock units to certain employees and non-employee directors of the Company and our subsidiaries. The objectives of this plan include attracting and retaining the best personnel, providing for additional performance incentives and promoting our success by providing employees with the opportunity to acquire our common stock.

As of September 30, 2015, we were authorized to grant awards for up to a maximum of 8.7 million shares of common stock under this plan subject to certain adjustment provisions. In February 2016, our shareholders voted to increase the number of authorized LTIP shares by 2.5 million shares and to extend the term of the plan for an additional five years, through September 2021. On March 29, 2016, we filed with the SEC a registration statement on Form S-8 to register an additional 2.5 million shares; we also listed such shares with the New York Stock Exchange. As of September 30, 2016, we were authorized to grant awards for up to a maximum of 11.2 million shares of common stock under this plan subject to certain adjustment provisions.

2014 Equity Offering

On February 18, 2014, we completed the public offering of 9,200,000 shares of our common stock including the underwriters' exercise of their overallotment option of 1,200,000 shares under our existing shelf registration statement. The offering was priced at $44.00 per share and generated net proceeds of $390.2 million, which were used to repay short-term debt outstanding under our commercial paper program, to fund infrastructure spending primarily to enhance the safety and reliability of our system and for general corporate purposes.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Share Repurchase Program

On September 28, 2011, the Board of Directors approved a program authorizing the repurchase of up to five million shares of common stock over a five-year period. The program expired on September 30, 2016 and will not be renewed. We did not repurchase any shares during fiscal 2016, 2015, or 2014 under the program.

Accumulated Other Comprehensive Income (Loss)

We record deferred gains (losses) in accumulated other comprehensive income (AOCI) related to available-for-sale securities, interest rate agreement cash flow hedges and commodity contract cash flow hedges. Deferred gains (losses) for our available-for-sale securities and commodity contract cash flow hedges are recognized in earnings upon settlement, while deferred gains (losses) related to our interest rate agreement cash flow hedges are recognized in earnings as they are amortized. The following tables provide the components of our accumulated other comprehensive income (loss) balances, net of the related tax effects allocated to each component of other comprehensive income.

	Available-for-Sale Securities	Interest Rate Agreement Cash Flow Hedges	Commodity Contracts Cash Flow Hedges	Total
		(In thousands)		
September 30, 2015	$4,949	$ (88,842)	$(25,437)	$(109,330)
Other comprehensive income (loss) before reclassifications	(263)	(99,029)	(11,662)	(110,954)
Amounts reclassified from accumulated other comprehensive income	(202)	347	32,117	32,262
Net current-period other comprehensive income (loss)	(465)	(98,682)	20,455	(78,692)
September 30, 2016	$4,484	$(187,524)	$ (4,982)	$(188,022)

	Available-for-Sale Securities	Interest Rate Agreement Cash Flow Hedges	Commodity Contracts Cash Flow Hedges	Total
		(In thousands)		
September 30, 2014	$ 7,662	$(18,381)	$ (1,674)	$ (12,393)
Other comprehensive income (loss) before reclassifications	(2,173)	(71,003)	(49,211)	(122,387)
Amounts reclassified from accumulated other comprehensive income	(540)	542	25,448	25,450
Net current-period other comprehensive income (loss)	(2,713)	(70,461)	(23,763)	(96,937)
September 30, 2015	$ 4,949	$(88,842)	$(25,437)	$(109,330)

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following tables detail reclassifications out of AOCI for the fiscal years ended September 30, 2016 and 2015. Amounts in parentheses below indicate decreases to net income in the statement of income.

	Fiscal Year Ended September 30, 2016	
Accumulated Other Comprehensive Income Components	Amount Reclassified from Accumulated Other Comprehensive Income	Affected Line Item in the Statement of Income
	(In thousands)	
Available-for-sale securities	$ 318	Operation and maintenance expense
	318	Total before tax
	(116)	Tax expense
	$ 202	Net of tax
Cash flow hedges		
Interest rate agreements	$ (546)	Interest charges
Commodity contracts	(52,651)	Purchased gas cost
	(53,197)	Total before tax
	20,733	Tax benefit
	$(32,464)	Net of tax
Total reclassifications	$(32,262)	Net of tax

	Fiscal Year Ended September 30, 2015	
Accumulated Other Comprehensive Income Components	Amount Reclassified from Accumulated Other Comprehensive Income	Affected Line Item in the Statement of Income
	(In thousands)	
Available-for-sale securities	$ 850	Operation and maintenance expense
	850	Total before tax
	(310)	Tax expense
	$ 540	Net of tax
Cash flow hedges		
Interest rate agreements	$ (853)	Interest charges
Commodity contracts	(41,716)	Purchased gas cost
	(42,569)	Total before tax
	16,579	Tax benefit
	$(25,990)	Net of tax
Total reclassifications	$(25,450)	Net of tax

7. Retirement and Post-Retirement Employee Benefit Plans

We have both funded and unfunded noncontributory defined benefit plans that together cover most of our employees. We also maintain post-retirement plans that provide health care benefits to retired employees. Finally, we sponsor a defined contribution plan that cover substantially all employees. These plans are discussed in further detail below.

As a rate regulated entity, we generally recover our pension costs in our rates over a period of up to 15 years. The amounts that have not yet been recognized in net periodic pension cost that have been recorded as regulatory assets are as follows:

	Defined Benefits Plan	Supplemental Executive Retirement Plans	Postretirement Plans	Total
		(In thousands)		
September 30, 2016				
Unrecognized prior service credit	$ (1,509)	$ —	$ (2,880)	$ (4,389)
Unrecognized actuarial (gain) loss	127,028	51,558	(54,298)	124,288
	$125,519	$51,558	$(57,178)	$119,899
September 30, 2015				
Unrecognized transition obligation	$ —	$ —	$ 82	$ 82
Unrecognized prior service credit	(1,735)	—	(4,524)	(6,259)
Unrecognized actuarial (gain) loss	120,948	36,915	(47,149)	110,714
	$119,213	$36,915	$(51,591)	$104,537

Defined Benefit Plans

Employee Pension Plan

Prior to December 31, 2014, we maintained two defined benefit plans: the Atmos Energy Corporation Pension Account Plan (the Plan) and the Atmos Energy Corporation Retirement Plan for Mississippi Valley Gas Union Employees (the Union Plan) (collectively referred to as the Plans). The assets of the Plans were held within the Atmos Energy Corporation Master Retirement Trust (the Master Trust). In June 2014, active collectively bargained employees of Atmos Energy's Mississippi Division voted to decertify the union. As a result of this vote, effective January 1, 2015, active participants of the Union Plan became participants in the Plan. Opening account balances were established at the time of transfer equal to the present value of their respective accrued benefits under the Union Plan at December 31, 2014. Additionally, effective January 1, 2015, current retirees in the Union Plan as well as those participants who terminated and were vested in the Union Plan were transferred to the Plan with the same provisions that were in place at the time of their retirement or termination.

The Plan is a cash balance pension plan that was established effective January 1999 and covers most of the employees of Atmos Energy's regulated operations that were hired before September 30, 2010. The plan was closed to new participants effective October 1, 2010.

Opening account balances were established for participants as of January 1999 equal to the present value of their respective accrued benefits under the pension plans which were previously in effect as of December 31, 1998. The Plan credits an allocation to each participant's account at the end of each year according to a formula based on the participant's age, service and total pay (excluding incentive pay). In addition, at the end of each year, a participant's account is credited with interest on the employee's prior year account balance. Participants are fully vested in their account balances after three years of service and may choose to receive their account balances as a lump sum or an annuity.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Generally, our funding policy is to contribute annually an amount in accordance with the requirements of the Employee Retirement Income Security Act of 1974, including the funding requirements under the Pension Protection Act of 2006 (PPA). However, additional voluntary contributions are made from time to time as considered necessary. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future.

During fiscal 2016 and 2015 we contributed $15.0 million and $38.0 million in cash to the Plan to achieve a desired level of funding while maximizing the tax deductibility of this payment. Based upon market conditions at September 30, 2016, the current funded position of the Plan and the funding requirements under the PPA, we do not anticipate a minimum required contribution for fiscal 2017. However, we may consider whether a voluntary contribution is prudent to maintain certain funding levels.

We make investment decisions and evaluate performance of the assets in the Master Trust on a medium-term horizon of at least three to five years. We also consider our current financial status when making recommendations and decisions regarding the Master Trust's assets. Finally, we strive to ensure the Master Trust's assets are appropriately invested to maintain an acceptable level of risk and meet the Master Trust's long-term asset investment policy adopted by the Board of Directors.

To achieve these objectives, we invest the Master Trust's assets in equity securities, fixed income securities, interests in commingled pension trust funds, other investment assets and cash and cash equivalents. Investments in equity securities are diversified among the market's various subsectors in an effort to diversify risk and maximize returns. Fixed income securities are invested in investment grade securities. Cash equivalents are invested in securities that either are short term (less than 180 days) or readily convertible to cash with modest risk.

The following table presents asset allocation information for the Master Trust as of September 30, 2016 and 2015.

		Actual Allocation September 30	
Security Class	**Targeted Allocation Range**	**2016**	**2015**
Domestic equities	35%-55%	40.5%	41.3%
International equities	10%-20%	15.5%	14.9%
Fixed income	5%-30%	11.2%	11.0%
Company stock	0%-15%	15.1%	15.2%
Other assets	0%-20%	17.7%	17.6%

At September 30, 2016 and 2015, the Plan held 956,700 and 1,169,700 shares of our common stock which represented 15.1 percent and 15.2 percent of total Plan assets. These shares generated dividend income for the Plan of approximately $1.8 million during fiscal 2016 and 2015.

Our employee pension plan expenses and liabilities are determined on an actuarial basis and are affected by numerous assumptions and estimates including the market value of plan assets, estimates of the expected return on plan assets and assumed discount rates and demographic data. We review the estimates and assumptions underlying our employee pension plans annually based upon a September 30 measurement date. The development of our assumptions is fully described in our significant accounting policies in Note 2. The actuarial assumptions used to determine the pension liability for the Plan was determined as of September 30, 2016 and 2015 and the actuarial assumptions used to determine the net periodic pension cost for the Plan was determined as of September 30, 2015, 2014 and 2013. On October 20, 2016, the Society of Actuaries released its annually-updated mortality improvement scale for pension plans incorporating new assumptions surrounding life expectancies in the United States. As of September 30, 2016, we updated our assumed mortality rates to incorporate the updated mortality table.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Additional assumptions are presented in the following table:

	Pension Liability		Pension Cost		
	2016	2015	2016	2015	2014
Discount rate	3.73%	4.55%	4.55%	4.43%	4.95%
Rate of compensation increase	3.50%	3.50%	3.50%	3.50%	3.50%
Expected return on plan assets	7.00%	7.00%	7.00%	7.25%	7.25%

The following table presents the Plan's accumulated benefit obligation, projected benefit obligation and funded status as of September 30, 2016 and 2015:

	2016	2015
	(In thousands)	
Accumulated benefit obligation	$516,924	$485,921
Change in projected benefit obligation:		
Benefit obligation at beginning of year	$508,599	$493,594
Service cost	16,419	16,231
Interest cost	23,193	21,850
Actuarial loss	41,847	7,420
Benefits paid[1]	(44,578)	(30,496)
Benefit obligation at end of year	545,480	508,599
Change in plan assets:		
Fair value of plan assets at beginning of year	450,932	434,767
Actual return on plan assets	52,596	8,661
Employer contributions	15,000	38,000
Benefits paid[1]	(44,578)	(30,496)
Fair value of plan assets at end of year	473,950	450,932
Reconciliation:		
Funded status	(71,530)	(57,667)
Unrecognized prior service cost	—	—
Unrecognized net loss	—	—
Accrued pension cost	$ (71,530)	$ (57,667)

(1) Includes $12.8 million of one-time payments to eligible deferred vested participants who elected to receive a lump-sum payout of their pension benefits during fiscal 2016.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Net periodic pension cost for the Plan for fiscal 2016, 2015 and 2014 is recorded as operating expense and included the following components:

	Fiscal Year Ended September 30		
	2016	2015	2014
		(In thousands)	
Components of net periodic pension cost:			
Service cost	$ 16,419	$ 16,231	$ 15,345
Interest cost	23,193	21,850	22,330
Expected return on assets	(27,522)	(25,744)	(23,601)
Amortization of prior service credit	(226)	(192)	(136)
Recognized actuarial loss	10,693	13,322	13,777
Net periodic pension cost	$ 22,557	$ 25,467	$ 27,715

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of September 30, 2016 and 2015. As required by authoritative accounting literature, assets are categorized in their entirety based on the lowest level of input that is significant to the fair value measurement. The methods used to determine fair value for the assets held by the Plan are fully described in Note 2. In addition to the assets shown below, the Plan had net accounts receivable of $2.6 million and $2.4 million at September 30, 2016 and 2015 which materially approximates fair value due to the short-term nature of these assets.

	Assets at Fair Value as of September 30, 2016			
	Level 1	Level 2	Level 3	Total
		(In thousands)		
Investments:				
Common stocks	$157,111	$ —	$ —	$157,111
Money market funds	—	11,522	—	11,522
Registered investment companies	87,396	—	—	87,396
Common/collective trusts	—	105,124	—	105,124
Government securities:				
Mortgage-backed securities	—	15,223	—	15,223
U.S. treasuries	4,704	863	—	5,567
Corporate bonds	—	31,929	—	31,929
Limited partnerships	—	57,438	—	57,438
Total investments at fair value	$249,211	$222,099	$ —	$471,310

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Assets at Fair Value as of September 30, 2015			
	Level 1	Level 2	Level 3	Total
		(In thousands)		
Investments:				
Common stocks	$159,304	$ —	$ —	$159,304
Money market funds	—	11,787	—	11,787
Registered investment companies	81,960	—	—	81,960
Common/collective trusts	—	93,081	—	93,081
Government securities:				
Mortgage-backed securities	—	14,359	—	14,359
U.S. treasuries	5,279	805	—	6,084
Corporate bonds	—	28,973	—	28,973
Limited partnerships	—	52,996	—	52,996
Total investments at fair value	$246,543	$202,001	$ —	$448,544

Supplemental Executive Retirement Plans

We have three nonqualified supplemental plans which provide additional pension, disability and death benefits to our officers, division presidents and certain other employees of the Company.

The first plan is referred to as the Supplemental Executive Benefits Plan (SEBP) and covers our officers, division presidents and certain other employees of the Company who were employed on or before August 12, 1998. The SEBP is a defined benefit arrangement which provides a benefit equal to 75 percent of covered compensation under which benefits paid from the underlying qualified defined benefit plan are an offset to the benefits under the SEBP.

In August 1998, we adopted the Supplemental Executive Retirement Plan (SERP) (formerly known as the Performance-Based Supplemental Executive Benefits Plan), which covers all officers or division presidents selected to participate in the plan between August 12, 1998 and August 5, 2009, any corporate officer who may be appointed to the Management Committee after August 5, 2009 and any other employees selected by our Board of Directors at its discretion. The SERP is a defined benefit arrangement which provides a benefit equal to 60 percent of covered compensation under which benefits paid from the underlying qualified defined benefit plan are an offset to the benefits under the SERP.

Effective August 5, 2009, we adopted a new defined benefit Supplemental Executive Retirement Plan (the 2009 SERP), for corporate officers (other than such officer who is appointed as a member of the Company's Management Committee), division presidents or any other employees selected at the discretion of the Board. Under the 2009 SERP, a nominal account has been established for each participant, to which the Company contributes at the end of each calendar year an amount equal to ten percent of the total of each participant's base salary and cash incentive compensation earned during each prior calendar year, beginning December 31, 2009. The benefits vest after three years of service and attainment of age 55 and earn interest credits at the same annual rate as the Company's Pension Account Plan (currently 4.69%).

On October 2, 2013, due to the retirement of one of our executives, we recognized a settlement loss of $4.5 million associated with our SEBP and made a $16.8 million benefit payment.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Similar to our employee pension plans, we review the estimates and assumptions underlying our supplemental plans annually based upon a September 30 measurement date using the same techniques as our employee pension plans. The actuarial assumptions used to determine the pension liability for the supplemental plans were determined as of September 30, 2016 and 2015 and the actuarial assumptions used to determine the net periodic pension cost for the supplemental plans were determined as of September 30, 2015, 2014 and 2013. These assumptions are presented in the following table:

	Pension Liability		Pension Cost		
	2016	2015	2016	2015	2014
Discount rate	3.73%	4.55%	4.55%	4.43%	4.95%
Rate of compensation increase	3.50%	3.50%	3.50%	3.50%	3.50%

The following table presents the supplemental plans' accumulated benefit obligation, projected benefit obligation and funded status as of September 30, 2016 and 2015:

	2016	2015
	(In thousands)	
Accumulated benefit obligation	$ 137,616	$ 118,835
Change in projected benefit obligation:		
Benefit obligation at beginning of year	$ 122,393	$ 113,219
Service cost	2,371	3,971
Interest cost	5,185	4,943
Actuarial loss	17,229	4,811
Benefits paid	(4,604)	(4,551)
Benefit obligation at end of year	142,574	122,393
Change in plan assets:		
Fair value of plan assets at beginning of year	—	—
Employer contribution	4,604	4,551
Benefits paid	(4,604)	(4,551)
Fair value of plan assets at end of year	—	—
Reconciliation:		
Funded status	(142,574)	(122,393)
Unrecognized prior service cost	—	—
Unrecognized net loss	—	—
Accrued pension cost	$(142,574)	$(122,393)

Assets for the supplemental plans are held in separate rabbi trusts. At September 30, 2016 and 2015, assets held in the rabbi trusts consisted of available-for-sale securities of $41.3 million and $41.7 million, which are included in our fair value disclosures in Note 14.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Net periodic pension cost for the supplemental plans for fiscal 2016, 2015 and 2014 is recorded as operating expense and included the following components:

	Fiscal Year Ended September 30		
	2016	2015	2014
	(In thousands)		
Components of net periodic pension cost:			
Service cost	$ 2,371	$ 3,971	$ 3,607
Interest cost	5,185	4,943	4,966
Amortization of transition asset	—	—	—
Amortization of prior service cost	—	—	—
Recognized actuarial loss	2,586	2,343	1,948
Settlements	—	—	4,539
Net periodic pension cost	$10,142	$11,257	$15,060

Estimated Future Benefit Payments

The following benefit payments for our defined benefit plans, which reflect expected future service, as appropriate, are expected to be paid in the following fiscal years:

	Pension Plan	Supplemental Plans
	(In thousands)	
2017	$ 31,306	$36,604
2018	32,047	14,289
2019	33,674	7,181
2020	35,232	4,395
2021	37,279	4,306
2022-2026	202,442	60,658

Postretirement Benefits

We sponsor the Retiree Medical Plan for Retirees and Disabled Employees of Atmos Energy Corporation (the Atmos Retiree Medical Plan). This plan provides medical and prescription drug protection to all qualified participants based on their date of retirement. The Atmos Retiree Medical Plan provides different levels of benefits depending on the level of coverage chosen by the participants and the terms of predecessor plans; however, we generally pay 80 percent of the projected net claims and administrative costs and participants pay the remaining 20 percent of this cost. Effective January 1, 2015 for employees who had not met the participation requirements by September 30, 2009, the contribution rates for the Company will be limited to a three percent cost increase in claims and administrative costs each year, with the participant responsible for the additional costs.

Generally, our funding policy is to contribute annually an amount in accordance with the requirements of ERISA. However, additional voluntary contributions are made annually as considered necessary. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future. We expect to contribute between $10 million and $20 million to our postretirement benefits plan during fiscal 2017.

We maintain a formal investment policy with respect to the assets in our postretirement benefits plan to ensure the assets funding the postretirement benefit plan are appropriately invested to maintain an acceptable level of risk. We also consider our current financial status when making recommendations and decisions regarding the postretirement benefits plan.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

We currently invest the assets funding our postretirement benefit plan in diversified investment funds which consist of common stocks, preferred stocks and fixed income securities. The diversified investment funds may invest up to 75 percent of assets in common stocks and convertible securities. The following table presents asset allocation information for the postretirement benefit plan assets as of September 30, 2016 and 2015.

	Actual Allocation September 30	
Security Class	**2016**	**2015**
Diversified investment funds	97.2%	97.5%
Cash and cash equivalents	2.8%	2.5%

Similar to our employee pension and supplemental plans, we review the estimates and assumptions underlying our postretirement benefit plan annually based upon a September 30 measurement date using the same techniques as our employee pension plans. The actuarial assumptions used to determine the pension liability for our postretirement plan were determined as of September 30, 2016 and 2015 and the actuarial assumptions used to determine the net periodic pension cost for the postretirement plan were determined as of September 30, 2015, 2014 and 2013. The assumptions are presented in the following table:

	Postretirement Liability		Postretirement Cost		
	2016	**2015**	**2016**	**2015**	**2014**
Discount rate	3.73%	4.55%	4.55%	4.43%	4.95%
Expected return on plan assets	4.45%	4.45%	4.45%	4.60%	4.60%
Initial trend rate	7.50%	7.50%	7.50%	7.50%	8.00%
Ultimate trend rate	5.00%	5.00%	5.00%	5.00%	5.00%
Ultimate trend reached in	2022	2021	2021	2020	2020

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table presents the postretirement plan's benefit obligation and funded status as of September 30, 2016 and 2015:

	2016	2015
	(In thousands)	
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 267,179	$ 315,118
Service cost	10,823	15,583
Interest cost	12,424	14,385
Plan participants' contributions	4,289	4,563
Actuarial gain	(1,052)	(69,962)
Benefits paid	(14,441)	(12,508)
Benefit obligation at end of year	279,222	267,179
Change in plan assets:		
Fair value of plan assets at beginning of year	138,009	134,821
Actual return on plan assets	14,528	(8,851)
Employer contributions	16,592	19,984
Plan participants' contributions	4,289	4,563
Benefits paid	(14,441)	(12,508)
Fair value of plan assets at end of year	158,977	138,009
Reconciliation:		
Funded status	(120,245)	(129,170)
Unrecognized transition obligation	—	—
Unrecognized prior service cost	—	—
Unrecognized net loss	—	—
Accrued postretirement cost	$(120,245)	$(129,170)

Net periodic postretirement cost for fiscal 2016, 2015 and 2014 is recorded as operating expense and included the components presented below.

	Fiscal Year Ended September 30		
	2016	2015	2014
		(In thousands)	
Components of net periodic postretirement cost:			
Service cost	$10,823	$15,583	$16,784
Interest cost	12,424	14,385	15,951
Expected return on assets	(6,264)	(6,431)	(5,167)
Amortization of transition obligation	82	272	274
Amortization of prior service credit	(1,644)	(1,644)	(1,450)
Recognized actuarial (gain) loss	(2,167)	—	631
Net periodic postretirement cost	$13,254	$22,165	$27,023

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Assumed health care cost trend rates have a significant effect on the amounts reported for the plan. A one-percentage point change in assumed health care cost trend rates would have the following effects on the latest actuarial calculations:

	One-Percentage Point Increase	One-Percentage Point Decrease
	(In thousands)	
Effect on total service and interest cost components	$ 4,539	$ (3,596)
Effect on postretirement benefit obligation	$42,079	$(34,531)

We are currently recovering other postretirement benefits costs through our regulated rates under accrual accounting as prescribed by accounting principles generally accepted in the United States in substantially all of our service areas. Other postretirement benefits costs have been specifically addressed in rate orders in each jurisdiction served by our Kentucky/Mid-States, West Texas, Mid-Tex and Mississippi Divisions as well as our Kansas jurisdiction and Atmos Pipeline — Texas or have been included in a rate case and not disallowed. Management believes that this accounting method is appropriate and will continue to seek rate recovery of accrual-based expenses in its ratemaking jurisdictions that have not yet approved the recovery of these expenses.

The following tables set forth by level, within the fair value hierarchy, the Retiree Medical Plan's assets at fair value as of September 30, 2016 and 2015. The methods used to determine fair value for the assets held by the Retiree Medical Plan are fully described in Note 2.

	Assets at Fair Value as of September 30, 2016			
	Level 1	Level 2	Level 3	Total
		(In thousands)		
Investments:				
Money market funds	$ —	$4,470	$ —	$ 4,470
Registered investment companies	154,507	—	—	154,507
Total investments at fair value	$154,507	$4,470	$ —	$158,977

	Assets at Fair Value as of September 30, 2015			
	Level 1	Level 2	Level 3	Total
		(In thousands)		
Investments:				
Money market funds	$ —	$3,486	$ —	$ 3,486
Registered investment companies	134,523	—	—	134,523
Total investments at fair value	$134,523	$3,486	$ —	$138,009

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Estimated Future Benefit Payments

The following benefit payments paid by us, retirees and prescription drug subsidy payments for our post-retirement benefit plans, which reflect expected future service, as appropriate, are expected to be paid in the following fiscal years. Company payments for fiscal 2016 include contributions to our postretirement plan trusts.

	Company Payments	Retiree Payments	Subsidy Payments	Total Postretirement Benefits
		(In thousands)		
2017	$15,806	$ 3,679	$—	$ 19,485
2018	11,602	3,992	—	15,594
2019	12,165	4,036	—	16,201
2020	13,246	4,756	—	18,002
2021	14,210	5,420	—	19,630
2022-2026	84,642	36,837	—	121,479

Defined Contribution Plan

The Atmos Energy Corporation Retirement Savings Plan and Trust (the Retirement Savings Plan) covers substantially all employees and is subject to the provisions of Section 401(k) of the Internal Revenue Code. Effective January 1, 2007, employees automatically become participants of the Retirement Savings Plan on the date of employment. Participants may elect a salary reduction up to a maximum of 65 percent of eligible compensation, as defined by the Plan, not to exceed the maximum allowed by the Internal Revenue Service. New participants are automatically enrolled in the Plan at a salary reduction amount of four percent of eligible compensation, from which they may opt out. We match 100 percent of a participant's contributions, limited to four percent of the participant's salary, in our common stock. However, participants have the option to immediately transfer this matching contribution into other funds held within the plan. Participants are eligible to receive matching contributions after completing one year of service. Participants are also permitted to take out loans against their accounts subject to certain restrictions. Employees hired on or after October 1, 2010 participate in the enhanced plan in which participants receive a fixed annual contribution of four percent of eligible earnings to their Retirement Savings Plan account. Participants will continue to be eligible for company matching contributions of up to four percent of their eligible earnings and will be fully vested in the fixed annual contribution after three years of service.

Prior to December 31, 2015, we also maintained the Atmos Energy Holdings, LLC 401(k) Profit-Sharing Plan (the AEH 401(k) Profit-Sharing Plan), which covered substantially all AEH employees. On November 4, 2015, the Atmos Energy Corporation Board of Directors voted to approve the merger of the assets and liabilities of the AEH 401(k) Profit-Sharing Plan with the Retirement Savings Plan, effective January 1, 2016. On December 31, 2015, the AEH 401(k) Profit Sharing Plan was merged into the Retirement Savings Plan and all assets and loans of active and inactive participants were transferred to the Retirement Savings Plan.

Prior to December 31, 2014, we maintained the Atmos Energy Corporation Savings Plan for MVG Union Employees (the Union 401(k) Plan). In June 2014, active collectively bargained employees of Atmos Energy's Mississippi Division voted to decertify the Union. As a result, effective July 19, 2014, active participants of the Union 401(k) Plan were eligible to participate in the Retirement Savings Plan. Effective January 1, 2015, all remaining participants became participants in the Retirement Savings Plan and the Union 401(k) Plan was terminated.

Matching contributions to the Retirement Savings Plan (and prior to December 31, 2014, the Union 401(k) Plan) are expensed as incurred and amounted to $12.6 million, $11.5 million and $10.9 million for fiscal years 2016, 2015 and 2014. The Board of Directors may also approve discretionary contributions, subject to the provisions of the Internal Revenue Code and applicable Treasury regulations. No discretionary contributions were made for fiscal years 2016, 2015 or 2014. At September 30, 2016 and 2015, the Retirement Savings Plan held 4.2 percent and 4.3 percent of our outstanding common stock. Discretionary contributions to the AEH 401(k) Profit-Sharing Plan were expensed as incurred and amounted to $0.3 million, $1.1 million and $1.4 million for fiscal years 2016, 2015 and 2014.

8. Stock and Other Compensation Plans

Stock-Based Compensation Plans

Total stock-based compensation cost was $24.6 million, $27.5 million and $25.5 million for the fiscal years ended September 30, 2016, 2015 and 2014. Of this amount, $9.8 million, $11.5 million and $10.8 million was capitalized. Tax benefits related to stock-based compensation were $5.0 million, $4.7 million and $3.1 million for the fiscal years ended September 30, 2016, 2015 and 2014.

1998 Long-Term Incentive Plan

In August 1998, the Board of Directors approved and adopted the 1998 Long-Term Incentive Plan (LTIP), which became effective in October 1998 after approval by our shareholders. The LTIP is a comprehensive, long-term incentive compensation plan providing for discretionary awards of incentive stock options, non-qualified stock options, stock appreciation rights, bonus stock, time-lapse restricted stock, time-lapse restricted stock units, performance-based restricted stock units and stock units to certain employees and non-employee directors of the Company and our subsidiaries. The objectives of this plan include attracting and retaining the best personnel, providing for additional performance incentives and promoting our success by providing employees with the opportunity to acquire common stock.

As of September 30, 2016, we were authorized to grant awards for up to a maximum of 11.2 million shares of common stock under this plan subject to certain adjustment provisions. As of September 30, 2016, non-qualified stock options, bonus stock, time-lapse restricted stock, time-lapse restricted stock units, performance-based restricted stock units and stock units had been issued under this plan, and 2.4 million shares were available for future issuance.

Restricted Stock Unit Award Grants

As noted above, the LTIP provides for discretionary awards of restricted stock units to help attract, retain and reward employees of Atmos Energy and its subsidiaries. Certain of these awards vest based upon the passage of time and other awards vest based upon the passage of time and the achievement of specified performance targets. The fair value of the awards granted is based on the market price of our stock at the date of grant. We estimate forfeitures using our historical forfeiture rate. The associated expense is recognized ratably over the vesting period. We use authorized and unissued shares to meet share requirements for the vesting of restricted stock units.

Employees who are granted time-lapse restricted stock units under our LTIP have a nonforfeitable right to dividend equivalents that are paid at the same rate and at the same time at which they are paid on shares of stock without restrictions. Time-lapse restricted stock units contain only a service condition that the employee recipients render continuous services to the Company for a period of three years from the date of grant, except for accelerated vesting in the event of death, disability, change of control of the Company or termination without cause (with certain exceptions). There are no performance conditions required to be met for employees to be vested in time-lapse restricted stock units.

Employees who are granted performance-based restricted stock units under our LTIP have a forfeitable right to dividend equivalents that accrue at the same rate at which they are paid on shares of stock without restrictions. Dividend equivalents on the performance-based restricted stock units are paid either in cash or in the form of shares upon the vesting of the award. Performance-based restricted stock units contain a service condition that the employee recipients render continuous services to the Company for a period of three years from the beginning of the applicable three-year performance period, except for accelerated vesting in the event of death, disability, change of control of the Company or termination without cause (with certain exceptions) and a performance condition based on a cumulative earnings per share target amount.

The following summarizes information regarding the restricted stock units granted under the plan during the fiscal years ended September 30, 2016, 2015 and 2014:

	2016		2015		2014	
	Number of Restricted Units	Weighted Average Grant-Date Fair Value	Number of Restricted Units	Weighted Average Grant-Date Fair Value	Number of Restricted Units	Weighted Average Grant-Date Fair Value
Nonvested at beginning of year	878,104	$48.24	988,637	$42.22	1,052,844	$36.20
Granted	357,323	65.98	444,543	50.50	464,438	45.05
Vested	(448,136)	45.88	(551,688)	39.28	(524,532)	32.67
Forfeited	(4,860)	53.52	(3,388)	48.55	(4,113)	39.00
Nonvested at end of year	782,431	$57.66	878,104	$48.24	988,637	$42.22

As of September 30, 2016, there was $11.4 million of total unrecognized compensation cost related to nonvested time-lapse restricted stock units granted under the LTIP. That cost is expected to be recognized over a weighted-average period of 1.6 years. The fair value of restricted stock vested during the fiscal years ended September 30, 2016, 2015 and 2014 was $20.6 million, $21.7 million and $17.1 million.

Other Plans

Direct Stock Purchase Plan

We maintain a Direct Stock Purchase Plan, open to all investors, which allows participants to have all or part of their cash dividends paid quarterly in additional shares of our common stock. The minimum initial investment required to join the plan is $1,250. Direct Stock Purchase Plan participants may purchase additional shares of our common stock as often as weekly with voluntary cash payments of at least $25, up to an annual maximum of $100,000.

Outside Directors Stock-For-Fee Plan

In November 1994, the Board of Directors adopted the Outside Directors Stock-for-Fee Plan, which was approved by our shareholders in February 1995. The plan permits non-employee directors to receive all or part of their annual retainer and meeting fees in stock rather than in cash. This plan was terminated by the Board of Directors, effective September 1, 2014, when the LTIP was amended to incorporate substantially all of its provisions.

Equity Incentive and Deferred Compensation Plan for Non-Employee Directors

In November 1998, the Board of Directors adopted the Equity Incentive and Deferred Compensation Plan for Non-Employee Directors, which was approved by our shareholders in February 1999. This plan amended the Atmos Energy Corporation Deferred Compensation Plan for Outside Directors adopted by the Company in May 1990 and replaced the pension payable under our Retirement Plan for Non-Employee Directors. The plan provides non-employee directors of Atmos Energy with the opportunity to defer receipt, until retirement, of compensation for services rendered to the Company and invest deferred compensation into either a cash account or a stock account.

Other Discretionary Compensation Plans

We have an annual incentive program covering substantially all employees to give each employee an opportunity to share in our financial success based on the achievement of key performance measures considered critical to achieving business objectives for a given year with minimum and maximum thresholds. The Company must meet the minimum threshold for the plan to be funded and distributed to employees. These performance measures may include earnings growth objectives, improved cash flow objectives or crucial customer satisfaction and safety results. We monitor progress towards the achievement of the performance measures throughout the year and record accruals based upon the expected payout using the best estimates available at the time the accrual is recorded. During the last several fiscal years, we have used earnings per share as our sole performance measure.

9. Details of Selected Consolidated Balance Sheet Captions

The following tables provide additional information regarding the composition of certain of our balance sheet captions.

Accounts receivable

Accounts receivable was comprised of the following at September 30, 2016 and 2015:

	September 30	
	2016	2015
	(In thousands)	
Billed accounts receivable	$206,248	$204,585
Unbilled revenue	67,396	65,008
Other accounts receivable	39,730	40,850
Total accounts receivable	313,374	310,443
Less: allowance for doubtful accounts	(13,367)	(15,283)
Net accounts receivable	$300,007	$295,160

Other current assets

Other current assets as of September 30, 2016 and 2015 were comprised of the following accounts.

	September 30	
	2016	2015
	(In thousands)	
Assets from risk management activities	$ 9,804	$ 9,232
Deferred gas costs	45,184	9,715
Taxes receivable	5,456	4,479
Prepaid expenses	23,053	23,055
Materials and supplies	5,825	12,587
Other	11,507	6,822
Total	$100,829	$65,890

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Property, plant and equipment

Property, plant and equipment was comprised of the following as of September 30, 2016 and 2015:

	September 30	
	2016	2015
	(In thousands)	
Production plant	$ 66	$ 131
Storage plant	353,523	286,011
Transmission plant	2,232,927	1,844,117
Distribution plant	6,598,990	6,019,001
General plant	761,057	769,311
Intangible plant	40,515	41,131
	9,987,078	8,959,702
Construction in progress	184,062	280,398
	10,171,140	9,240,100
Less: accumulated depreciation and amortization	(1,890,629)	(1,809,520)
Net property, plant and equipment(1)	$ 8,280,511	$ 7,430,580

(1) Net property, plant and equipment includes plant acquisition adjustments of $(59.8) million and $(68.1) million at September 30, 2016 and 2015.

Goodwill

The following presents our goodwill balance allocated by segment and changes in the balance for the fiscal year ended September 30, 2016:

	Regulated Distribution	Regulated Pipeline	Nonregulated	Total
		(In thousands)		
Balance as of September 30, 2015	$575,449	$132,542	$34,711	$742,702
Deferred tax adjustments on prior acquisitions(1)	665	40	—	705
Balance as of September 30, 2016	$576,114	$132,582	$34,711	$743,407

(1) We annually adjust certain deferred taxes recorded in connection with acquisitions completed in fiscal 2001 and fiscal 2004, which resulted in an increase to goodwill and net deferred tax liabilities of $0.7 million for fiscal 2016.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Deferred charges and other assets

Deferred charges and other assets as of September 30, 2016 and 2015 were comprised of the following accounts.

	September 30 2016	September 30 2015
	(In thousands)	
Marketable securities	$ 72,701	$ 74,200
Regulatory assets	214,890	182,573
Assets from risk management activities	1,822	368
Other	15,872	18,343
Total	$305,285	$275,484

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities as of September 30, 2016 and 2015 were comprised of the following accounts.

	September 30 2016	September 30 2015
	(In thousands)	
Trade accounts payable	$114,533	$ 78,534
Accrued gas payable	108,526	119,825
Accrued liabilities	36,375	40,583
Total	$259,434	$238,942

Other current liabilities

Other current liabilities as of September 30, 2016 and 2015 were comprised of the following accounts.

	September 30 2016	September 30 2015
	(In thousands)	
Customer credit balances and deposits	$ 81,890	$100,232
Accrued employee costs	47,058	47,602
Deferred gas costs	20,180	28,100
Accrued interest	34,863	34,914
Liabilities from risk management activities	56,771	9,568
Taxes payable	104,457	93,674
Pension and postretirement obligations	36,606	21,857
Current deferred tax liability	—	55,918
Regulatory cost of removal accrual	52,610	56,123
Other	14,601	9,966
Total	$449,036	$457,954

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Deferred credits and other liabilities

Deferred credits and other liabilities as of September 30, 2016 and 2015 were comprised of the following accounts.

	September 30	
	2016	2015
	(In thousands)	
Customer advances for construction	$ 9,850	$ 9,316
Regulatory liabilities	4,152	3,693
Asset retirement obligation	13,404	9,063
Liabilities from risk management activities	184,048	110,539
Other	34,236	29,085
Total	$245,690	$161,696

10. Leases

We have entered into operating leases for office and warehouse space, vehicles and heavy equipment used in our operations. The remaining lease terms range from one to 18 years and generally provide for the payment of taxes, insurance and maintenance by the lessee. Renewal options exist for certain of these leases.

The related future minimum lease payments at September 30, 2016 were as follows:

	Operating Leases
	(In thousands)
2017	$ 17,073
2018	16,824
2019	15,450
2020	14,479
2021	14,335
Thereafter	47,714
Total minimum lease payments	$125,875

Consolidated lease and rental expense amounted to $32.6 million, $32.5 million and $31.7 million for fiscal 2016, 2015 and 2014.

11. Commitments and Contingencies

Litigation

We are a party to various litigation that has arisen in the ordinary course of our business. While the results of such litigation cannot be predicted with certainty, we believe the final outcome of such litigation will not have a material adverse effect on our financial condition, results of operations or cash flows.

Environmental Matters

We are a party to environmental matters and claims that have arisen in the ordinary course of our business. While the ultimate results of response actions to these environmental matters and claims cannot be predicted with certainty, we believe the final outcome of such response actions will not have a material adverse effect on our financial condition, results of operations or cash flows because we believe that the expenditures related to such response actions will either be recovered through rates, shared with other parties or are adequately covered by insurance.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Purchase Commitments

Our regulated distribution divisions maintain supply contracts with several vendors that generally cover a period of up to one year. Commitments for estimated base gas volumes are established under these contracts on a monthly basis at contractually negotiated prices. Commitments for incremental daily purchases are made as necessary during the month in accordance with the terms of the individual contract.

Our Mid-Tex Division also maintains a limited number of long-term supply contracts to ensure a reliable source of gas for our customers in its service area which obligate it to purchase specified volumes at prices indexed to natural gas trading hubs. At September 30, 2016, we were committed to purchase 28.5 Bcf within one year, 4.2 Bcf within two to three years and 0.6 Bcf beyond three years under indexed contracts. Purchases under these contracts totaled $85.3 million, $113.3 million and $140.9 million for 2016, 2015, 2014.

Our nonregulated segment has commitments to purchase physical quantities of natural gas under contracts indexed to the forward NYMEX strip or fixed price contracts. At September 30, 2016, we were committed to purchase 93.5 Bcf within one year, 9.1 Bcf within two to three years and 0.2 Bcf after three years under indexed contracts. We are committed to purchase 11.9 Bcf within one year and 1.3 Bcf within one to three years under fixed price contracts with prices ranging from $0.25 to $3.16 per Mcf. Purchases under these contracts totaled $763.2 million , $1,141.3 million and $1,687.5 million for 2016, 2015 and 2014.

In addition, our nonregulated segment maintains long-term contracts related to storage and transportation. The estimated contractual demand fees for contracted storage and transportation under these contracts as of September 30, 2016 are as follows (in thousands):

2017	$ 9,065
2018	2,336
2019	424
2020	400
2021	327
Thereafter	678
	$13,230

12. Income Taxes

The components of income tax expense from continuing operations for 2016, 2015 and 2014 were as follows:

	2016	2015	2014
		(In thousands)	
Current			
Federal	$ —	$ —	$ —
State	6,822	7,251	5,527
Deferred			
Federal	181,790	175,897	169,106
State	11,766	12,548	12,375
Investment tax credits	(5)	(6)	(6)
	$200,373	$195,690	$187,002

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Reconciliations of the provision for income taxes computed at the statutory rate to the reported provisions for income taxes from continuing operations for 2016, 2015 and 2014 are set forth below:

	2016	2015	2014
		(In thousands)	
Tax at statutory rate of 35%	$192,667	$178,768	$166,887
Common stock dividends deductible for tax reporting	(2,570)	(2,413)	(2,307)
State taxes (net of federal benefit)	11,504	12,869	11,636
Change in valuation allowance	1,324	4,998	6,969
Other, net	(2,552)	1,468	3,817
Income tax expense	$200,373	$195,690	$187,002

Deferred income taxes reflect the tax effect of differences between the basis of assets and liabilities for book and tax purposes. The tax effect of temporary differences that gave rise to significant components of the deferred tax liabilities and deferred tax assets at September 30, 2016 and 2015 are presented below:

	2016	2015
	(In thousands)	
Deferred tax assets:		
Employee benefit plans	$ 122,682	$ 121,619
Interest rate agreements	107,782	51,067
Net operating loss carryforwards	514,391	313,224
Charitable and other credit carryforwards	22,273	22,281
Other	23,648	36,695
Total deferred tax assets	790,776	544,886
Valuation allowance	(10,481)	(10,872)
Net deferred tax assets	780,295	534,014
Deferred tax liabilities:		
Difference in net book value and net tax value of assets	(2,259,278)	(1,890,886)
Pension funding	(30,652)	(35,247)
Gas cost adjustments	(54,725)	(43,634)
Other	(38,696)	(31,480)
Total deferred tax liabilities	(2,383,351)	(2,001,247)
Net deferred tax liabilities	$(1,603,056)	$(1,467,233)
Deferred credits for rate regulated entities	$ 861	$ 412

At September 30, 2016, we had $494.0 million of federal net operating loss carryforwards. The federal net operating loss carryforwards are available to offset taxable income and will begin to expire in 2029. The Company also has $10.1 million of federal alternative minimum tax credit carryforwards which do not expire. In addition, the Company has $11.0 million in charitable contribution carryforwards to offset taxable income. The Company's charitable contribution carryforwards expire in 2017 - 2021.

For state taxable income, the Company has $20.4 million of state net operating loss carryforwards (net of $11.0 million of federal effects) and $1.1 million of state tax credits carryforwards (net of federal effects). Depending on the jurisdiction in which the state net operating loss was generated, the carryforwards will begin to expire between 2017 and 2031.

We believe it is more likely than not that the benefit from certain charitable contribution carryforwards, state net operating loss carryforwards and state credit carryforwards will not be realized. Due to the uncertainty of realizing a benefit from the deferred tax asset recorded for the carryforwards, a valuation allowance of $1.1 million and $5.0 million was established for the years ended September 30, 2016 and 2015. In addition, $1.4 million of deferred tax assets expired for which a valuation allowance had previously been recorded and $0.2 million of deferred tax assets expired for which a valuation allowance had not been previously recorded during the year ended September 30, 2016.

At September 30, 2016, we had recorded liabilities associated with unrecognized tax benefits totaling $20.3 million. The following table reconciles the beginning and ending balance of our unrecognized tax benefits:

	2016	2015
	(In thousands)	
Unrecognized tax benefits - beginning balance	$17,069	$12,629
Increase (decrease) resulting from prior period tax positions	(290)	1,009
Increase resulting from current period tax positions	3,519	3,431
Unrecognized tax benefits - ending balance	20,298	17,069
Less: deferred federal and state income tax benefits	(7,104)	(5,974)
Total unrecognized tax benefits that, if recognized, would impact the effective income tax rate as of the end of the year	$13,194	$11,095

The Company recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expense. During the years ended September 30, 2016 and 2015, the Company recognized approximately $2.5 million and $0.5 million in interest and penalties. The Company had approximately $3.3 million and $0.8 million for the payment of interest and penalties accrued at September 30, 2016 and 2015.

We file income tax returns in the U.S. federal jurisdiction as well as in various states where we have operations. We have concluded substantially all U.S. federal income tax matters through fiscal year 2007 and concluded substantially all Texas income tax matters through fiscal year 2010.

13. Financial Instruments

We use financial instruments to mitigate commodity price risk and interest rate risk. The objectives and strategies for using financial instruments have been tailored to our regulated and nonregulated businesses. Currently, we utilize financial instruments in our regulated distribution and nonregulated segments. We currently do not manage commodity price risk with financial instruments in our regulated pipeline segment.

Our financial instruments do not contain any credit-risk-related or other contingent features that could cause accelerated payments when our financial instruments are in net liability positions.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

As discussed in Note 2, we report our financial instruments as risk management assets and liabilities, each of which is classified as current or noncurrent based upon the anticipated settlement date of the underlying financial instrument. The following table shows the fair values of our risk management assets and liabilities by segment at September 30, 2016 and 2015:

	Regulated Distribution	Nonregulated	Total
		(In thousands)	
September 30, 2016			
Assets from risk management activities, current[(1)]	$ 3,029	$6,775	$ 9,804
Assets from risk management activities, noncurrent	1,822	—	1,822
Liabilities from risk management activities, current[(1)]	(56,771)	—	(56,771)
Liabilities from risk management activities, noncurrent[(1)]	(184,048)	—	(184,048)
Net assets (liabilities)	$(235,968)	$6,775	$(229,193)
September 30, 2015			
Assets from risk management activities, current[(2)]	$ 378	$8,854	$ 9,232
Assets from risk management activities, noncurrent	368	—	368
Liabilities from risk management activities, current[(2)]	(9,568)	—	(9,568)
Liabilities from risk management activities, noncurrent[(2)]	(110,539)	—	(110,539)
Net assets (liabilities)	$(119,361)	$8,854	$(110,507)

(1) Includes $25.7 million of cash held on deposit to collateralize certain regulated distribution financial instruments, which were used to offset current and noncurrent risk management liabilities. Also includes $24.7 million of cash held on deposit to collateralize certain nonregulated financial instruments. Of this amount, $17.9 million was used to offset current and noncurent risk management liabilities under master netting arrangements and the remaining $6.8 million is classified as current risk management assets.

(2) Includes $43.5 million of cash held on deposit to collateralize certain nonregulated financial instruments. Of this amount, $34.6 million was used to offset current and noncurrent risk management liabilities under master netting arrangements and the remaining $8.9 million is classified as current risk management assets.

Regulated Commodity Risk Management Activities

Although our purchased gas cost adjustment mechanisms essentially insulate our regulated distribution segment from commodity price risk, our customers are exposed to the effects of volatile natural gas prices. We manage this exposure through a combination of physical storage, fixed-price forward contracts and financial instruments, primarily over-the-counter swap and option contracts, in an effort to minimize the impact of natural gas price volatility on our customers during the winter heating season.

Our regulated distribution gas supply department is responsible for executing this segment's commodity risk management activities in conformity with regulatory requirements. In jurisdictions where we are permitted to mitigate commodity price risk through financial instruments, the relevant regulatory authorities may establish the level of heating season gas purchases that can be hedged. Historically, if the regulatory authority does not establish this level, we seek to hedge between 25 and 50 percent of anticipated heating season gas purchases using financial instruments. For the 2015-2016 heating season (generally October through March), in the jurisdictions where we are permitted to utilize financial instruments, we hedged approximately 33 percent, or approximately 23.0 Bcf of the winter flowing gas requirements at a weighted average cost of approximately $3.14 per Mcf. We have not designated these financial instruments as hedges.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Nonregulated Commodity Risk Management Activities

In our nonregulated operations, we buy, sell and deliver natural gas at competitive prices by aggregating and purchasing gas supply, arranging transportation and storage logistics and effectively managing commodity price risk.

As a result of these activities, our nonregulated segment is exposed to risks associated with changes in the market price of natural gas. We manage our exposure to such risks through a combination of physical storage and financial instruments, including futures, over-the-counter and exchange-traded options and swap contracts with counterparties. Future contracts provide the right to buy or sell the commodity at a fixed price in the future. Option contracts provide the right, but not the requirement, to buy or sell the commodity at a fixed price. Swap contracts require receipt of payment for the commodity based on the difference between a fixed price and the market price on the settlement date. Specifically, these operations use financial instruments in the following ways:

- *Gas delivery and related services* — We use financial instruments, designated as cash flow hedges of anticipated purchases and sales at index prices, to mitigate the commodity price risk associated with deliveries under fixed-priced forward contracts to either deliver gas to customers or purchase gas from suppliers. These financial instruments have maturity dates ranging from one to 63 months.
- *Transportation and storage services* — Our nonregulated operations use storage and basis swaps, futures and various over-the-counter and exchange-traded options to capture additional storage arbitrage opportunities that arise subsequent to the execution of the original fair value hedge associated with our physical natural gas inventory, basis swaps to insulate and protect the economic value of our fixed price and storage books and various over-the-counter and exchange-traded options. These financial instruments have not been designated as hedges for accounting purposes.
- *Aggregating and purchasing gas supply* — Certain financial instruments, designated as fair value hedges, are used to hedge our natural gas inventory used in asset optimization activities.

Our nonregulated risk management activities are controlled through various risk management policies and procedures. Our Audit Committee has oversight responsibility for our nonregulated risk management limits and policies. A risk committee, comprised of corporate and business unit officers, is responsible for establishing and enforcing our nonregulated risk management policies and procedures.

Under our risk management policies, we seek to match our financial instrument positions to our physical storage positions as well as our expected current and future sales and purchase obligations in order to maintain no open positions at the end of each trading day. The determination of our net open position as of any day, however, requires us to make assumptions as to future circumstances, including the use of gas by our customers in relation to our anticipated storage and market positions. Because the price risk associated with any net open position at the end of each day may increase if the assumptions are not realized, we review these assumptions as part of our daily monitoring activities. Our operations can also be affected by intraday fluctuations of gas prices, since the price of natural gas purchased or sold for future delivery earlier in the day may not be hedged until later in the day. At times, limited net open positions related to our existing and anticipated commitments may occur. At the close of business on September 30, 2016, our nonregulated segment had net open positions (including existing storage and related financial contracts) of 0.1 Bcf.

Interest Rate Risk Management Activities

We currently manage interest rate risk through the use of forward starting interest rate swaps to fix the Treasury yield component of the interest cost associated with anticipated financings.

In October 2012, we entered into forward starting interest rate swaps to fix the Treasury yield component associated with the then anticipated issuance of $500 million senior notes in October 2014. These notes were issued as planned in October 2014 and we settled swaps with the receipt of $13.4 million. Because the swaps were effective, the realized gain was recorded as a component of accumulated other comprehensive income and is being recognized as a component of interest expense over the 30-year life of the senior notes. In October 2012, we entered into forward starting interest rate swaps to fix the Treasury yield component associated with $210 million of the anticipated issuance of $250 million unsecured senior notes in fiscal 2017. Additionally, in fiscal 2014 and 2015, we entered into forward starting interest rate swaps to effectively fix the Treasury yield component associated with $450 million of the anticipated issuance of $450 million unsecured senior notes in fiscal 2019. We designated all of these swaps as cash flow hedges at the time the agreements were executed. Accordingly, unrealized gains and losses associated with the forward starting interest rate swaps will be recorded as a component of accumulated other comprehensive income (loss). When the forward starting interest rate swaps settle, the realized gain or loss will be recorded as a component of accumulated other comprehensive income (loss) and recognized as a component of interest expense over the life of the related financing arrangement. Hedge ineffectiveness to the extent incurred, will be reported as a component of interest expense.

Prior to fiscal 2012, we entered into several interest rate agreements to fix the Treasury yield component of the interest cost of financing for various issuances of long-term debt and senior notes. The gains and losses realized upon settlement of these interest rate agreements were recorded as a component of accumulated other comprehensive income (loss) when they were settled and are being recognized as a component of interest expense over the life of the associated notes from the date of settlement. The remaining amortization periods for the settled interest rate agreements extend through fiscal 2045.

Quantitative Disclosures Related to Financial Instruments

The following tables present detailed information concerning the impact of financial instruments on our consolidated balance sheet and income statements.

As of September 30, 2016, our financial instruments were comprised of both long and short commodity positions. A long position is a contract to purchase the commodity, while a short position is a contract to sell the commodity. As of September 30, 2016, we had net long/(short) commodity contracts outstanding in the following quantities:

Contract Type	Hedge Designation	Regulated Distribution	Nonregulated
		Quantity (MMcf)	
Commodity contracts	Fair Value	—	(19,395)
	Cash Flow	—	39,278
	Not designated	18,595	71,147
		18,595	91,030

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Financial Instruments on the Balance Sheet

The following tables present the fair value and balance sheet classification of our financial instruments by operating segment as of September 30, 2016 and 2015. The gross amounts of recognized assets and liabilities are netted within our Consolidated Balance Sheets to the extent that we have netting arrangements with the counterparties.

	Balance Sheet Location	Regulated Distribution Assets	Regulated Distribution Liabilities	Nonregulated Assets	Nonregulated Liabilities
		(In thousands)			
September 30, 2016					
Designated As Hedges:					
Commodity contracts	Other current assets / Other current liabilities	$ —	$ —	$ 6,612	$(21,903)
Interest rate contracts	Other current assets / Other current liabilities	—	(68,481)	—	—
Commodity contracts	Deferred charges and other assets / Deferred credits and other liabilities	—	—	2,178	(3,779)
Interest rate contracts	Deferred charges and other assets / Deferred credits and other liabilities	—	(198,008)	—	—
Total		—	(266,489)	8,790	(25,682)
Not Designated As Hedges:					
Commodity contracts	Other current assets / Other current liabilities	3,029	—	18,157	(18,812)
Commodity contracts	Deferred charges and other assets / Deferred credits and other liabilities	1,822	—	12,343	(12,701)
Total		4,851	—	30,500	(31,513)
Gross Financial Instruments		4,851	(266,489)	39,290	(57,195)
Gross Amounts Offset on Consolidated Balance Sheet:					
Contract netting		—	—	(39,290)	39,290
Net Financial Instruments		4,851	(266,489)	—	(17,905)
Cash collateral		—	25,670	6,775	17,905
Net Assets/Liabilities from Risk Management Activities		$4,851	$(240,819)	$ 6,775	$ —

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Balance Sheet Location	Regulated Distribution Assets	Regulated Distribution Liabilities	Nonregulated Assets	Nonregulated Liabilities
		(In thousands)			
September 30, 2015					
Designated As Hedges:					
Commodity contracts	Other current assets / Other current liabilities	$ —	$ —	$ 11,680	$ (36,067)
Commodity contracts	Deferred charges and other assets / Deferred credits and other liabilities	—	—	126	(9,918)
Interest rate contracts	Deferred charges and other assets / Deferred credits and other liabilities	—	(110,539)	—	—
Total		—	(110,539)	11,806	(45,985)
Not Designated As Hedges:					
Commodity contracts	Other current assets / Other current liabilities	378	(9,568)	65,239	(65,780)
Commodity contracts	Deferred charges and other assets / Deferred credits and other liabilities	368	—	14,318	(14,218)
Total		746	(9,568)	79,557	(79,998)
Gross Financial Instruments		746	(120,107)	91,363	(125,983)
Gross Amounts Offset on Consolidated Balance Sheet:					
Contract netting		—	—	(91,363)	91,363
Net Financial Instruments		746	(120,107)	—	(34,620)
Cash collateral		—	—	8,854	34,620
Net Assets/Liabilities from Risk Management Activities		$746	$(120,107)	$ 8,854	$ —

Impact of Financial Instruments on the Income Statement

Hedge ineffectiveness for our nonregulated segment is recorded as a component of purchased gas cost and primarily results from differences in the location and timing of the derivative instrument and the hedged item. Hedge ineffectiveness could materially affect our results of operations for the reported period. For the years ended September 30, 2016, 2015 and 2014, we recognized a gain arising from fair value and cash flow hedge ineffectiveness of $21.6 million, $0.2 million and $1.9 million. Additional information regarding ineffectiveness recognized in the income statement is included in the tables below.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Fair Value Hedges

The impact of our nonregulated commodity contracts designated as fair value hedges and the related hedged item on our consolidated income statement for the years ended September 30, 2016, 2015 and 2014 is presented below.

	Fiscal Year Ended September 30		
	2016	2015	2014
		(In thousands)	
Commodity contracts	$ 3,516	$10,311	$ (792)
Fair value adjustment for natural gas inventory designated as the hedged item	18,079	(9,768)	2,486
Total decrease in purchased gas cost	$21,595	$ 543	$1,694
The decrease in purchased gas cost is comprised of the following:			
Basis ineffectiveness	$ (1,390)	$ 811	$ (919)
Timing ineffectiveness	22,985	(268)	2,613
	$21,595	$ 543	$1,694

Basis ineffectiveness arises from natural gas market price differences between the locations of the hedged inventory and the delivery location specified in the hedge instruments. Timing ineffectiveness arises due to changes in the difference between the spot price and the futures price, as well as the difference between the timing of the settlement of the futures and the valuation of the underlying physical commodity. As the commodity contract nears the settlement date, spot-to-forward price differences should converge, which should reduce or eliminate the impact of this ineffectiveness on purchased gas cost.

To the extent that the Company's natural gas inventory does not qualify as a hedged item in a fair-value hedge, or has not been designated as such, the natural gas inventory is valued at the lower of cost or market.

Cash Flow Hedges

The impact of cash flow hedges on our consolidated income statements for the years ended September 30, 2016, 2015 and 2014 is presented below. Note that this presentation does not reflect the financial impact arising from the hedged physical transaction. Therefore, this presentation is not indicative of the economic gross profit we realized when the underlying physical and financial transactions were settled.

	Fiscal Year Ended September 30, 2016		
	Regulated Distribution	Nonregulated	Consolidated
		(In thousands)	
Loss reclassified from AOCI for effective portion of commodity contracts	$ —	$(52,651)	$(52,651)
Loss arising from ineffective portion of commodity contracts	—	(19)	(19)
Total impact on purchased gas cost	—	(52,670)	(52,670)
Net loss on settled interest rate agreements reclassified from AOCI into interest expense	(546)	—	(546)
Total impact from cash flow hedges	$(546)	$(52,670)	$(53,216)

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Fiscal Year Ended September 30, 2015		
	Regulated Distribution	Nonregulated	Consolidated
		(In thousands)	
Loss reclassified from AOCI for effective portion of commodity contracts	$ —	$(41,716)	$(41,716)
Loss arising from ineffective portion of commodity contracts	—	(325)	(325)
Total impact on purchased gas cost	—	(42,041)	(42,041)
Net loss on settled interest rate agreements reclassified from AOCI into interest expense	(853)	—	(853)
Total impact from cash flow hedges	$(853)	$(42,041)	$(42,894)

	Fiscal Year Ended September 30, 2014		
	Regulated Distribution	Nonregulated	Consolidated
		(In thousands)	
Gain reclassified from AOCI for effective portion of commodity contracts	$ —	$8,365	$ 8,365
Gain arising from ineffective portion of commodity contracts	—	198	198
Total impact on purchased gas cost	—	8,563	8,563
Net loss on settled interest rate agreements reclassified from AOCI into interest expense	(4,230)	—	(4,230)
Total impact from cash flow hedges	$(4,230)	$8,563	$ 4,333

The following table summarizes the gains and losses arising from hedging transactions that were recognized as a component of other comprehensive income (loss), net of taxes, for the years ended September 30, 2016 and 2015. The amounts included in the table below exclude gains and losses arising from ineffectiveness because these amounts are immediately recognized in the income statement as incurred.

	Fiscal Year Ended September 30	
	2016	2015
	(In thousands)	
Decrease in fair value:		
Interest rate agreements	$(99,029)	$(71,003)
Forward commodity contracts	(11,662)	(49,211)
Recognition of losses in earnings due to settlements:		
Interest rate agreements	347	542
Forward commodity contracts	32,117	25,448
Total other comprehensive income (loss) from hedging, net of tax[1]	$(78,227)	$(94,224)

[1] Utilizing an income tax rate ranging from approximately 37 percent to 39 percent based on the effective rates in each taxing jurisdiction.

Deferred gains (losses) recorded in AOCI associated with our interest rate agreements are recognized in earnings as they are amortized, while deferred losses associated with commodity contracts are recognized in earnings upon settlement. The following amounts, net of deferred taxes, represent the expected recognition in earnings of the deferred gains (losses) recorded in AOCI associated with our financial instruments, based upon the fair values of these financial instruments as of September 30, 2016. However, the table below does not include the expected recognition in earnings of our outstanding interest rate agreements as those financial instruments have not yet settled.

	Interest Rate Agreements	Commodity Contracts	Total
		(In thousands)	
2017	$ (447)	$(3,983)	$ (4,430)
2018	(649)	(561)	(1,210)
2019	(673)	(414)	(1,087)
2020	(698)	(26)	(724)
2021	(698)	2	(696)
Thereafter	(15,139)	—	(15,139)
Total[1]	$(18,304)	$(4,982)	$(23,286)

[1] Utilizing an income tax rate ranging from approximately 37 percent to 39 percent based on the effective rates in each taxing jurisdiction.

Financial Instruments Not Designated as Hedges

The impact of financial instruments that have not been designated as hedges on our consolidated income statements for the years ended September 30, 2016, 2015 and 2014 was an increase (decrease) in purchased gas cost of $(15.5) million, $15.5 million and $(5.0) million. Note that this presentation does not reflect the expected gains or losses arising from the underlying physical transactions associated with these financial instruments. Therefore, this presentation is not indicative of the economic gross profit we realized when the underlying physical and financial transactions were settled.

As discussed above, financial instruments used in our regulated distribution segment are not designated as hedges. However, there is no earnings impact on our regulated distribution segment as a result of the use of these financial instruments because the gains and losses arising from the use of these financial instruments are recognized in the consolidated statement of income as a component of purchased gas cost when the related costs are recovered through our rates and recognized in revenue. Accordingly, the impact of these financial instruments is excluded from this presentation.

14. Fair Value Measurements

We report certain assets and liabilities at fair value, which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). We record cash and cash equivalents, accounts receivable and accounts payable at carrying value, which substantially approximates fair value due to the short-term nature of these assets and liabilities. For other financial assets and liabilities, we primarily use quoted market prices and other observable market pricing information to minimize the use of unobservable pricing inputs in our measurements when determining fair value. The methods used to determine fair value for our assets and liabilities are fully described in Note 2.

Fair value measurements also apply to the valuation of our pension and post-retirement plan assets. The fair value of these assets is presented in Note 7.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Quantitative Disclosures

Financial Instruments

The classification of our fair value measurements requires judgment regarding the degree to which market data are observable or corroborated by observable market data. The following tables summarize, by level within the fair value hierarchy, our assets and liabilities that were accounted for at fair value on a recurring basis as of September 30, 2016 and 2015. As required under authoritative accounting literature, assets and liabilities are categorized in their entirety based on the lowest level of input that is significant to the fair value measurement.

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)[1]	Significant Other Unobservable Inputs (Level 3)	Netting and Cash Collateral[2]	September 30, 2016
			(In thousands)		
Assets:					
Financial instruments					
Regulated distribution segment	$ —	$ 4,851	$ —	$ —	$ 4,851
Nonregulated segment	—	39,290	—	(32,515)	6,775
Total financial instruments	—	44,141	—	(32,515)	11,626
Hedged portion of gas stored underground	52,578	—	—	—	52,578
Available-for-sale securities					
Money market funds	—	2,630	—	—	2,630
Registered investment companies	38,677	—	—	—	38,677
Bonds	—	31,394	—	—	31,394
Total available-for-sale securities	38,677	34,024	—	—	72,701
Total assets	$91,255	$ 78,165	$ —	$(32,515)	$136,905
Liabilities:					
Financial instruments					
Regulated distribution segment	$ —	$266,489	$ —	$(25,670)	$240,819
Nonregulated segment	—	57,195	—	(57,195)	—
Total liabilities	$ —	$323,684	$ —	$(82,865)	$240,819

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)[1]	Significant Other Unobservable Inputs (Level 3)	Netting and Cash Collateral[3]	September 30, 2015
			(In thousands)		
Assets:					
Financial instruments					
Regulated distribution segment	$ —	$ 746	$ —	$ —	$ 746
Nonregulated segment	—	91,363	—	(82,509)	8,854
Total financial instruments	—	92,109	—	(82,509)	9,600
Hedged portion of gas stored underground	43,901	—	—	—	43,901
Available-for-sale securities					
Money market funds	—	1,072	—	—	1,072
Registered investment companies	40,619	—	—	—	40,619
Bonds	—	32,509	—	—	32,509
Total available-for-sale securities	40,619	33,581	—	—	74,200
Total assets	$84,520	$125,690	$ —	$ (82,509)	$127,701
Liabilities:					
Financial instruments					
Regulated distribution segment	$ —	$120,107	$ —	$ —	$120,107
Nonregulated segment	—	125,983	—	(125,983)	—
Total liabilities	$ —	$246,090	$ —	$(125,983)	$120,107

(1) Our Level 2 measurements consist of over-the-counter options and swaps, which are valued using a market-based approach in which observable market prices are adjusted for criteria specific to each instrument, such as the strike price, notional amount or basis differences, municipal and corporate bonds, which are valued based on the most recent available quoted market prices and money market funds which are valued at cost.

(2) This column reflects adjustments to our gross financial instrument assets and liabilities to reflect netting permitted under our master netting agreements and the relevant authoritative accounting literature. In addition, as of September 30, 2016, we had $25.7 million of cash held in margin accounts to collateralize certain regulated distribution financial instruments, which were used to offset current and noncurrent risk management liabilities. As of September 30, 2016 we also had $24.7 million of cash held in margin accounts to collateralize certain nonregulated financial instruments. Of this amount, $17.9 million was used to offset current and noncurrent risk management liabilities under master netting agreements and the remaining $6.8 million is classified as current risk management assets.

(3) This column reflects adjustments to our gross financial instrument assets and liabilities to reflect netting permitted under our master netting agreements and the relevant authoritative accounting literature. In addition, as of September 30, 2015 we had $43.5 million of cash held in margin accounts to collateralize certain nonregulated financial instruments. Of this amount, $34.6 million was used to offset current and noncurrent risk management liabilities under master netting agreements and the remaining $8.9 million is classified as current risk management assets.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Available-for-sale securities are comprised of the following:

	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
		(In thousands)		
As of September 30, 2016				
Domestic equity mutual funds	$26,692	$6,419	$(590)	$32,521
Foreign equity mutual funds	4,954	1,202	—	6,156
Bonds	31,296	108	(10)	31,394
Money market funds	2,630	—	—	2,630
	$65,572	$7,729	$(600)	$72,701
As of September 30, 2015				
Domestic equity mutual funds	$27,643	$7,332	$(456)	$34,519
Foreign equity mutual funds	5,261	905	(66)	6,100
Bonds	32,423	106	(20)	32,509
Money market funds	1,072	—	—	1,072
	$66,399	$8,343	$(542)	$74,200

At September 30, 2016 and 2015, our available-for-sale securities included $41.3 million and $41.7 million related to assets held in separate rabbi trusts for our supplemental executive retirement plans as discussed in Note 7. At September 30, 2016 we maintained investments in bonds that have contractual maturity dates ranging from October 2016 through May 2020.

Other Fair Value Measures

In addition to the financial instruments above, we have several financial and nonfinancial assets and liabilities subject to fair value measures. These financial assets and liabilities include cash and cash equivalents, accounts receivable, accounts payable and debt. The nonfinancial assets and liabilities include asset retirement obligations and pension and post-retirement plan assets. We record cash and cash equivalents, accounts receivable, accounts payable and debt at carrying value. For cash and cash equivalents, accounts receivable and accounts payable, we consider carrying value to materially approximate fair value due to the short-term nature of these assets and liabilities.

Our debt is recorded at carrying value. The fair value of our debt is determined using third party market value quotations, which are considered Level 1 fair value measurements for debt instruments with a recent, observable trade or Level 2 fair value measurements for debt instruments where fair value is determined using the most recent available quoted market price. The following table presents the carrying value and fair value of our debt as of September 30, 2016:

	September 30, 2016
	(In thousands)
Carrying Amount	$2,460,000
Fair Value	$2,844,990

15. Subsequent Event

On October 29, 2016, AEH entered into a Membership Interest Purchase Agreement (the Agreement) with CenterPoint Energy Services, Inc., a subsidiary of CenterPoint Energy, Inc. to sell all of the equity interests of AEM for $40.0 million plus working capital at the date of closing. No material gain or loss is currently anticipated in connection with the closing of this transaction. We expect this transaction to close during the second quarter of fiscal 2017.

The following table summarizes the approximate value of the assets and liabilities that are part of the disposal group as of September 30, 2016:

	September 30, 2016 (In thousands)
Assets:	
Net property, plant and equipment	$ 13,000
Accounts receivable	94,000
Gas stored underground	56,000
Other current assets	13,000
Goodwill	15,000
Deferred charges and other assets	300
Total assets included in disposal group	$191,300
Liabilities:	
Accounts payable and accrued liabilities	$ 71,000
Other current liabilities	8,000
Deferred credits and other	200
Total liabilities included in disposal group	$ 79,200

16. Concentration of Credit Risk

Credit risk is the risk of financial loss to us if a customer fails to perform its contractual obligations. We engage in transactions for the purchase and sale of products and services with major companies in the energy industry and with industrial, commercial, residential and municipal energy consumers. These transactions principally occur in the southern and midwestern regions of the United States. We believe that this geographic concentration does not contribute significantly to our overall exposure to credit risk. Credit risk associated with trade accounts receivable for the regulated distribution segment is mitigated by the large number of individual customers and diversity in our customer base. The credit risk for our other segments is not significant.

ATMOS ENERGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

17. Selected Quarterly Financial Data (Unaudited)

Summarized unaudited quarterly financial data is presented below. The sum of net income per share by quarter may not equal the net income per share for the fiscal year due to variations in the weighted average shares outstanding used in computing such amounts. Our businesses are seasonal due to weather conditions in our service areas. For further information on its effects on quarterly results, see the "Results of Operations" discussion included in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section herein.

	Quarter Ended			
	December 31	March 31	June 30	September 30
	(In thousands, except per share data)			
Fiscal year 2016:				
Operating revenues				
Regulated distribution	$638,602	$ 849,685	$ 414,226	$ 389,353
Regulated pipeline	94,677	95,703	109,249	109,204
Nonregulated	272,524	287,395	214,555	291,889
Intersegment eliminations	(99,582)	(100,490)	(105,114)	(111,927)
	906,221	1,132,293	632,916	678,519
Gross profit	443,763	517,811	407,311	376,011
Operating income	196,205	250,016	137,164	84,633
Net income	102,861	141,810	71,193	34,240
Net income per share — basic	$ 1.00	$ 1.38	$ 0.69	$ 0.33
Net income per share — diluted	$ 1.00	$ 1.38	$ 0.69	$ 0.33

	Quarter Ended			
	December 31	March 31	June 30	September 30
	(In thousands, except per share data)			
Fiscal year 2015:				
Operating revenues				
Regulated distribution	$ 846,772	$1,130,613	$ 416,794	$ 369,656
Regulated pipeline	83,567	91,730	97,008	97,807
Nonregulated	462,288	438,322	278,769	292,830
Intersegment eliminations	(133,862)	(120,597)	(106,170)	(103,391)
	1,258,765	1,540,068	686,401	656,902
Gross profit	423,285	520,738	381,673	354,321
Operating income	187,725	250,210	117,607	75,853
Net income	97,595	137,684	56,281	23,515
Net income per share — basic	$ 0.96	$ 1.35	$ 0.55	$ 0.23
Net income per share — diluted	$ 0.96	$ 1.35	$ 0.55	$ 0.23

ITEM 9. ***Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.***

None.

ITEM 9A. ***Controls and Procedures.***

Management's Evaluation of Disclosure Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of the Company's disclosure controls and procedures, as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (Exchange Act). Based on this evaluation, the Company's principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures were effective as of September 30, 2016 to provide reasonable assurance that information required to be disclosed by us, including our consolidated entities, in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified by the SEC's rules and forms, including a reasonable level of assurance that such information is accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f), in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we evaluated the effectiveness of our internal control over financial reporting based on the framework in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (COSO). Based on our evaluation under the framework in *Internal Control-Integrated Framework* issued by COSO and applicable Securities and Exchange Commission rules, our management concluded that our internal control over financial reporting was effective as of September 30, 2016, in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Ernst & Young LLP has issued its report on the effectiveness of the Company's internal control over financial reporting. That report appears below.

/s/ KIM R. COCKLIN	/s/ BRET J. ECKERT
Kim R. Cocklin Chief Executive Officer and Director	Bret J. Eckert Senior Vice President and Chief Financial Officer

November 14, 2016

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of
Atmos Energy Corporation

We have audited Atmos Energy Corporation's internal control over financial reporting as of September 30, 2016, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Atmos Energy Corporation's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Atmos Energy Corporation maintained, in all material respects, effective internal control over financial reporting as of September 30, 2016, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets as of September 30, 2016 and 2015, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended September 30, 2016 of Atmos Energy Corporation and our report dated November 14, 2016 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Dallas, Texas
November 14, 2016

Changes in Internal Control over Financial Reporting

We did not make any changes in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Act) during the fourth quarter of the fiscal year ended September 30, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. *Other Information.*

Not applicable.

PART III

ITEM 10. *Directors, Executive Officers and Corporate Governance.*

Information regarding directors and compliance with Section 16(a) of the Securities Exchange Act of 1934 is incorporated herein by reference to the Company's Definitive Proxy Statement for the Annual Meeting of Shareholders on February 8, 2017. Information regarding executive officers is reported below:

EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth certain information as of September 30, 2016, regarding the executive officers of the Company. It is followed by a brief description of the business experience of each executive officer.

Name	Age	Years of Service	Office Currently Held
Kim R. Cocklin	65	10	Chief Executive Officer and Director
Michael E. Haefner	56	8	President and Chief Operating Officer and Director
Bret J. Eckert	49	4	Senior Vice President and Chief Financial Officer
Marvin L. Sweetin	53	16	Senior Vice President, Safety and Enterprise Services
Louis P. Gregory	61	16	Senior Vice President, General Counsel and Corporate Secretary

Kim R. Cocklin was named President and Chief Executive Officer effective October 1, 2010, and Chief Executive Officer of the Company on October 1, 2015. Mr. Cocklin joined the Company in June 2006 and served as President and Chief Operating Officer of the Company from October 1, 2008 through September 30, 2010, after having served as Senior Vice President, Regulated Operations from October 2006 through September 2008. Mr. Cocklin was appointed to the Board of Directors on November 10, 2009.

Michael E. Haefner joined the Company in June 2008 as Senior Vice President, Human Resources. On January 19, 2015, Mr. Haefner was promoted to Executive Vice President and assumed oversight responsibility for Atmos Pipeline — Texas, Atmos Energy Holdings, Inc. and the gas supply and services function. On October 1, 2015, Mr. Haefner was promoted to the role of President and Chief Operating Officer in which he also assumed oversight responsibility for the operations of our six utility divisions and customer service. Mr. Haefner was appointed to the Board of Directors on November 4, 2015.

Bret J. Eckert joined the Company in June 2012 as Senior Vice President, and on October 1, 2012 he was appointed Chief Financial Officer. Prior to joining the Company, Mr. Eckert was an Assurance Partner with Ernst & Young LLP where he developed extensive accounting and financial experience in the natural gas industry over his 22-year career.

Marvin L. Sweetin was named Senior Vice President, Utility Operations in November 2011. In this role, Mr. Sweetin was responsible for the operations of our six utility divisions, as well as customer service, safety and training. On October 1, 2015, Mr. Sweetin was promoted to the position of Senior Vice President of Safety and Enterprise Services. In addition to having overall responsibility for safety and compliance for the Company, Mr. Sweetin has responsibility for business process and change management, new operations technology evaluation and deployment, supply chain and facilities management and workforce development. On November 3, 2016, Mr. Sweetin notified the Board of Directors of his retirement from the Company effective December 31, 2016.

Louis P. Gregory was named Senior Vice President and General Counsel in September 2000 as well as Corporate Secretary in June 2012.

David J. Park was named Senior Vice President of Utility Operations on October 28, 2016, effective January 1, 2017. In this role, Mr. Park will be responsible for the operations of Atmos Energy's six utility divisions as well as gas supply. Prior to this promotion, Mr. Park served as the President of the West Texas Division. Mr. Park has also served as Vice President of Rates and Regulatory Affairs in the Mid-Tex Division and previously held positions in Engineering and Public Affairs.

Identification of the members of the Audit Committee of the Board of Directors as well as the Board of Directors' determination as to whether one or more audit committee financial experts are serving on the Audit Committee of the Board of Directors is incorporated herein by reference to the Company's Definitive Proxy Statement for the Annual Meeting of Shareholders on February 8, 2017.

The Company has adopted a code of ethics for its principal executive officer, principal financial officer and principal accounting officer. Such code of ethics is represented by the Company's Code of Conduct, which is applicable to all directors, officers and employees of the Company, including the Company's principal executive officer, principal financial officer and principal accounting officer. A copy of the Company's Code of Conduct is posted on the Company's website at *www.atmosenergy.com* under "Corporate Governance." In addition, any amendment to or waiver granted from a provision of the Company's Code of Conduct will be posted on the Company's website under "Corporate Governance."

ITEM 11. *Executive Compensation.*

Information on executive compensation is incorporated herein by reference to the Company's Definitive Proxy Statement for the Annual Meeting of Shareholders on February 8, 2017.

ITEM 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.*

Security ownership of certain beneficial owners and of management is incorporated herein by reference to the Company's Definitive Proxy Statement for the Annual Meeting of Shareholders on February 8, 2017. Information concerning our equity compensation plans is provided in Part II, Item 5, "Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities", of this Annual Report on Form 10-K.

ITEM 13. *Certain Relationships and Related Transactions, and Director Independence.*

Information on certain relationships and related transactions as well as director independence is incorporated herein by reference to the Company's Definitive Proxy Statement for the Annual Meeting of Shareholders on February 8, 2017.

ITEM 14. *Principal Accountant Fees and Services.*

Information on our principal accountant's fees and services is incorporated herein by reference to the Company's Definitive Proxy Statement for the Annual Meeting of Shareholders on February 8, 2017.

PART IV

ITEM 15. *Exhibits and Financial Statement Schedules.*

(a) 1. and 2. *Financial statements and financial statement schedules.*

The financial statements and financial statement schedule listed in the Index to Financial Statements in Item 8 are filed as part of this Form 10-K.

3. *Exhibits*

The exhibits listed in the accompanying Exhibits Index are filed as part of this Form 10-K. The exhibits numbered 10.3(a) through 10.12 are management contracts or compensatory plans or arrangements.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ATMOS ENERGY CORPORATION
(Registrant)

By: /s/ BRET J. ECKERT
Bret J. Eckert
Senior Vice President and Chief Financial Officer

Date: November 14, 2016

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Kim R. Cocklin and Bret J. Eckert, or either of them acting alone or together, as his true and lawful attorney-in-fact and agent with full power to act alone, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and all other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated:

/s/ KIM R. COCKLIN Kim R. Cocklin	Chief Executive Officer and Director	November 14, 2016
/s/ MICHAEL E. HAEFNER Michael E. Haefner	President, Chief Operating Officer and Director	November 14, 2016
/s/ BRET J. ECKERT Bret J. Eckert	Senior Vice President and Chief Financial Officer	November 14, 2016
/s/ CHRISTOPHER T. FORSYTHE Christopher T. Forsythe	Vice President and Controller (Principal Accounting Officer)	November 14, 2016
/s/ ROBERT W. BEST Robert W. Best	Chairman of the Board	November 14, 2016
/s/ KELLY H. COMPTON Kelly H. Compton	Director	November 14, 2016
/s/ RICHARD W. DOUGLAS Richard W. Douglas	Director	November 14, 2016
/s/ RUBEN E. ESQUIVEL Ruben E. Esquivel	Director	November 14, 2016
/s/ RAFAEL G. GARZA Rafael G. Garza	Director	November 14, 2016
/s/ RICHARD K. GORDON Richard K. Gordon	Director	November 14, 2016
/s/ ROBERT C. GRABLE Robert C. Grable	Director	November 14, 2016
/s/ THOMAS C. MEREDITH Thomas C. Meredith	Director	November 14, 2016
/s/ NANCY K. QUINN Nancy K. Quinn	Director	November 14, 2016
/s/ RICHARD A. SAMPSON Richard A. Sampson	Director	November 14, 2016
/s/ STEPHEN R. SPRINGER Stephen R. Springer	Director	November 14, 2016
/s/ RICHARD WARE II Richard Ware II	Director	November 14, 2016

Schedule II

ATMOS ENERGY CORPORATION

Valuation and Qualifying Accounts
Three Years Ended September 30, 2016

	Balance at beginning of period	Additions: Charged to cost & expenses	Additions: Charged to other accounts	Deductions	Balance at end of period
		(In thousands)			
2016					
Allowance for doubtful accounts	$15,283	$10,397	$—	$12,313[1]	$13,367
2015					
Allowance for doubtful accounts	$23,992	$15,082	$—	$23,791[1]	$15,283
2014					
Allowance for doubtful accounts	$20,624	$19,491	$—	$16,123[1]	$23,992

[1] Uncollectible accounts written off.

EXHIBITS INDEX
Item 14.(a)(3)

Exhibit Number	Description	Page Number or Incorporation by Reference to
	Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession	
2.1	Membership Interest Purchase Agreement by and between Atmos Energy Holdings, Inc. as Seller and CenterPoint Energy Services, Inc. as Buyer, dated as of October 29 2016	Exhibit 2.1 to Form 8-K dated October 29, 2016 (File No. 1-10042)
	Articles of Incorporation and Bylaws	
3.1	Restated Articles of Incorporation of Atmos Energy Corporation —Texas (As Amended Effective February 3, 2010)	Exhibit 3.1 to Form 10-Q dated March 31, 2010 (File No. 1-10042)
3.2	Restated Articles of Incorporation of Atmos Energy Corporation —Virginia (As Amended Effective February 3, 2010)	Exhibit 3.2 to Form 10-Q dated March 31, 2010 (File No. 1-10042)
3.3	Amended and Restated Bylaws of Atmos Energy Corporation (as of September 28, 2015)	Exhibit 3.1 to Form 8-K dated September 28, 2015 (File No. 1-10042)
	Instruments Defining Rights of Security Holders, Including Indentures	
4.1	Specimen Common Stock Certificate (Atmos Energy Corporation)	Exhibit 4.1 to Form 10-K for fiscal year ended September 30, 2012 (File No. 1-10042)
4.2	Indenture dated as of November 15, 1995 between United Cities Gas Company and Bank of America Illinois, Trustee	Exhibit 4.11(a) to Form S-3 dated August 31, 2004 (File No. 333-118706)
4.3	Indenture dated as of July 15, 1998 between Atmos Energy Corporation and U.S. Bank Trust National Association, Trustee	Exhibit 4.8 to Form S-3 dated August 31, 2004 (File No. 333-118706)
4.4	Indenture dated as of May 22, 2001 between Atmos Energy Corporation and SunTrust Bank, Trustee	Exhibit 99.3 to Form 8-K dated May 15, 2001 (File No. 1-10042)
4.5	Indenture dated as of June 14, 2007, between Atmos Energy Corporation and U.S. Bank National Association, Trustee	Exhibit 4.1 to Form 8-K dated June 11, 2007 (File No. 1-10042)
4.6	Indenture dated as of March 23, 2009 between Atmos Energy Corporation and U.S. Bank National Corporation, Trustee	Exhibit 4.1 to Form 8-K dated March 26, 2009 (File No. 1-10042)
4.7(a)	Debenture Certificate for the 6 3/4% Debentures due 2028	Exhibit 99.2 to Form 8-K dated July 22, 1998 (File No. 1-10042)
4.7(b)	Global Security for the 5.95% Senior Notes due 2034	Exhibit 10(2)(g) to Form 10-K for fiscal year ended September 30, 2004 (File No. 1-10042)
4.7(c)	Global Security for the 6.35% Senior Notes due 2017	Exhibit 4.2 to Form 8-K dated June 11, 2007 (File No. 1-10042)
4.7(d)	Global Security for the 8.50% Senior Notes due 2019	Exhibit 4.2 to Form 8-K dated March 26, 2009 (File No. 1-10042)
4.7(e)	Global Security for the 5.5% Senior Notes due 2041	Exhibit 4.2 to Form 8-K dated June 10, 2011 (File No. 1-10042)
4.7(f)	Global Security for the 4.15% Senior Notes due 2043	Exhibit 4.2 to Form 8-K dated January 8, 2013 (File No. 1-10042)
4.7(g)	Global Security for the 4.125% Senior Notes due 2044	Exhibit 4.2 to Form 8-K dated October 15, 2014 (File No. 1-10042)

Exhibit Number	Description	Page Number or Incorporation by Reference to
	Material Contracts	
10.1(a)	Revolving Credit Agreement, dated as of September 25, 2015 among Atmos Energy Corporation, the Lenders from time to time parties thereto, Crédit Agricole Corporate and Investment Bank as Administrative Agent, and Mizuho Bank Ltd., as Syndication Agent	Exhibit 10.1 to Form 8-K dated October 1, 2015 (File No. 1-10042)
10.1(b)	First Amendment to Revolving Credit Agreement, dated as of October 5, 2016, by and among Atmos Energy Corporation, the lenders from time to time parties thereto (the "Lenders") and Credit Agricole Corporate and Investment Bank, in its capacity as administrative agent for the Lenders	Exhibit 10.1 to Form 8-K dated October 5, 2016 (File No. 1-10042)
10.1(c)	Term Loan Agreement, dated as of September 22, 2016, by and among Atmos Energy Corporation, the Lenders from time to time parties thereto and Branch Banking and Trust Company as Administrative Agent	Exhibit 10.1 to Form 8-K dated September 22, 2016 (File No. 1-10042)
10.2	Equity Distribution Agreement, dated as of March 28, 2016, among Atmos Energy Corporation, Goldman, Sachs & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Morgan Stanley & Co. LLC.	Exhibit 1.1 to Form 8-K dated March 28, 2016 (File No. 1-10042)
	Executive Compensation Plans and Arrangements	
10.3(a)*	Form of Atmos Energy Corporation Change in Control Severance Agreement — Tier I	Exhibit 10.7(a) to Form 10-K for fiscal year ended September 30, 2010 (File No. 1-10042)
10.3(b)*	Form of Atmos Energy Corporation Change in Control Severance Agreement — Tier II	Exhibit 10.7(b) to Form 10-K for fiscal year ended September 30, 2010 (File No. 1-10042)
10.4(a)*	Atmos Energy Corporation Executive Retiree Life Plan	Exhibit 10.31 to Form 10-K for fiscal year ended September 30, 1997 (File No. 1-10042)
10.4(b)*	Amendment No. 1 to the Atmos Energy Corporation Executive Retiree Life Plan	Exhibit 10.31(a) to Form 10-K for fiscal year ended September 30, 1997 (File No. 1-10042)
10.5*	Atmos Energy Corporation Annual Incentive Plan for Management (as amended and restated October 1, 2016)	
10.6(a)*	Atmos Energy Corporation Supplemental Executive Benefits Plan, Amended and Restated in its Entirety August 7, 2007	Exhibit 10.8(a) to Form 10-K for fiscal year ended September 30, 2008 (File No. 1-10042)
10.6(b)*	Form of Individual Trust Agreement for the Supplemental Executive Benefits Plan	Exhibit 10.3 to Form 10-Q for quarter ended December 31, 2000 (File No. 1-10042)
10.7(a)*	Atmos Energy Corporation Supplemental Executive Retirement Plan (As Amended and Restated, Effective as of January 1, 2016)	
10.7(b)*	Atmos Energy Corporation Performance-Based Supplemental Executive Benefits Plan Trust Agreement, Effective Date December 1, 2000	Exhibit 10.1 to Form 10-Q for quarter ended December 31, 2000 (File No. 1-10042)
10.8*	Atmos Energy Corporation Account Balance Supplemental Executive Retirement Plan (As Amended and Restated, Effective as of January 1, 2016)	

Exhibit Number	Description	Page Number or Incorporation by Reference to
10.9(a)*	Mini-Med/Dental Benefit Extension Agreement dated October 1, 1994	Exhibit 10.28(f) to Form 10-K for fiscal year ended September 30, 2001 (File No. 1-10042)
10.9(b)*	Amendment No. 1 to Mini-Med/Dental Benefit Extension Agreement dated August 14, 2001	Exhibit 10.28(g) to Form 10-K for fiscal year ended September 30, 2001 (File No. 1-10042)
10.9(c)*	Amendment No. 2 to Mini-Med/Dental Benefit Extension Agreement dated December 31, 2002	Exhibit 10.1 to Form 10-Q for quarter ended December 31, 2002 (File No. 1-10042)
10.10*	Atmos Energy Corporation Equity Incentive and Deferred Compensation Plan for Non-Employee Directors, Amended and Restated as of January 1, 2012	Exhibit 10.1 to Form 10-Q for quarter ended December 31, 2011 (File No. 1-10042)
10.11(a)*	Atmos Energy Corporation 1998 Long-Term Incentive Plan (as amended and restated February 3, 2016)	Exhibit 99.1 to Form S-8 dated March 29, 2016 (File No. 333-210461)
10.11(b)*	Form of Award Agreement of Time-Lapse Restricted Stock Units under the Atmos Energy Corporation 1998 Long-Term Incentive Plan	
10.11(c)*	Form of Award Agreement of Performance-Based Restricted Stock Units under the Atmos Energy Corporation 1998 Long-Term Incentive Plan	
10.12*	Atmos Energy Corporation Outside Directors Stock-for-Fee Plan, Amended and Restated as of October 1, 2009	Exhibit 10.13 to Form 10-K for fiscal year ended September 30, 2010 (File No. 1-10042)
12	Statement of computation of ratio of earnings to fixed charges	
	Other Exhibits, as indicated	
21	Subsidiaries of the registrant	
23.1	Consent of independent registered public accounting firm, Ernst & Young LLP	
24	Power of Attorney	Signature page of Form 10-K for fiscal year ended September 30, 2016
31	Rule 13a-14(a)/15d-14(a) Certifications	
32	Section 1350 Certifications**	
	Interactive Data File	
101.INS	XBRL Instance Document	
101.SCH	XBRL Taxonomy Extension Schema	
101.CAL	XBRL Taxonomy Extension Calculation Linkbase	
101.DEF	XBRL Taxonomy Extension Definition Linkbase	
101.LAB	XBRL Taxonomy Extension Labels Linkbase	
101.PRE	XBRL Taxonomy Extension Presentation Linkbase	

* This exhibit constitutes a "management contract or compensatory plan, contract, or arrangement."

** These certifications pursuant to 18 U.S.C. Section 1350 by the Company's Chief Executive Officer and Chief Financial Officer, furnished as Exhibit 32 to this Annual Report on Form 10-K, will not be deemed to be filed with the Securities and Exchange Commission or incorporated by reference into any filing by the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that the Company specifically incorporates such certifications by reference.

CASE NO. 2017-00349
FR 16(7)(p)
ATTACHMENT 2

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 8-K

Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

September 28, 2015
Date of Report (Date of earliest event reported)

ATMOS ENERGY CORPORATION
(Exact Name of Registrant as Specified in its Charter)

TEXAS AND VIRGINIA	**1-10042**	**75-1743247**
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

1800 THREE LINCOLN CENTRE, 5430 LBJ FREEWAY, DALLAS, TEXAS	**75240**
(Address of Principal Executive Offices)	(Zip Code)

(972) 934-9227
(Registrant's Telephone Number, Including Area Code)

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

As reported in our news release issued September 28, 2015, Atmos Energy Corporation announced several promotions among members of its senior management group, all to be effective on October 1, 2015. Kim R. Cocklin, currently President and designated Chief Executive Officer, has been appointed by the Board of Directors to the newly-created standalone position of Chief Executive Officer. Mr. Cocklin will continue to receive his current level of compensation and benefits through his continued participation in all applicable benefit plans offered by Atmos Energy to our senior officers.

Michael E. Haefner, currently Executive Vice President, has been appointed by the Board of Directors as President and Chief Operating Officer and will continue to report to Mr. Cocklin. Although Atmos Energy is not a party to any employment agreement with Mr. Haefner, beginning October 1, 2015, in connection with his promotion, he will receive an increase in annual salary from $472,500 to $520,000 and a commensurate increase in his incentive target awards under Atmos Energy's short-term and long-term incentive compensation plans. Mr. Haefner will also continue his participation in all applicable benefit plans offered by Atmos Energy to our senior officers.

Marvin L. Sweetin, currently Senior President, Utility Operations, has been appointed by the Board of Directors to the newly-created position of Senior Vice President of Safety and Utility Services and will continue to report to Mr. Cocklin. Mr. Sweetin will continue to receive his current level of compensation and benefits through his continued participation in all applicable benefit plans offered by Atmos Energy to our senior officers.

A copy of a news release issued on September 28, 2015 announcing these senior management changes is filed herewith as Exhibit 99.1.

Item 5.03. Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year.

On September 28, 2015, the Board of Directors of the Company adopted amendments to the Company's Bylaws, effective immediately, primarily to effect all amendments necessary to reflect the establishment of the standalone office of Chief Executive Officer of the Company, including amendments to Sections 2.03 "Special Meetings," 2.04 "Notice of Annual or of Special Meeting," 4.03 "Special Meetings," 8.01 "Executive Officers," 8.02 "Election and Qualification," 8.07 "Chief Executive Officer," 8.10 "Secretary" and 10.01 "Certificates Representing Shares." These amendments specify that the Chief Executive Officer has supervisory power over the President and other officers of the Company and has the same powers as the President to call and send notices of meetings of the shareholders and of the Board of Directors and to execute stock certificates.

In addition, the Board adopted new Sections 2.12 "Conduct of Meeting," which specifies how the chairman and secretary for each meeting of shareholders is determined and 8.06 "Chairman of the Board," in which the revised powers and duties of the Chairman are described. The Board also adopted amendments to Sections 2.13 "Order of Business," to clarify that the Board of Directors may adopt rules and procedures for the conduct of shareholder meetings, and 3.03 "Election and Term," to remove outdated language relating to director elections and terms during the time the Board was classified prior to the 2011 annual meeting of shareholders. Finally, several other sections of the Bylaws were amended to clarify or remove outdated provisions. The Amended and Restated Bylaws (as of September 28, 2015) reflecting all amendments adopted by the Board are filed as Exhibit 3.1 to this Current Report on Form 8-K.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

3.1	Amended and Restated Bylaws of Atmos Energy Corporation (as of September 28, 2015)
99.1	News Release issued by Atmos Energy Corporation dated September 28, 2015

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ATMOS ENERGY CORPORATION
(Registrant)

DATE: September 28, 2015

By: /s/ LOUIS P. GREGORY
Louis P. Gregory
Senior Vice President, General Counsel and Corporate Secretary

CASE NO. 2017-00349
FR 16(7)(p)
ATTACHMENT 2

INDEX TO EXHIBITS

Exhibit Number	Description
3.1	Amended and Restated Bylaws of Atmos Energy Corporation (as of September 28, 2015)
99.1	News Release issued by Atmos Energy Corporation dated September 28, 2015

Exhibit 3.1

AMENDED AND RESTATED BYLAWS

OF

ATMOS ENERGY CORPORATION

(as of September 28, 2015)

----- *** -----

ARTICLE I

OFFICES

1.01 Registered Office . The registered office in the State of Texas shall be located in the City of Dallas, County of Dallas, State of Texas. The registered office in the Commonwealth of Virginia shall be located in the City of Richmond, Commonwealth of Virginia.

1.02 Other Offices . The corporation also may have offices at such other places both within and without the State of Texas or the Commonwealth of Virginia as the Board of Directors may from time to time determine or as the business of the corporation may require.

ARTICLE II

MEETINGS OF SHAREHOLDERS

2.01 Place of Meetings . All meetings of shareholders for the election of directors or for any other proper purposes shall be held at such place within or without the State of Texas or the Commonwealth of Virginia as the Board of Directors may from time to time designate, as stated in the notice of such meeting or a duly executed waiver of notice thereof.

2.02 Annual Meeting . An annual meeting of shareholders shall be held at 11:00 a.m. on the second Wednesday of February of each year, unless such day is a legal holiday, in which case such meeting shall be held at the specified time on the next full business day thereafter which is not a legal holiday, or on such day and at such time as shall be determined by the Board of Directors. At such meeting the shareholders entitled to vote thereat shall elect a Board of Directors and may transact such other business as may properly be brought before the meeting.

2.03 Special Meetings . Special meetings of shareholders may be called by the Chairman of the Board of Directors, the Chief Executive Officer, the President, a majority of the Board of Directors, or as otherwise provided in the Articles of Incorporation, the Texas Business Organizations Code and the Texas For-Profit Corporation Law as defined therein, or the Virginia Stock Corporation Act. All references in these bylaws to the "Articles of Incorporation" are intended to refer to both the Articles of Incorporation, as amended, of the corporation filed with the Virginia State Corporation Commission and the Certificate of Formation of the corporation filed with the Texas Secretary of State.

2.04 Notice of Annual or of Special Meeting . Written or printed notice stating the place, day and hour of the meeting and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) nor more than sixty (60) days before the date of the meeting. However, notice of a meeting of shareholders to act upon an amendment of the Articles of Incorporation, a plan of merger or share exchange, a proposed sale of all or substantially all of the assets, or the dissolution of the corporation shall be given not less than twenty-five (25) nor more than sixty (60) days before the meeting date. Notice may be given either personally or by mail, by or at the direction of the Chairman of the Board, the Chief Executive Officer, President, Secretary, or the officer or person calling the meeting to each shareholder of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the shareholder at his address as it appears on the stock transfer books of the corporation, with postage thereon prepaid.

2.05 Notice of Shareholder Proposals . At any annual meeting, only such business shall be conducted as shall have been brought before the annual meeting by or at the direction of the Board of Directors or by any shareholder who complies with the procedures set forth in this Section 2.05.

Except as otherwise provided by the Articles of Incorporation, the only business which shall be conducted at any annual meeting of the shareholders shall (i) have been specified in the written notice of the meeting (or any supplement thereto) given as provided in Section 2.04 of the Bylaws, (ii) be brought before the meeting at the direction of the Board of Directors or the chairman of the meeting or (iii) have been specified in a written notice (a "Shareholder Proposal Notice") given to the corporation, in accordance with all of the following requirements, by or on behalf of any shareholder who shall have been a shareholder of record on the record date for such meeting and who shall continue to be entitled to vote thereat. Each Shareholder Proposal Notice must be delivered or mailed by first class United States mail, postage prepaid, to and received by, the Secretary of the corporation, at the principal executive offices of the corporation, not less than sixty (60) days nor more than eighty-five (85) days prior to the annual meeting; provided , however , that if less than seventy-five (75) days' notice or prior public disclosure of the date of the annual meeting is given or made to shareholders, notice by the shareholder to be timely must be received by the Secretary of the corporation not later than the close of business on the twenty-fifth (25 th) day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure was made. To be included in the corporation's proxy statement for mailing to all shareholders, a Shareholder Proposal Notice must be delivered or mailed by first class United States mail, postage prepaid, to and received by, the Secretary of the corporation, at the principal executive offices of the corporation, not less than one hundred twenty (120) days in advance of the date of the corporation's release of its proxy statement to shareholders in connection with the previous year's annual meeting of shareholders.

Each Shareholder Proposal Notice shall set forth: (i) a description of each item of business proposed to be brought before the meeting; (ii) the name and address of the shareholder proposing to bring such item of business before the meeting; (iii) the class and number of shares of stock held of record, owned beneficially and represented by proxy by such shareholder as of the record date for the meeting (if such date shall then have been made publicly available) and as of the date of such Shareholder Proposal Notice; and (iv) all other information which would be required to be included in a proxy statement filed with the Securities and Exchange Commission if, with respect to any such item of business, such shareholder were a participant in a solicitation subject to Section 14 of the Securities Exchange Act of 1934. No business shall be brought before any meeting of shareholders of the corporation otherwise than as provided in this paragraph or the Articles of Incorporation.

2.06 Business at Special Meeting . The business transacted at any special meeting of shareholders shall be limited to the purposes stated in the notice thereof.

2.07 Quorum of Shareholders . Unless otherwise provided in the Articles of Incorporation, the holders of a majority of the shares entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of shareholders. If, however, a quorum shall not be present or represented at any meeting of the shareholders, the shareholders present in person or represented by proxy shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. If the date of the adjourned meeting is at least one hundred twenty (120) days after the date of the original meeting, notice of such adjourned meeting must be provided to shareholders as of the new record date. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified.

2.08 Act of Shareholders' Meeting . With respect to any matter, other than a matter for which the affirmative vote of the holders of a specified portion of the shares may be required by the Texas Business Organizations Code and the Texas For-Profit Corporation Law as defined therein, or the Virginia Stock Corporation Act, the affirmative vote of the holders of a majority of the shares entitled to vote on a matter and represented in person or by proxy at a meeting at which a quorum is present, shall be the act of the shareholders, unless the vote of a greater number is required by law or the Articles of Incorporation.

2.09 Voting of Shares . Each outstanding share, regardless of class, shall be entitled to one vote on each matter submitted to a vote at a meeting of shareholders, except to the extent the voting rights of the shares of any class are limited or denied by the Articles of Incorporation or are otherwise provided by law. Cumulative voting in the election of directors or otherwise is expressly prohibited by the Articles of Incorporation. At each election for directors, every shareholder entitled to vote at such election shall have the right to vote, in person or by proxy, the number of shares owned by him for as many persons as there are directors to be elected and for whose election he has the right to vote.

2.10 Proxies . At any meeting of the shareholders, each shareholder having the right to vote shall be entitled to vote either in person or by proxy executed in writing by the shareholder or by his duly authorized attorney-in-fact. Any such proxy shall be delivered to the secretary of such meeting at or prior to the time designated by the chairman of the meeting or in the order of business for so delivering such proxies. No proxy shall be valid after eleven (11) months from the date of its execution unless otherwise provided in the proxy. Each proxy shall be revocable unless expressly provided therein to be irrevocable and unless otherwise made irrevocable by law. Unless required by statute or determined by the chairman of the meeting to be advisable, the vote on any question need not be by ballot. On a vote by ballot, each ballot shall be signed by the shareholder voting or by such shareholder's proxy, if there be such proxy.

2.11 Voting List. The officer or agent having charge of the stock transfer books for shares of the corporation shall make, at least ten (10) days before each meeting of shareholders, a complete list of the shareholders entitled to vote at such meeting or any adjournment thereof, arranged in alphabetical order, with the address of and number of shares held by each shareholder, which list, for a period of ten (10) days prior to such meeting, shall be kept on file at the registered office of the corporation and shall be subject to the inspection by any shareholder at any time during usual business hours. Such list shall also be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any shareholder during the whole time of the meeting. The original stock transfer books shall be prima facie evidence as to who are the shareholders entitled to examine such list or transfer books or to vote at any such meeting of shareholders.

2.12 Conduct of Meetings. The Chairman of the Board shall preside over all meetings of the shareholders. If he or she is not present at a meeting, or if there is no person serving in that office, the Chief Executive Officer shall preside at such meeting. If the Chairman of the Board and the Chief Executive Officer are not present at a meeting, or if there are no persons serving in those offices, the President shall preside at such meeting, or, if he or she is not present, a chairman shall be elected at such meeting. The Secretary shall act as secretary of each meeting. If he or she is not present at a meeting, the chairman shall appoint a secretary for such meeting. The chairman of the meeting, at his or her discretion, may adjourn the meeting from time to time, whether or not there is a quorum, and may determine the date, time and place that a meeting so adjourned is to reconvene.

2.13 Order of Business . The order of business of each meeting of the shareholders of the corporation shall be determined by the chairman of the meeting. The Board of Directors may adopt such rules, regulations and procedures for the conduct of any meeting of shareholders that it deems appropriate. Except to the extent inconsistent with such rules, regulations and procedures adopted by the Board of Directors, the chairman of the meeting shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts and things as are necessary or desirable for the proper conduct of the meeting, including, without limitation, the establishment of an agenda or order of business, the dismissal of business not properly presented, the maintenance of order and safety, limitations on the time allotted to questions or comments on the affairs of the corporation, restrictions on entry to such meeting after the time prescribed for the commencement thereof and the opening and closing of the voting polls.

2.14 Action by Written Consent without a Meeting . Any action required or permitted by law, the Articles of Incorporation or these Bylaws to be taken at a meeting of the shareholders may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by all of the shareholders entitled to vote with respect to the subject matter thereof. Such consent shall have the same force and effect as a unanimous vote of shareholders.

ARTICLE III

BOARD OF DIRECTORS

3.01 Powers . The business and affairs of the corporation shall be managed under the direction of its Board of Directors which may exercise all such powers of the corporation and do all such lawful acts and things as are not by law, the Articles of Incorporation or these Bylaws directed or required to be exercised and done by the shareholders.

3.02 Number of Directors . The number of directors of the corporation constituting the Board of Directors shall be not less than three (3) or more than fifteen (15). The number of directors shall be determined in accordance with these Bylaws by resolution of the Board of Directors or of the shareholders, but no decrease shall have the effect of shortening the term of any incumbent director. Any change in the range for the size of the Board of Directors or a change from a variable-range to a fixed size Board or vice versa may be effected following shareholder approval.

3.03 Election and Term . All directors elected at each annual meeting of the shareholders shall be elected for a one-year term expiring at the next annual meeting of shareholders. Directors shall be elected by a majority vote of the outstanding shares entitled to vote in the election of directors and represented in person or by proxy at a meeting of shareholders at which a quorum is present. If the number of directors is changed, in no case will a decrease in the number of directors shorten the term of any incumbent director. A director shall hold office from the date of his election until the next annual meeting of the shareholders and until his successor shall be elected and shall qualify, subject, however, to prior death, resignation, retirement, disqualification or removal from office of such director.

3.04 Nominations of Directors . Nominations for election to the Board of Directors of the corporation at a meeting of shareholders may be made by the Board of Directors, or by any shareholder of the corporation entitled to vote for the election of directors at such meeting. Such nominations, other than those made by the Board of Directors, shall be made by notice in writing delivered or mailed by first class United States mail, postage prepaid, to and received by the Secretary of the corporation, at the principal executive offices of the corporation, not less than sixty (60) days nor more than eighty-five (85) days prior to any meeting of shareholders called for the election of directors; provided , however , that if less than seventy-five (75) days' notice or prior public disclosure of the date of the annual meeting is given or made to shareholders, such nomination shall have been received by the Secretary of the corporation not later than the close of business on the twenty-fifth (25 th) day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure was made. Such notice shall set forth: (i) the name and address of the shareholder who intends to make the nomination and of the person or persons to be nominated; (ii) the class and number of shares of stock held of record, owned beneficially and represented by proxy by such shareholder as of the record date for the meeting (if such date shall then have been made publicly available) and of the date of such notice; (iii) a representation that the shareholder is a holder of record of stock of the corporation entitled to vote at such meeting and that the shareholder intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (iv) a description of all arrangements or understandings between such shareholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by such shareholder; (v) such other information regarding each nominee proposed by such shareholder as would be required to be disclosed in solicitations for proxies for election of directors pursuant to the proxy rules of the Securities and Exchange Commission; and (vi) the consent of each nominee to serve as a director of the corporation if so elected. The chairman of the meeting may refuse to acknowledge the nomination of any person not made in compliance with the foregoing procedure.

3.05 Vacancies . Any vacancy occurring in the Board of Directors may be filled by the affirmative vote of a majority of the remaining directors although less than a quorum of the Board of Directors. The term of office of a director elected to fill a vacancy shall continue only until the next annual meeting of the shareholders. Any directorship to be filled by reason of an increase in the number of directors may be filled by election at an annual meeting or special meeting of shareholders called for that purpose or may be filled by the Board of Directors for a term of office continuing only until the next annual meeting of the shareholders; provided, however, that the Board of Directors may not fill more than two such directorships during the period between any two successive annual meetings of shareholders.

3.06 Resignation and Removal . Any director may resign at any time upon giving written notice to the Board of Directors, the Chairman of the Board, the Chief Executive Officer, President or Secretary of the corporation. No director shall be removed during his term of office except for cause and by the affirmative vote of the holders of seventy-five percent (75%) of the shares then entitled to vote at an election of directors. A director may be removed by the shareholders only at a special meeting called for the purpose of removing him. The notice for such a meeting shall state that the purpose, or one of the purposes of the meeting, is the removal of the director.

3.07 Compensation of Directors . As specifically prescribed from time to time by resolution of the Board of Directors, the directors of the corporation may be paid their expenses of attendance at each meeting of the Board and may be paid a fixed sum for attendance at each meeting of the Board or a stated salary in their capacity as directors. This provision shall not preclude any director from serving the corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

ARTICLE IV

MEETINGS OF THE BOARD

4.01 First Meeting . The first meeting of each newly elected Board of Directors shall be held without further notice immediately following and at the same place as the annual meeting of shareholders unless, by unanimous consent of the directors then elected and serving, such time or place shall be changed.

4.02 Regular Meeting . Regular meetings of the Board of Directors may be held with or without notice at such time and at such place either within or without the State of Texas or the Commonwealth of Virginia as from time to time shall be prescribed by resolution of the Board of Directors.

4.03 Special Meetings . Special meetings of the Board of Directors may be called by the Chairman of the Board of Directors, the Chief Executive Officer or the President, and shall be called by the Chairman of the Board of Directors, the Chief Executive Officer, the President or the Secretary on the written request of two directors. Written notice of special meetings of the Board of Directors shall be given to each director at least twenty-four (24) hours before the time of the meeting.

4.04 Business at Regular or Special Meeting . Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting.

4.05 Quorum of Directors . A majority of the Board of Directors shall constitute a quorum for the transaction of business, unless a greater number is required by law or the Articles of Incorporation. If a quorum shall not be present at any meeting of the Board of Directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement of the meeting, until a quorum shall be present.

4.06 Act of Directors' Meeting . The act of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors unless the act of a greater number is required by law, the Articles of Incorporation, or these Bylaws.

4.07 Action by Written Consent without a Meeting . Any action required or permitted by law, the Articles of Incorporation or these Bylaws to be taken at a meeting of the Board of Directors or any committee thereof may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by all members of the Board of Directors or committee, as the case may be. Such consent shall have the same force and effect as a unanimous vote at such meeting. Action by written consent is effective when the last director signs the consent unless the consent specifies a different effective date, in which event the action taken is effective as of the date specified therein, provided the consent states the date of execution of each director.

ARTICLE V

COMMITTEES

The Board of Directors, by resolution adopted by a majority of the full Board of Directors, may designate from among its members an executive committee and one or more other committees, each of which shall be comprised of two or more members and, to the extent provided in such resolution or in the Articles of Incorporation or in these Bylaws, shall have and may exercise all of the authority of the Board of Directors, except that no such committee shall have the authority of the Board of Directors in reference to (i) amending the Articles of Incorporation, (ii) proposing to the shareholders a reduction in the stated capital of the corporation, (iii) approving a plan of merger, share exchange or conversion of the corporation, (iv) recommending to the shareholders the sale, lease, or exchange of all or substantially all of the property and assets of the corporation otherwise than in the usual and regular course of its business, (v) recommending to the shareholders a voluntary dissolution of the corporation or a revocation thereof, (vi) amending, altering, or repealing the Bylaws of the corporation or adopting new Bylaws for the corporation, filling vacancies in the Board of Directors or filling vacancies in or designating alternate members of any committee, (vii) filling any directorship to be filled by reason of an increase in the number of directors, (viii) electing or removing officers, members of the Board of Directors or members of any committee, (ix) fixing the compensation of any member of a committee, (x) altering or repealing any resolution of the Board of Directors which by its terms provides that it shall not be so amendable or repealable or (xi) approving, authorizing or recommending to shareholders any other action that the Texas Business Organizations Code and the Texas For-Profit Corporation Law as defined therein or the Virginia Stock Corporation Act requires to be approved by shareholders. No committee shall have the power or authority to declare a dividend, authorize or approve any other type of distribution to shareholders, or to authorize the issuance, sale or contract for sale of shares of the corporation. The Board of Directors shall fill vacancies in the membership of each committee at a regular or special meeting of the Board. Each committee shall keep regular minutes of its proceedings and report the same to the Board when required. The designation of each such committee and the delegation thereto of authority shall not operate to relieve the Board of Directors, or any member thereof, of any responsibility imposed upon it or him by law.

ARTICLE VI

NOTICES

6.01 Methods of Giving Notice . Whenever any notice is required to be given to any shareholder or director under the provisions of any statute, the Articles of Incorporation or these Bylaws, it shall be given in writing and delivered personally or mailed to such shareholder or director at such address as appears on the books of the corporation, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail with sufficient postage thereon prepaid. Notice to directors may also be given by telegram or electronic communication including facsimile transmission, and notice given by such means shall be deemed given at the time it is delivered to the telegraph office or transmitted by means of electronic communication.

6.02 Waiver of Notice . Whenever any notice is required to be given to any shareholder or director under the provisions of any law, the Articles of Incorporation or these Bylaws, a waiver thereof in writing signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

6.03 Attendance as Waiver . Attendance of a director at or participation in a meeting shall constitute a waiver of notice such meeting, unless such director at the beginning of the meeting or promptly upon his arrival, objects to holding the meeting or to the transaction of any business at such meeting and who does not thereafter vote for or assent to action taken at the meeting. Attendance of a shareholder at a meeting of shareholders shall constitute a waiver of objection to lack of notice or defective notice of such meeting, unless such shareholder at the beginning of the meeting objects to holding the meeting or to transacting business at such meeting.

ARTICLE VII

ACTION WITHOUT A MEETING BY USE OF CONFERENCE TELEPHONE OR SIMILAR COMMUNICATIONS EQUIPMENT

Subject to the provisions requiring or permitting notice of meeting, unless otherwise restricted by the Articles of Incorporation or these Bylaws, shareholders, members of the Board of Directors or members of any committee designated by such Board may participate in and hold a meeting of such shareholders, Board or committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in such a meeting shall constitute presence in person at such meeting, except where a person participates in the meeting for the express purpose of objecting to the transaction of any business, and in the case of a director, who does not thereafter vote for or assent to action taken at the meeting.

ARTICLE VIII

OFFICERS

8.01 Executive Officers . The officers of the corporation shall consist of a Chief Executive Officer, a President, one or more Vice Presidents, a Secretary, and a Treasurer, and may also include the Chairman of the Board if so designated as an officer by the Board of Directors and such other officers as are provided for in Section 8.03 of this Article. Any Vice President of the corporation may, by the addition of a number or a word or words before or after the title "Vice President", be designated "Senior Executive", "Executive", "Senior", "Trust", "Second" or "Assistant" Vice President. Each officer of the corporation shall be elected or appointed by the Board of Directors as provided in Sections 8.02 and 8.03 of this Article. Any two or more offices may be held by the same person.

8.02 Election and Qualification . The Board of Directors, at its first meeting after each annual meeting of shareholders, shall choose a Chief Executive Officer, a President, one or more Vice Presidents, a Secretary, and a Treasurer, none of whom need be a member of the Board.

8.03 Other Officers and Agents . In addition to the officers enumerated in Section 8.01 of this Article VIII, the corporation may have one or more Assistant

Secretaries and Assistant Treasurers and such other subordinate officers, agents and employees as the Board of Directors may deem necessary, each of whom shall hold office for such period as the Board of Directors may from time to time determine. The Board of Directors may delegate to any officer described in Section 8.01, the power to appoint and to remove any such subordinate officers, agents or employees. Such subordinate officers, agents and employees shall not be entitled to participate in any employee benefit plans of the corporation or to receive any other types of benefits reserved for officers of the corporation.

8.04 Compensation . The compensation of all officers and agents of the corporation shall be fixed by resolution of the Board of Directors.

8.05 Term, Removal and Vacancies . Each officer of the corporation shall hold office until his successor is chosen and qualified or until his death, resignation or removal. Any officer may resign at any time upon giving written notice to the corporation which resignation will not affect the corporation's contract rights, if any, with such officer. Any officer or agent or member of a committee elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interest of the corporation will be served thereby, but such removal shall be without prejudice to such removed person's contract rights, if any, with the corporation. Election or appointment of an officer or agent or member of a committee shall not of itself create contract rights. Any vacancy occurring in any office of the corporation by death, resignation, removal or otherwise shall be filled by the Board of Directors.

8.06 Chairman of the Board . The Chairman of the Board shall preside at all meetings of the Board of Directors and the shareholders and shall have such other powers and duties as may from time to time be prescribed by the Board, upon written directions given to him or her pursuant to resolutions duly adopted by the Board.

8.07 Chief Executive Officer . The Chief Executive Officer shall have all of the powers and duties as usually pertain to such position, including the power to make and sign contracts and agreements in the name of and on behalf of the corporation and all other powers and duties granted by these Bylaws to the President of the corporation. If the offices of Chief Executive Officer and President are held by two different persons, the Chief Executive Officer shall have supervisory powers over the President, all other officers of the corporation, and the business activities of the corporation.

8.08 President . The President shall be the chief operating officer of the corporation and shall have such powers and duties as usually pertain to such office, except as the same may be modified by the Board of Directors. The President shall have general powers of oversight, supervision and management of the business and affairs of the corporation, shall see that all orders and resolutions of the Board of Directors are carried into effect, and shall have the power to make and sign contracts and agreements in the name and on behalf of the corporation and to do or perform all other acts incident to the office of President or that are authorized or required by law.

8.09 Vice President . Unless otherwise determined by the Board of Directors, one of the Vice Presidents shall, in the absence or disability of the President, perform the duties and exercise the powers of the President. The various Vice Presidents shall perform such other duties and have such other powers as the Board of Directors shall prescribe.

8.10 Secretary . The Secretary shall attend all meetings of the Board of Directors and of the shareholders, record all the proceedings of the meetings of the Board of Directors and of the shareholders in a book to be kept for that purpose and shall perform like duties for the standing committees when required. He shall give, or cause to be given, notice of all meetings of the shareholders as may be prescribed by the Board of Directors, the Chairman of the Board, the Chief Executive Officer or the President. He shall keep in safe custody the seal of the corporation, and, when authorized by the Board of Directors, affix the same to any instrument requiring it, and, when so affixed, it shall be attested by his signature or by the signature of the Treasurer or an Assistant Secretary.

8.11 Assistant Secretaries . An Assistant Secretary, unless otherwise determined by the Board of Directors, shall, in the absence or disability of the Secretary, perform the duties and exercise the powers of the Secretary. They shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

8.12 Treasurer . The Treasurer shall have the custody of the corporate funds and securities, shall keep full and accurate accounts of receipts and disbursements in books belonging to the corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the corporation in such depositories as may be designated by the Board of Directors. He shall disburse the funds of the corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the Chief Executive Officer, President, and the Board of Directors at its regular meetings, or when the Board of Directors so requires, an account of all his transactions as Treasurer, and of the financial condition of the corporation.

8.13 Assistant Treasurers . An Assistant Treasurer, unless otherwise determined by the Board of Directors, shall, in the absence or disability of the Treasurer, perform the duties and exercise the powers of the Treasurer. They shall perform such other duties and have such other powers as the Board of Directors from time to time may prescribe.

8.14 Officer's Bond . If required by the Board of Directors, any officer so required shall give the corporation a bond (which shall be renewed as the Board may require) in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of his office and for the restoration to the corporation, in case of his death, resignation, retirement or removal from office, of any and all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the corporation.

ARTICLE IX

INDEMNIFICATION OF OFFICERS AND DIRECTORS

Subject to any limitation which may be contained in the Articles of Incorporation, the corporation shall indemnify, to the fullest extent permitted by law, any person who was, is, or is threatened to be made a named defendant or respondent in any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, arbitrative, or investigative, any appeal in such action, suit, or proceeding, and any inquiry or investigation that could lead to such an action, suit or proceeding, by reason of the fact that such person is or was a director or officer of the corporation, or, such person who, while a director or officer of the corporation, is or was serving at the request of the corporation as a director, officer, partner, venturer, proprietor, trustee, employee, agent, or similar functionary of another corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan, or other enterprise, against judgments, penalties (including excise and similar taxes), fines, settlements, and reasonable expenses (including attorney's fees) actually incurred by such person in connection with such action, suit, or proceeding. In addition to the foregoing, the corporation shall, upon request of any such person described above and to the fullest extent permitted by law, pay or reimburse the reasonable expenses incurred by such person in any action, suit, or proceeding described above in advance of the final disposition of such action, suit, or proceeding.

ARTICLE X

CERTIFICATES FOR SHARES

10.01 Certificates Representing Shares . Unless the Articles of Incorporation or these Bylaws provides otherwise, the Board of Directors may provide by resolution the issue of some or all of the shares of any or all of its classes or series with or without certificates, provided that such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the corporation. Unless the Texas Business Organizations Code and the Texas For-Profit Corporation Law as defined therein, or the Virginia Stock Corporation Act provides otherwise, there shall be no differences in the rights and obligations of shareholders based on whether or not their shares are represented by certificates. In the event that the Board of Directors authorizes shares with certificates, the corporation shall deliver certificates representing all shares to which shareholders are entitled. Such certificates shall be numbered and shall be entered in the books of the corporation as they are issued, and shall be signed by the Chairman of the Board, the Chief Executive Officer, President or a Vice President, and the Secretary or an Assistant Secretary of the corporation, and may be sealed with the seal of the corporation or a facsimile thereof. The signatures of the Chairman of the Board, the Chief Executive Officer, President, or a Vice President, and the Secretary or an Assistant Secretary, upon a certificate may be facsimiles, if the certificate is countersigned by a transfer agent or registered by a registrar, which may also be facsimiles, either of which is other than the corporation itself or an employee of the corporation. In case any officer who has signed or whose facsimile signature has been placed upon such certificate shall have ceased to be such officer before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer at the date of its issuance. If the corporation is authorized to issue shares of more than one class, each certificate representing shares issued by the corporation (1) shall conspicuously set forth on the face or back of the certificate a full statement of (a) all of the designations, preferences, limitations and relative rights of the shares of each class authorized to be issued and, (b) if the corporation is authorized to issue shares of any preferred or special class in series, the variations in the relative rights and preferences of the shares of each such series to the extent the same have been fixed and determined and the authority of the Board of Directors to fix and determine the relative rights and preferences of subsequent series; or (2) shall conspicuously state on the face or back of the certificate that (a) such a statement is set forth in the Articles of Incorporation on file in the office of the Secretary of State of Texas and the State Corporation Commission of Virginia and (b) the corporation will furnish a copy of such statement to the record holder of the certificate without charge on written request to the corporation at its principal place of business or registered office. If the corporation has by its Articles of Incorporation limited or denied the preemptive right of shareholders to acquire unissued or treasury shares of the corporation, each certificate representing shares issued by such corporation (1) shall conspicuously set forth on the face or back of the certificate a full statement of the limitation or denial of preemptive rights contained in the Articles of Incorporation, or (2) shall conspicuously state on the face or back of the certificate that (a) such a statement is set forth in the Articles of Incorporation on file in the office of the Secretary of State of Texas and the State Corporation Commission of Virginia and (b) the corporation will furnish a copy of such statement to the record holder of the certificate without charge on request to the corporation at its principal place of business or registered office. Each certificate representing shares shall state upon the face thereof that the corporation is organized under the laws of the State of Texas and the Commonwealth of Virginia, the name of the person to whom issued, the number and class of shares and the designation of the series, if any, which such certificate represents and the par value of each share represented by such certificate or a statement that the shares are without par value. No certificate shall be issued for any share until the consideration thereof, fixed as provided by law, has been fully paid.

10.02 Restrictions on Transfer of Shares . If any restriction on the transfer, or registration of the transfer, of shares shall be imposed or agreed to by the corporation, as permitted by law, the Articles of Incorporation or these Bylaws, each certificate representing shares so restricted (1) shall conspicuously set forth a full or summary statement of the restrictions on the face of the certificate, or (2) shall set forth such statement on the back of the certificate and conspicuously refer to the same on the face of the certificate, or (3) shall conspicuously state on the face or back of the certificate that such restrictions exist pursuant to a specified document and (a) that the corporation will furnish to the record holder of the certificate without charge upon written request to the corporation at its principal place of business or registered office a copy of the specified document, or (b) if such document is one required or permitted to be and has been filed under applicable law, that such specified document is on file in the Office of the Secretary of State of Texas or the State Corporation Commission of Virginia and contains a full statement of such restrictions. Unless such document was on file in the Office of the Secretary of State of Texas or the State Corporation Commission of Virginia at the time of the request, as required by applicable law, if the corporation fails within a reasonable time to furnish the record holder of a certificate, upon such request and without charge, a copy of the specified document, the corporation shall not be permitted thereafter to enforce its rights under the restrictions imposed on the shares represented by such certificate. Any restriction on the transfer, or registration of transfer, of shares of the corporation, if reasonable and noted conspicuously on the certificates representing such shares, may be enforced against the holder of the restricted shares or any successor or transferee of the holder, including an executor, administrator, trustee, guardian, or other fiduciary entrusted with like responsibility for the person or estate of the holder. Unless noted conspicuously on the certificates representing such shares, a restriction, even though otherwise enforceable, is ineffective except against a person with actual knowledge of the restriction.

10.03 Transfer of Shares . Upon surrender to the corporation or the transfer agent of the corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, it shall be the duty of the corporation to issue a new certificate to the person entitled thereto, cancel the old certificate, and record the transaction upon its books.

10.04 Lost, Stolen or Destroyed Certificates . The Board of Directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the corporation alleged to have been lost, stolen or destroyed upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates, the Board of Directors, in its discretion and as a condition precedent to the issuance thereof, may require the owner of such lost, stolen or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as the Board shall require and/or to give the corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

10.05 Closing of Transfer Books and Fixing Record Date . For the purpose of determining shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof, or entitled to receive payment of any dividend, or in order to make a determination of shareholders for any other proper purpose, the Board of Directors may provide that the stock transfer books shall be closed for a stated period but not to exceed, in any case, sixty (60) days. If the stock transfer books shall be closed for the purpose of determining shareholders entitled to notice of or to vote at a meeting of shareholders, such books shall be closed for at least ten (10) days immediately preceding such meeting or such longer period as may be required by law. In lieu of closing the stock transfer books, the Board of Directors may fix in advance a date as the record date for any such determination of shareholders, such date in any case to be not more than sixty (60) days and, in case of a meeting of shareholders, not less than ten (10) days prior to the date on which the particular action requiring such determination of shareholders is to be taken, except with respect to a meeting of shareholders at which the shareholders will be asked to act on an amendment of the Articles of Incorporation, a plan of merger or share exchange, a proposed sale of all or substantially all of the assets or the dissolution of the corporation, not less than twenty-five (25) days prior to the date on which the particular action requiring such determination of shareholders is to be taken. If the stock transfer books are not closed and no record date is fixed for the determination of shareholders entitled to notice of or to vote at a meeting of shareholders, or shareholders entitled to receive payment of a dividend, the date prior to the day notice of the meeting is mailed or the date on which the resolution of the Board of Directors declaring such dividend is adopted, respectively, shall be the record date for such determination of shareholders. When a determination of shareholders entitled to vote at any meeting of shareholders has been made as provided in this Section 10.05, such determination shall apply to any adjournment thereof, except where the determination has been made through the closing of stock transfer books and the stated period of closing has expired. However, if a meeting is adjourned to a date which is at least one hundred twenty (120) days after the date fixed for the original meeting, the Board of Directors shall fix a new record date and provide notice of such to shareholders.

10.06 Registered Shareholders . The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of the State of Texas and the Commonwealth of Virginia.

ARTICLE XI

GENERAL PROVISIONS

11.01 Dividends . The Board of Directors from time to time may declare, and the corporation may pay, dividends on its outstanding shares in cash, in property, or in its own shares, except if (i) after giving effect to the distribution, the corporation would be insolvent, (ii) the distribution would exceed the surplus of the corporation, (iii) the payment thereof would cause the corporation's total assets to be less than the sum of its total liabilities based on the application of accounting practices and principles that are reasonable under the circumstances, (iv) the payment thereof would cause the corporation to be unable to pay its debts as they become due in the usual course of business, or (v) the declaration or payment thereof would be contrary to any restrictions contained in the Articles of Incorporation. The corporation may make a distribution of its own shares to shareholders, as allowed by applicable law. Such dividends may be declared at any regular or special meeting of the Board, and the declaration and payment thereof shall be subject to all applicable provisions of law, the Articles of Incorporation and these Bylaws.

11.02 Reserves . Before payment of any dividend, there may be set aside out of any funds of the corporation available for dividends such sum or sums as the directors from time to time, in their absolute discretion, deem proper as a reserve fund to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or for such other purpose as the directors shall deem conducive to the interest of the corporation, and the directors may modify or abolish any such reserve in the manner in which it was created.

11.03 Reports . The Board of Directors shall, when requested by the holders of at least a majority of the outstanding shares of the corporation, present full and clear written reports, not more often than quarterly, of the amount of business and the financial condition of the corporation.

11.04 Checks . All checks or demands for money and notes of the corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors from time to time may designate.

11.05 Fiscal Year . The fiscal year of the corporation shall be fixed by resolution of the Board of Directors.

11.06 Seal . The corporation may have a corporate seal and, if the Board of Directors adopts a corporate seal, the corporate seal shall have inscribed thereon the name of the corporation and may be used by causing it or a facsimile thereof to be impressed or affixed or in any other manner reproduced.

11.07 Opt-out of Certain Provisions of Virginia Law . The provisions of Sections 13.1-728.1 through 13.1-728.9, "Control Share Acquisitions", of the Virginia Stock Corporation Act shall not apply to the corporation or to acquisitions of common stock of the corporation.

ARTICLE XII

AMENDMENTS

The power to alter, amend, or repeal the Bylaws or adopt new Bylaws, subject to repeal or change by action of the shareholders, is vested in the Board of Directors. Thus, these Bylaws may be altered, amended, or repealed or new Bylaws may be adopted at any regular or special meeting of the Board of Directors by the affirmative vote of a majority of the Board of Directors, subject to repeal or change at any regular or special meeting of shareholders at which a quorum is present or represented by the affirmative vote of seventy-five percent (75%) of the shares entitled to vote at such meeting and present or represented thereat provided notice of the proposed repeal or change is contained in the notice of such meeting of shareholders. The Bylaws may contain any provision for the regulation and management of the affairs of the corporation not inconsistent with applicable law or the Articles of Incorporation.

30

Exhibit 99.1

ATMOS energy

News Release

Analysts and Media Contact:
Susan Giles (972) 855-3729

Atmos Energy Corporation Promotes Michael E. Haefner to President and Chief Operating Officer and Marvin L. Sweetin to the New Position of Senior Vice President of Safety and Utility Services

DALLAS (September 28, 2015)—Atmos Energy Corporation (NYSE: ATO) today announced two important promotions to its senior management team. Michael E. Haefner who is currently Executive Vice President will be promoted to the position of President and Chief Operating Officer effective October 1, 2015. In this new role, Haefner will have responsibility for the operations of Atmos Energy's utility divisions in eight states and customer service; he will have continued responsibility for the regulated intrastate pipeline division, the non-regulated operations and the gas supply and services group. Haefner will continue to report to Kim R. Cocklin, who will remain Chief Executive Officer.

"Succession planning is perhaps the single most important obligation of a company's management and board of directors," said Cocklin. "Mike's promotion is the result of an extensive and deliberate process designed to select the right person to lead our company into the future."

"Mike has the vision, experience and leadership skills necessary to ensure continued success in both our regulated and nonregulated businesses," Cocklin added. "Complementing his business skills is his understanding of our culture and values and with this promotion, all business units will have the benefit of Mike's skill and leadership."

"We have a great company," Haefner said. "I look forward to the opportunity to work with the board of directors, and company leadership, as we continue to execute the strategy of the company while preserving and nurturing our culture and values."

Prior to joining Atmos Energy in June 2008, Haefner, 55, served as Senior Vice President of Human Resources for Sabre Holdings and helped lead the spinoff of Sabre from American Airlines as well as take Travelocity.com public. His thirty-year work history includes broad experience in dynamic industries, with over half of his career having been spent in senior management and critical leadership positions.

1

Haefner has a bachelor's degree from St. John Fisher College and a master's degree from the State University of New York-Buffalo.

Additionally, the Board of Directors has promoted Marvin L. Sweetin, who is currently the Senior Vice President of Utility Operations, to the newly-created position of Senior Vice President of Safety and Utility Services, effective October 1, 2015. In his new role, Sweetin will continue to serve on the company's Management Committee and report to Kim R. Cocklin, Chief Executive Officer.

Sweetin will have overall responsibility for pipeline and distribution safety and compliance, business process and change management, new technology evaluation and deployment, supply chain and facilities management, and workforce development.

"This new senior position reporting to the Chief Executive Officer is further confirmation of the critical importance we place on safety for our employees and the customers we serve," said Cocklin. "Marvin brings a wealth of experience and education and has tremendous leadership, communication and people skills to continue our goal to be incident-free every day and to make our safe system even safer."

"I am very excited to have this opportunity to lead our company's continuous journey to ever improving safety," said Sweetin.

Sweetin, 52, has more than 30 years of experience in the energy industry, 15 of those with Atmos Energy. Previously, he served as Senior Vice President of Utility Operations, Vice President of Customer Service, Director of Technical Training, and Director of Procurement. He is also a former Chair of the company's Utility Operations Council. Before joining Atmos Energy, Sweetin spent 13 years with Atlantic Richfield Company in various roles supporting exploration and production activities in countries around the world.

Sweetin earned a Bachelor of Science degree from Oklahoma State University and a Master's Degree from the University of Dallas.

About Atmos Energy

Atmos Energy Corporation, headquartered in Dallas, is one of the country's largest natural-gas-only distributors, serving over three million natural gas distribution customers in over 1,400 communities in eight states from the Blue Ridge Mountains in the East to the Rocky Mountains in the West. Atmos Energy also manages company-owned natural gas pipeline and storage assets, including one of the largest intrastate natural gas pipeline systems in Texas and provides natural gas marketing and procurement services to industrial, commercial and municipal customers primarily in the Midwest and Southeast.

For more information, visit www.atmosenergy.com

###

CASE NO. 2017-00349
FR 16(7)(p)
ATTACHMENT 2

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 8-K

Current Report
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

September 25, 2015
Date of Report (Date of earliest event reported)

ATMOS ENERGY CORPORATION
(Exact Name of Registrant as Specified in its Charter)

TEXAS AND VIRGINIA	1-10042	75-1743247
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

1800 THREE LINCOLN CENTRE, 5430 LBJ FREEWAY, DALLAS, TEXAS	75240
(Address of Principal Executive Offices)	(Zip Code)

(972) 934-9227
(Registrant's Telephone Number, Including Area Code)

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01. Entry into a Material Definitive Agreement.

On September 25, 2015, Atmos Energy Corporation (the "Company") entered into a $1.25 billion Revolving Credit Agreement (the "Credit Facility") with Crédit Agricole Corporate and Investment Bank as Administrative Agent ("Crédit Agricole"), Mizuho Bank, Ltd. as Syndication Agent and a syndicate of 15 lenders identified therein. The Credit Facility replaces the $1.25 billion Revolving Credit Agreement (the "Prior Facility") with The Royal Bank of Scotland plc as Administrative Agent, which was entered into on May 2, 2011, and subsequently amended, which was set to expire on August 22, 2019. The Credit Facility contains substantially the same terms as the Prior Facility, except that the Company has the option to twice extend the five year term for one additional year. The Credit Facility still contains the requirement that all borrowings must be repaid within 364 days and that no borrowings can be outstanding under the Credit Facility for at least thirty (30) consecutive days ("Clean-Up Period") during each fiscal year of the Company, with the timing of the Clean-Up Period at the Company's discretion. The Credit Facility also contains an accordion-type feature similar to the Prior Facility, which allows the Company to propose up to a $250 million increase in the lenders' commitment. The Credit Facility will continue to be used for working capital, capital expenditures and other general corporate purposes.

Borrowings under the Credit Facility will bear interest at a rate dependent upon the Company's credit ratings at the time of such borrowing and based, at the Company's election, on a base rate or LIBOR for the applicable interest period (one, two, three or six months). In the case of borrowings based either on the base rate or on LIBOR, an applicable margin ranging from 0.000% to 1.250% per annum would be added, based on the Company's then current credit ratings. The base rate is defined as the highest of (i) the per annum rate of interest established by Crédit Agricole as its prime lending rate at the time of such borrowing, (ii) the Federal Funds Rate, as in effect at the time of borrowing, plus one-half of one percent (0.50%) per annum, or (iii) the one-month LIBOR plus one percent (1.00%). Based on the current prime lending rate charged by Crédit Agricole, the current Federal Funds Rate, the one-month LIBOR and the Company's current credit ratings, borrowings at the base rate would bear interest at 3.250% per annum, plus an applicable margin of 0.000% per annum, or an effective total interest rate of 3.250% per annum. Based upon the current LIBOR for a one-month period and the Company's current credit ratings, borrowings at LIBOR would bear interest at 0.193% per annum, plus an applicable margin of 1.000% per annum, or an effective total interest rate of 1.193% per annum.

The Company must also pay commitment fees quarterly in arrears on the average daily unused portion of the Credit Facility at rates ranging from 0.060% to 0.175% per annum, dependent upon the Company's credit ratings. Based upon the Company's current credit ratings, the commitment fee would be at the rate of 0.100%.

The Credit Facility will expire on September 25, 2020, at which time all outstanding amounts under the Credit Facility will be due and payable. The Credit Facility contains usual and customary covenants for transactions of this type, including covenants limiting liens, substantial asset sales and mergers. In addition, the Credit Facility provides that during the term of the facility, the Company's debt to capitalization ratio as of the last day of each of its fiscal quarters shall be less than or equal to 0.70 to 1.00, excluding from the calculation of debt (i) any pension and other post-retirement benefits liability adjustments recorded in accordance with generally accepted accounting principles; and (ii) an amount of hybrid securities, as defined in the Credit Facility (generally, deferrable interest subordinated debt with a maturity of at least 20 years), not to exceed a total of 15% of total capitalization.

In the event of a default by the Company under the Credit Facility, including cross-defaults relating to specified other indebtedness of the Company, Crédit Agricole may, upon the consent of a certain minimum number of lenders, and shall, upon the request and direction of such lenders, terminate the commitments made under the Credit Facility, declare the amount outstanding, including all accrued interest and unpaid fees, payable immediately, and enforce any and all rights and interests created and existing under the Credit Facility documents, including, without limitation, all rights of set-off and all other rights available under the law. For certain events of default relating to insolvency, bankruptcy or receivership, the commitments are automatically terminated and the amounts outstanding automatically become payable immediately.

With respect to the other parties to the Credit Facility, some of whom were also parties to the Prior Facility discussed above, the Company also has or may have had customary banking relationships based on the provision of a variety of financial services, including cash management, investment banking, and equipment financing and leasing services, none of which are material individually or in the aggregate with respect to any individual party. A copy of the Credit Facility is filed as Exhibit 10.1 and is incorporated herein by reference. The foregoing summary does not purport to be complete and is qualified in its entirety by reference to the Credit Facility.

Item 1.02. Termination of a Material Definitive Agreement.

On September 25, 2015, concurrent with the execution of the Credit Facility described in Item 1.01 above, the Company terminated the Prior Facility described in Item 1.01 above, which was due to expire on August 22, 2019. The Company incurred no early termination penalties as a result of such termination. With respect to the other parties to such terminated credit facility, the Company has or may have had customary banking relationships based on the provision of a variety of financial services, including cash management, investment banking, and equipment financing and leasing services, none of which are material individually or in the aggregate with respect to any individual party.

Item 2.03. Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

The information described in Item 1.01 above is hereby incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit Number	Description
10.1	Revolving Credit Agreement, dated as of September 25, 2015 among Atmos Energy Corporation, the Lenders from time to time parties thereto, Crédit Agricole Corporate and Investment Bank as Administrative Agent, and Mizuho Bank, Ltd. as Syndication Agent

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ATMOS ENERGY CORPORATION
(Registrant)

DATE: October 1, 2015

By: /s/ LOUIS P. GREGORY
Louis P. Gregory
Senior Vice President, General Counsel
and Corporate Secretary

INDEX TO EXHIBITS

Exhibit Number	Description
10.1	Revolving Credit Agreement, dated as of September 25, 2015 among Atmos Energy Corporation, the Lenders from time to time parties thereto, Crédit Agricole Corporate and Investment Bank as Administrative Agent, and Mizuho Bank, Ltd. as Syndication Agent

Exhibit 10.1

REVOLVING CREDIT AGREEMENT

dated as of September 25, 2015

among

ATMOS ENERGY CORPORATION,
as Borrower,

THE LENDERS FROM TIME TO TIME PARTY HERETO,

CRÉDIT AGRICOLE CORPORATE AND INVESTMENT BANK
as Administrative Agent,

MIZUHO BANK, LTD.,
as Syndication Agent,

BANK OF AMERICA, N.A.,
U.S. BANK NATIONAL ASSOCIATION
WELLS FARGO BANK, N.A.
and
JPMORGAN CHASE BANK, N.A.
as Co-Documentation Agents

CRÉDIT AGRICOLE CORPORATE AND INVESTMENT BANK, MIZUHO BANK, LTD., MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED, U.S. BANK NATIONAL ASSOCIATION, WELLS FARGO SECURITIES, LLC and **J.P. MORGAN SECURITIES LLC**

As Joint Lead Arrangers

and

Joint-Bookrunners

CASE NO. 2017-00349
FR 16(7)(p)
ATTACHMENT 2

TABLE OF CONTENTS

CASE NO. 2017-00349
FR 16(7)(p)
ATTACHMENT 2

REVOLVING CREDIT AGREEMENT

THIS REVOLVING CREDIT AGREEMENT (this " Agreement ") is made and entered into as of September 25, 2015, by and among ATMOS ENERGY CORPORATION, a Texas and Virginia corporation (the " Borrower "), the several banks and other financial institutions and lenders from time to time party hereto (the " Lenders "), and CRÉDIT AGRICOLE CORPORATE AND INVESTMENT BANK, in its capacity as administrative agent for the Lenders (the " Administrative Agent ").

WITNESSETH:

WHEREAS, the Borrower has requested that the Lenders establish in favor of the Borrower a $1,250,000,000 revolving credit facility;

WHEREAS , subject to the terms and conditions of this Agreement, the Lenders, to the extent of their respective Commitments as defined herein, are willing severally to establish the requested revolving credit facility in favor of the Borrower.

NOW, THEREFORE , in consideration of the premises and the mutual covenants herein contained, the Borrower, the Lenders and the Administrative Agent agree as follows:

ARTICLE I

DEFINITIONS; CONSTRUCTION

Section 1.1. Definitions . In addition to the other terms defined herein, the following terms used herein shall have the meanings herein specified (to be equally applicable to both the singular and plural forms of the terms defined):

" Additional Commitment Amount " shall have the meaning set forth in Section 2.21 .

" Additional Commitment Lender " shall have the meaning set forth in Section 2.23(d) .

" Additional Lender " shall have the meaning set forth in Section 2.21 .

" Adjusted LIBO Rate " shall mean, with respect to each Interest Period for a Eurodollar Borrowing, the rate per annum obtained by dividing (i) LIBOR for such Interest Period by (ii) a percentage equal to 1.00 *minus* the Eurodollar Reserve Percentage.

" Administrative Questionnaire " shall mean, with respect to each Lender, an administrative questionnaire in the form prepared by the Administrative Agent and submitted to the Administrative Agent duly completed by such Lender.

" Affiliate " shall mean, as to any Person, any other Person directly or indirectly controlling, controlled by or under direct or indirect common control with such Person. A Person shall be deemed to control another Person if such Person possesses, directly or indirectly, the power (a) to vote 10% or more of the securities having ordinary voting power for the election of directors of such other Person or (b) to direct or cause direction of the management and policies of such other Person, whether through the ownership of voting securities, by contract or otherwise.

" Aggregate Commitment Amount " shall mean the aggregate principal amount of the Aggregate Commitments from time to time. On the Closing Date, the Aggregate Commitment Amount equals $1,250,000,000.

" Aggregate Commitments " shall mean, collectively, all Commitments of all Lenders at any time outstanding.

" Anniversary Date " shall have the meaning set forth in Section 2.23(a) .

" Anti-Terrorism and Anti-Corruption Laws " shall mean any applicable laws, rules, or regulations relating to economic or trade sanctions, terrorism, bribery, corruption or money laundering, including without limitation any regulations or sanctions programs administered by OFAC, the United Nations, the European Union or any other applicable authority.

" Applicable Commitment Fee Percentage " shall mean, as of any date, with respect to the Commitment Fee as of any date, the percentage per annum determined by reference to the applicable Rating Category as set forth on Schedule I ; provided , that a change in the Applicable Commitment Fee Percentage resulting from a change in the Rating Category shall be effective on the day on which any rating agency changes its rating and shall continue until the day prior to the day that a further change becomes effective. Notwithstanding the foregoing, the Applicable Commitment Fee Percentage for the Commitment Fee from the Closing Date until the first change in the applicable Rating Category after the Closing Date shall be at Level III as set forth on Schedule I .

" Applicable Lending Office " shall mean, for each Lender and for each Type of Loan, the "Lending Office" of such Lender (or an Affiliate of such Lender) designated for such Type of Loan in the Administrative Questionnaire submitted by such Lender or such other office of such Lender (or an Affiliate of such Lender) as such Lender may from time to time specify to the Administrative Agent and the Borrower as the office by which its Loans of such Type are to be made and maintained.

" Applicable Margin " shall mean, as of any date, the percentage per annum determined by reference to the applicable Rating Category from time to time in effect as set forth on Schedule I ; provided , that a change in the Applicable Margin resulting from a change in the Rating Category shall be effective on the day on which any rating agency changes its rating and shall continue until the day prior to the day that a further change becomes effective. Notwithstanding the foregoing, the Applicable Margin from the Closing Date until the first change in the applicable Rating Category after the Closing Date shall be at Level III as set forth on Schedule I .

" Approved Fund " shall mean any Person (other than a natural Person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business and that is administered or managed by (i) a Lender, (ii) an Affiliate of a Lender or (iii) an entity or an Affiliate of an entity that administers or manages a Lender.

"Assignment and Acceptance" shall mean an assignment and acceptance entered into by a Lender and an assignee (with the consent of any party whose consent is required by Section 9.4(b)) and accepted by the Administrative Agent, in the form of Exhibit A attached hereto or any other form approved by the Administrative Agent.

"Availability Period" shall mean the period from the Closing Date to the Commitment Termination Date.

"Bankruptcy Code" shall mean the Bankruptcy Code in Title 11 of the United States Code, as amended, modified, succeeded or replaced from time to time.

"Base Rate" shall mean the highest of (i) the per annum rate which the Administrative Agent announces from time to time to be its prime lending rate, as in effect from time to time, (ii) the Federal Funds Rate, as in effect from time to time, (any changes in such rate to be effective as of the date of any change in such rate) plus one-half of one percent (0.50%) and (iii) the one-month Adjusted LIBO Rate, which rate shall be determined on a daily basis (any changes in such rate to be effective as of the date of any change in such rate) plus 100 basis points per annum, which rate shall be determined on a daily basis. The Administrative Agent's prime lending rate is a reference rate and does not necessarily represent the lowest or best rate charged to customers. The Administrative Agent may make commercial loans or other loans at rates of interest at, above or below the Administrative Agent's prime lending rate. Each change in the Administrative Agent's prime lending rate shall be effective from and including the date such change is publicly announced as being effective.

"Borrower Extension Notice Date" shall have the meaning set forth in Section 2.23(a).

"Borrowing" shall mean a borrowing consisting of Loans of the same Type, made, converted or continued on the same date and in the case of Eurodollar Loans, as to which a single Interest Period is in effect.

"Business Day" shall mean (i) any day other than a Saturday, Sunday or other day on which commercial banks in New York, New York are authorized or required by law to close and (ii) if such day relates to a Borrowing of, a payment or prepayment of principal or interest on, a conversion of or into, or an Interest Period for, a Eurodollar Loan or a notice with respect to any of the foregoing, any day on which dealings in Dollars are carried on in the London interbank market.

"Capital Stock" shall mean (a) in the case of a corporation, all classes of capital stock of such corporation, (b) in the case of a partnership, partnership interests (whether general or limited), (c) in the case of a limited liability company, membership interests and (d) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person.

"Change in Law" shall mean (i) the adoption of any applicable law, rule or regulation after the date of this Agreement, (ii) any change in any applicable law, rule or regulation, or any change in the interpretation, implementation or application thereof, by any Governmental Authority after the date of this Agreement, or (iii) compliance by any Lender (or its Applicable Lending Office) (or, for purposes of Section 2.15(b), by the Parent Company of such Lender, if applicable) with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the date of this Agreement;

provided, however, that for purposes of this Agreement, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a "Change in Law", regardless of the date enacted, adopted or issued.

" Change of Control " shall mean either of the following events:

(a) any "person" or "group" (within the meaning of Section 13(d) or 14(d) of the Exchange Act) has become, directly or indirectly, the "beneficial owner" (as defined in Rules 13d-3 (other than subsection (d) thereof) and 13d-5 under the Exchange Act), by way of merger, consolidation or otherwise of 40% or more of the voting power of the Borrower on a fully-diluted basis, after giving effect to the conversion and exercise of all outstanding warrants, options and other securities of the Borrower convertible into or exercisable for voting stock of the Borrower (whether or not such securities are then currently convertible or exercisable); or

(b) during any period of two consecutive calendar years, individuals who at the beginning of such period constituted the board of directors of the Borrower together with any new members of such board of directors whose elections by such board of directors or whose nomination for election by the stockholders of the Borrower was approved by a vote of a majority of the members of such board of directors then still in office who either were directors at the beginning of such period or whose election or nomination for election was previously so approved cease for any reason to constitute a majority of the directors of the Borrower then in office.

" Charges " shall have the meaning set forth in Section 9.12 .

" Closing Date " shall mean the date on which the conditions precedent set forth in Section 3.1 and Section 3.2 have been satisfied or waived in accordance with Section 9.2 .

" Code " shall mean the Internal Revenue Code of 1986, as amended from time to time, and the rules and regulations promulgated thereunder.

" Co-Documentation Agents " shall mean, collectively, Bank of America, N.A., U.S. Bank National Association, Wells Fargo Bank, N.A. and JPMorgan Chase Bank, N.A.

" Commitment " shall mean, with respect to each Lender, the obligation of such Lender to make Loans to the Borrower in an aggregate principal amount not exceeding the amount set forth with respect to such Lender on Schedule II , as such schedule may be amended pursuant to Section 2.21 , or in the case of a Person becoming a Lender after the Closing Date through an assignment of an existing Commitment, the amount of the assigned "Commitment" as provided in the Assignment and Acceptance executed by such Person as an assignee, as the same may be increased or decreased pursuant to terms hereof.

" Commitment Fee " shall have the meaning set forth in Section 2.11(b) .

" Commitment Termination Date " shall mean the earliest of (i) September 25, 2020 or such later date to which such Lender has agreed to extend its Revolving Commitment pursuant to Section 2.23 , (ii) the date on which the Commitments are terminated pursuant to Section 2.6 and (iii) the date on which all amounts outstanding under this Agreement have been declared or have automatically become due and payable (whether by acceleration or otherwise).

" Compliance Certificate " shall mean a certificate from a Financial Officer of the Borrower in the form of, and containing the certifications set forth in, the certificate attached hereto as Exhibit 5.1(c) .

" Consolidated Capitalization " shall mean, without duplication, the sum of (a) all of the shareholders' equity or net worth of the Borrower and its Subsidiaries on a consolidated basis, as determined in accordance with GAAP plus (b) the aggregate principal amount of Preferred Securities plus (c) the aggregate Minority Interests in Subsidiaries plus (d) Consolidated Funded Debt.

" Consolidated Funded Debt " shall mean, without duplication, the sum of (a) all indebtedness of the Borrower and its Subsidiaries for borrowed money, (b) all purchase money indebtedness of the Borrower and its Subsidiaries (other than trade accounts payable), (c) the principal portion of all obligations of the Borrower and its Subsidiaries under capital leases, (d) all commercial letters of credit and all performance and standby letters of credit issued or bankers' acceptances created for the account of the Borrower or one of its Subsidiaries, including, without duplication, all unreimbursed draws thereunder, (e) all Guaranty Obligations of the Borrower and its Subsidiaries with respect to funded indebtedness of another Person of the types listed in clauses (a) through (d), (f) all indebtedness of another entity secured by a Lien on any property of the Borrower or any of its Subsidiaries whether or not such indebtedness has been assumed by the Borrower or any of its Subsidiaries, (g) all indebtedness of any partnership or unincorporated joint venture to the extent the Borrower or one of its Subsidiaries is legally obligated with respect thereto, net of any assets of such partnership or joint venture and in the case of the Capital Stock of such partnership or joint venture being held by a Subsidiary, limited to the net worth of such Subsidiary, (h) all obligations of the Borrower and its Subsidiaries to advance or provide funds or other support for the payment or purchase of funded indebtedness (including, without limitation, maintenance agreements, comfort letters or similar agreements or arrangements) (other than as may be given in respect of Atmos Energy Marketing, LLC ("AEM")) and (i) the principal balance outstanding under any synthetic lease, tax retention operating lease, off-balance sheet loan or similar off-balance sheet financing product of the Borrower or one of its Material Subsidiaries where such transaction is considered borrowed money indebtedness for tax purposes but is classified as an operating lease in accordance with GAAP; provided , however , that (x) neither the indebtedness of AEM incurred in connection with the purchase of gas by AEM for resale to the Borrower nor the guaranty by the Borrower or one of its Subsidiaries of such indebtedness shall be included in this definition if such indebtedness has been outstanding for less than two months from the date of its incurrence by AEM and (y) for the purposes of calculating the Debt to Capitalization Ratio, Consolidated Funded Debt will exclude (to the extent otherwise included in Consolidated Funded Debt) (i) any pension and other post-retirement benefits liability adjustments recorded in accordance with GAAP and (ii) an amount of Hybrid Securities not to exceed a total of 15% of Consolidated Capitalization.

" Consolidated Net Property " shall mean the Fixed Assets less, without duplication, the amount of accumulated depreciation and amortization attributable thereto.

" Consolidated Net Worth " shall mean, as of any date, (i) the total assets of the Borrower and its Subsidiaries that would be reflected on the Borrower's consolidated balance sheet as of such date prepared in accordance with GAAP, after eliminating all amounts properly attributable to minority interests, if any, in the stock and surplus of Subsidiaries, *minus* (ii) the total liabilities of the Borrower and its Subsidiaries that would be reflected on the Borrower's consolidated balance sheet as of such date prepared in accordance with GAAP.

" Contractual Obligation " of any Person shall mean any provision of any security issued by such Person or of any agreement, instrument or undertaking under which such Person is obligated or by which it or any of the property in which it has an interest is bound.

" Credit Documents " shall mean, collectively, this Agreement, any promissory notes issued pursuant to this Agreement, the Fee Letter, all Notices of Borrowing, all Notices of Conversion/Continuation, all Compliance Certificates and any and all other instruments, agreements, documents and writings executed in connection with any of the foregoing.

" Credit Exposure " shall mean, with respect to any Lender at any time, the outstanding principal amount of such Lender's Loans.

" Debt to Capitalization Ratio " shall mean the ratio of (a) Consolidated Funded Debt to (b) Consolidated Capitalization.

" Default " shall mean any act, condition or event that, with the giving of notice or the lapse of time or both, would constitute an Event of Default.

" Defaulting Lender " shall mean, at any time, subject to Section 2.22 , any Lender that, as determined by the Administrative Agent acting in good faith, (a) has failed to fund any portion of its Commitments required to be funded by it within two Business Days after the date required to be funded by it, unless the subject of a good faith dispute as specified to the Administrative Agent, (b) has otherwise failed to pay over to the Administrative Agent or any other Lender any other amount required to be paid by it under the Credit Documents within three Business Days after the date when due, unless the subject of a good faith dispute as specified to the Administrative Agent, (c) has notified the Borrower or the Administrative Agent that it does not intend to comply with its funding obligations or has made a public statement to that effect with respect to its funding obligations under the Credit Documents unless such notification or public statement relates to such Lender's obligation to fund any portion of its Commitments hereunder and states that such position is based on such Lender's determination that a condition precedent to funding cannot be satisfied, (d) has failed, within three Business Days after request by the Administrative Agent, to confirm to the Administrative Agent that it will comply with its funding obligations; provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (d) upon receipt of such confirmation by the Administrative Agent, or (e) as to which a Lender Insolvency Event has occurred and is continuing.

" Default Interest " shall have the meaning set forth in Section 2.10(b) .

" Dollar(s) " and the sign "$" shall mean lawful money of the United States of America.

" Environmental Laws " shall mean any current or future legal requirement of any Governmental Authority pertaining to (a) the protection of health, safety, and the indoor or outdoor environment, (b) the conservation, management, or use of natural resources and wildlife, (c) the protection or use of surface water and groundwater or (d) the management, manufacture, possession, presence, use, generation, transportation, treatment, storage, disposal, release, threatened release, abatement, removal, remediation or handling of, or exposure to, any hazardous or toxic substance or material or (e) pollution (including any release to land surface water and groundwater) and includes, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 USC 9601 *et seq.* , Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976 and Hazardous and Solid Waste Amendment of 1984, 42 USC 6901 *et seq.* , Federal Water Pollution Control Act, as amended by the Clean Water Act of 1977, 33 USC 1251 et seq., Clean Air Act of 1966, as amended, 42 USC 7401 *et seq.* , Toxic Substances Control Act of 1976, 15 USC 2601 et seq., Hazardous Materials Transportation Act, 49 USC App. 1801 *et seq.* , Occupational Safety and Health Act of 1970, as amended, 29 USC 651 *et seq.* , Oil Pollution Act of 1990, 33 USC 2701 *et seq.* , Emergency Planning and Community Right-to-Know Act of 1986, 42 USC 11001 *et seq.* , National Environmental Policy Act of 1969, 42 USC 4321 *et seq.* , Safe Drinking Water Act of 1974, as amended, 42 USC 300(f) *et seq.* , any analogous implementing or successor law, and any amendment, rule, regulation, order, or directive issued thereunder.

" <u>ERISA</u> " shall mean the Employee Retirement Income Security Act of 1974, as amended, and any successor statute thereto, as interpreted by the rules and regulations thereunder, all as the same may be in effect from time to time. References to sections of ERISA shall be construed also to refer to any successor sections.

" <u>ERISA Affiliate</u> " shall mean an entity, whether or not incorporated, which is under common control with the Borrower or any of its Subsidiaries within the meaning of Section 4001(a)(14) of ERISA, or is a member of a group which includes the Borrower or any of its Subsidiaries and which is treated as a single employer under Sections 414(b), (c), (m), or (o) of the Code.

" <u>Eurodollar</u> " when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, bears interest at a rate determined by reference to the Adjusted LIBO Rate.

" <u>Eurodollar Reserve Percentage</u> " shall mean the aggregate of the maximum reserve percentages (including, without limitation, any emergency, supplemental, special or other marginal reserves) expressed as a decimal (rounded upwards to the next 1/100 th of 1%) in effect on any day with respect to the Adjusted LIBO Rate pursuant to regulations issued by the Board of Governors of the Federal Reserve System (or any Governmental Authority succeeding to any of its principal functions) with respect to eurocurrency funding (currently referred to as "eurocurrency liabilities" under Regulation D). Eurodollar Loans shall be deemed to constitute eurocurrency funding and to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under Regulation D. The Eurodollar Reserve Percentage shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

" <u>Event of Default</u> " shall have the meaning provided in <u>Section 7.1</u> .

" <u>Exchange Act</u> " shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

" <u>Excluded Taxes</u> " shall mean with respect to the Administrative Agent, any Lender or any other recipient of any payment to be made by or on account of any obligation of the Borrower hereunder, (a) income or franchise taxes imposed on (or measured by) its net income by the United States of America, or by the jurisdiction under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located, (b) any branch profits taxes imposed by the United States of America or any similar tax imposed by any other jurisdiction in which any Lender is located and (c) in the case of a Foreign Lender, any withholding tax that (i) is imposed on amounts payable to such Foreign Lender at the time such Foreign Lender becomes a party to this Agreement, (ii) is imposed on amounts payable to such Foreign Lender at any time that such Foreign Lender designates a new lending office, other than taxes that have accrued prior to the designation of such lending office that are otherwise not Excluded Taxes, and (iii) is attributable to such Foreign Lender's failure to comply with Section 2.17(e) .

" Existing Revolving Credit Agreement " shall mean that certain Revolving Credit Agreement, dated as of May 2, 2011, among the Borrower, the lenders identified therein and The Royal Bank of Scotland PLC, as administrative agent, as amended, modified, supplemented or replaced from time to time.

" Existing Termination Date " has the meaning set forth in Section 2.23(a) .

" FATCA " means Sections 1471 through 1474 of the Code and any current or future regulations or official interpretations thereof.

" Federal Funds Rate " shall mean, for any day, the rate per annum (rounded upwards, if necessary, to the next 1/100 th of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with member banks of the Federal Reserve System arranged by Federal funds brokers, as published by the Federal Reserve Bank of New York on the next succeeding Business Day or if such rate is not so published for any Business Day, the Federal Funds Rate for such day shall be the average rounded upwards, if necessary, to the next 1/100th of 1% of the quotations for such day on such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by the Administrative Agent.

" Fee Letter " shall mean, collectively, that certain fee letter, dated as of September 1, 2015, executed by the Administrative Agent and accepted by the Borrower, and that certain fee letter dated as of September 1, 2015, executed by the Administrative Agent and Mizuho Bank, Ltd. , a nd accepted by the Borrower.

" Financial Officer " shall mean any one of the chief financial officer, the controller or the treasurer of the Borrower.

" Fitch " shall mean Fitch Ratings Ltd., or any successor or assignee of the business of such company in the business of rating securities.

" Fixed Assets " shall mean the assets of the Borrower and its Subsidiaries constituting "net property, plant and equipment" on the consolidated balance sheet of the Borrower and its Subsidiaries.

" Foreign Lender " shall mean any Lender that is not a United States person under Section 7701(a)(3) of the Code.

" GAAP " shall mean generally accepted accounting principles in the United States applied on a consistent basis and subject to Section 1.3 .

" Governmental Authority " shall mean any Federal, state, local or foreign court or governmental agency, authority, instrumentality or regulatory body.

" Guaranty Obligations " shall mean, with respect to any Person, without duplication, any obligations (other than endorsements in the ordinary course of business of negotiable instruments for deposit or collection) guaranteeing any indebtedness for borrowed money of any other Person in any manner, whether direct or indirect, and including without limitation any obligation, whether or not contingent, (a) to purchase any such indebtedness or other obligation or any property constituting security therefor, (b) to lease or purchase property, securities or services primarily for the purpose of assuring the owner of such indebtedness or (c) to otherwise assure or hold harmless the owner of such indebtedness or obligation against loss in respect thereof. The amount of any Guaranty Obligation hereunder shall (subject to any limitations set forth therein) be deemed to be an amount equal to the outstanding principal amount of the indebtedness in respect of which such Guaranty Obligation is made.

" Hazardous Materials " shall mean all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

" Hedging Obligations " shall mean any and all obligations of such Person, whether absolute or contingent and howsoever and whensoever created, arising, evidenced or acquired under (i) any and all Hedging Transactions, (ii) any and all cancellations, buy backs, reversals, terminations or assignments of any Hedging Transactions and (iii) any and all renewals, extensions and modifications of any Hedging Transactions and any and all substitutions for any Hedging Transactions.

" Hedging Transaction " shall mean any transaction (including an agreement with respect thereto) now existing or hereafter entered into by such Person that is a rate swap, basis swap, forward rate transaction, commodity swap, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collateral transaction, forward transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of these transactions) or any combination thereof, whether linked to one or more interest rates, foreign currencies, commodity prices, equity prices or other financial measures.

" Hybrid Securities " shall mean any trust preferred securities, or deferrable interest subordinated debt with a maturity of at least 20 years, which provides for the optional or mandatory deferral of interest or distributions, issued by the Borrower, or any business trusts, limited liability companies, limited partnerships or similar entities (i) substantially all of the common equity, general partner or similar interests of which are owned (either directly or indirectly through one or more wholly owned subsidiaries) at all times by the Borrower or any of its subsidiaries, (ii) that have been formed for the purpose of issuing trust preferred securities or deferrable interest subordinated debt, and (iii) substantially all the assets of which consist of (A) subordinated debt of the Borrower or a subsidiary of the Borrower, and (B) payments made from time to time on the subordinated debt.

" Indemnified Taxes " shall mean Taxes other than Excluded Taxes.

" Information Memorandum " shall mean the Confidential Information Memorandum dated September, 2015 relating to the Borrower and the transactions contemplated by this Agreement and the other Credit Documents.

" Interest Period " shall mean with respect to any Eurodollar Borrowing, a period of one, two, three or six months; provided, that:

(i) the initial Interest Period for such Borrowing shall commence on the date of such Borrowing (including the date of any conversion from a Borrowing of another Type), and each Interest Period occurring thereafter in respect of such Borrowing shall commence on the day on which the next preceding Interest Period expires;

(ii) if any Interest Period would otherwise end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day, unless such Business Day falls in another calendar month, in which case such Interest Period would end on the next preceding Business Day;

(iii) any Interest Period which begins on the last Business Day of a calendar month or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period shall end on the last Business Day of such calendar month;

(iv) no Interest Period may extend beyond the Commitment Termination Date.

" Joint Lead Arrangers " shall mean, collectively, Crédit Agricole Corporate and Investment Bank, Mizuho Bank, Ltd., Merrill Lynch, Pierce, Fenner & Smith Incorporated, U.S. Bank National Association, Wells Fargo Securities, LLC and J.P. Morgan Securities LLC.

" Lender Insolvency Event " shall mean that (i) a Lender or its Parent Company is adjudicated as, or determined by any Governmental Authority having regulatory authority over such Person or its assets to be, insolvent, or is generally unable to pay its debts as they become due, or admits in writing its inability to pay its debts as they become due, or makes a general assignment for the benefit of its creditors, (ii) a Lender or its Parent Company is the subject of a bankruptcy, insolvency, reorganization, liquidation or similar proceeding, or a receiver, trustee, conservator, custodian or similar Person charged with reorganization or liquidation of its business or assets, including the Federal Deposit Insurance Corporation or any other state or federal regulatory authority acting in such capacity, has been appointed for such Lender or its Parent Company, or such Lender or its Parent Company has taken any action in furtherance of or indicating its consent to or acquiescence in any such proceeding or appointment, or (iii) a Lender or its Parent Company has been adjudicated as, or determined by any Governmental Authority having regulatory authority over such Person or its assets to be, insolvent; provided that, for the avoidance of doubt, a Lender Insolvency Event shall not be deemed to have occurred solely by virtue of the ownership or acquisition of any equity interest in or control of a Lender or a Parent Company thereof by a Governmental Authority or an instrumentality thereof so long as such ownership or acquisition does not result in or provide such Lender with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Lender (or such Governmental Authority) to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Lender.

" Lenders " shall have the meaning assigned to such term in the opening paragraph of this Agreement and shall include, where appropriate, each Additional Lender that joins this Agreement pursuant to Section 2.21 .

" Lender Extension Notice Date " has the meaning set forth in Section 2.23(b) .

" LIBOR " shall mean, for any Interest Period with respect to a Eurodollar Loan, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) appearing on Reuters Screen LIBOR01 Page (or such other commercially available source providing quotations of LIBOR as may be designated by the Administrative Agent from time to time) as the London interbank offered rate for deposits in Dollars at approximately 11:00 a.m. (London, England time), two Business Days prior to the first day of such Interest Period for a term comparable to such Interest Period; provided that in no event shall such LIBOR be less than zero.

" Lien " shall mean any mortgage, pledge, hypothecation, assignment, deposit arrangement, security interest, encumbrance, lien (statutory or otherwise), preference, priority or charge of any kind.

" Listed Country " has the meaning set forth in Section 4.17(b).

" Loan " shall mean a loan made by a Lender to the Borrower under its Commitment, which may either be a Base Rate Loan or a Eurodollar Loan.

" Material Adverse Effect " shall mean a material adverse effect on (a) the business, assets, liabilities, results of operations or financial condition of the Borrower and its Subsidiaries, taken as a whole, (b) the ability of the Borrower to perform its obligations under this Agreement or any of the other Credit Documents or (c) the validity or enforceability of this Agreement, any of the other Credit Documents, or the rights and remedies of the Lenders hereunder or thereunder.

" Material Subsidiary " shall mean, at any date, a Subsidiary of the Borrower whose aggregate assets properly included under the category "property, plant and equipment" on the balance sheet of such Subsidiary, less the amount of depreciation and amortization attributable thereto, constitutes at least 10% of Consolidated Net Property as of such date; provided that if at any time the Borrower has Subsidiaries that are not Material Subsidiaries whose total aggregate assets under the category "property, plant and equipment" on the balance sheet of such Subsidiaries, less the amount of depreciation and amortization attributable thereto, constitute more than 20% of Consolidated Net Property as of such date the Borrower shall designate one or more of such Subsidiaries as Material Subsidiaries for the purposes of this Agreement in order that all Subsidiaries of the Borrower, other than Material Subsidiaries, own not more than 20% of Consolidated Net Property.

" Maximum Rate " shall have the meaning set forth in Section 9.12 .

" Minority Interests " shall mean interests owned by Persons (other than the Borrower or a Subsidiary of the Borrower) in a Subsidiary of the Borrower in which less than 100% of all classes of the voting securities are owned by the Borrower or its Subsidiaries.

" Moody's " shall mean Moody's Investors Service, Inc., or any successor or assignee of the business of such company in the business of rating securities.

" Multiemployer Plan " shall mean a Plan covered by Title IV of ERISA which is a multiemployer plan as defined in Section 3(37) or 4001(a)(3) of ERISA.

" Multiple Employer Plan " shall mean a Plan covered by Title IV of ERISA, other than a Multiemployer Plan, which the Borrower or any ERISA Affiliate and at least one employer other than the Borrower or any ERISA Affiliate are contributing sponsors.

" 1998 Indenture " shall mean, collectively, that certain Indenture, dated as of July 15, 1998, granted by the Borrower to US Bank Trust National Association, as Trustee, and all Supplemental Indentures thereto.

" Non-Defaulting Lender " shall mean, at any time, a Lender that is not a Defaulting Lender.

" Non-Recourse Indebtedness " shall mean, at any time, indebtedness incurred after the date hereof by the Borrower or a Material Subsidiary in connection with the acquisition of property or assets by the Borrower or such Material Subsidiary or the financing of the construction of or improvements on property, whenever acquired, that, under the terms of such indebtedness and pursuant to applicable law, the recourse at such time and thereafter of the lenders with respect to such indebtedness is limited to the property or assets so acquired, or such construction or improvements, and any accession or additions thereto and proceeds thereof, including indebtedness as to which a performance or completion guarantee or similar undertaking was initially applicable to such indebtedness or the related property or assets if such guarantee or similar undertaking has been satisfied and is no longer in effect at such time. Indebtedness which is otherwise Non-Recourse Indebtedness will not lose its character as Non-Recourse Indebtedness because there is recourse to the Borrower, any Material Subsidiary, any guarantor or any other Person for (a) environmental representations, warranties or indemnities, or (b) indemnities for and liabilities arising from (i) fraud, (ii) misrepresentation, (iii) misapplication or non-payment of rents, profits, insurance and condemnation proceeds and other sums actually received from secured assets to be paid to the lender, (iv) waste, (v) materialmen's and mechanics' liens or (vi) similar matters.

" Nonconsenting Lender " shall have the meaning set forth in Section 2.23(b) .

" Notice of Borrowing " shall have the meaning set forth in Section 2.3 .

" Notice of Conversion/Continuation " shall mean the notice given by the Borrower to the Administrative Agent in respect of the conversion or continuation of an outstanding Borrowing as provided in Section 2.5(b).

" Obligations " shall mean all amounts owing by the Borrower to the Administrative Agent or any Lender pursuant to or in connection with this Agreement or any other Credit Document, including without limitation, all principal, interest (including any interest accruing after the filing of any petition in bankruptcy or the commencement of any insolvency, reorganization or like proceeding relating to the Borrower, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding), all reimbursement obligations, fees, expenses, indemnification and reimbursement payments, costs and expenses (including all reasonable fees and expenses of counsel to the Administrative Agent and any Lender incurred pursuant to this Agreement or any other Credit Document), whether direct or indirect, absolute or contingent, liquidated or unliquidated, now existing or hereafter arising hereunder or thereunder, and all Hedging Obligations owed to the Administrative Agent, any Lender or any of their

Affiliates incurred in order to limit interest rate or fee fluctuation with respect to the Loans, and all obligations and liabilities incurred in connection with collecting and enforcing the foregoing, together with all renewals, extensions, modifications or refinancings thereof.

" OFAC " shall mean the Office of Foreign Assets Control of the U.S. Department of Treasury.

" Other Taxes " shall mean any and all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any other Credit Document.

" Parent Company " shall mean, with respect to a Lender, the bank holding company (as defined in Federal Reserve Board Regulation Y), if any, of such Lender, and/or any Person owning, beneficially or of record, directly or indirectly, a majority of the shares of such Lender.

" Participant " shall have the meaning set forth in Section 9.4(d).

" Payment Office " shall mean the office of the Administrative Agent located at 1301 Avenue of the Americas, New York, NY 10019, or such other location as to which the Administrative Agent shall have given written notice to the Borrower and the other Lenders.

" PBGC " shall mean the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA and any successor thereto.

" Permitted Lien " shall mean, with respect to any asset, the Liens permitted to exist on such asset under Section 6.6 .

" Person " shall mean any individual, partnership, joint venture, firm, corporation, association, trust, limited liability company or other enterprise (whether or not incorporated), or any government or political subdivision or any agency, department or instrumentality thereof.

" Physical Trade Contract " shall mean any agreement that is for the purchase, sale, transfer or exchange of natural gas or any other similar transaction (including any option to enter into any of the foregoing) or any combination of the foregoing and any master agreement relating to or governing any or all of the foregoing, in each case entered into in the ordinary course of business.

" Physical Trade Obligations " shall mean any and all obligations of such Person, whether absolute or contingent and howsoever and whensoever created, arising, evidenced or acquired under (i) any and all Physical Trade Contracts, (ii) any and all cancellations, buy backs, reversals, terminations or assignments of any Physical Trade Contracts and (iii) any and all renewals, extensions and modifications of any Physical Trade Contracts and any and all substitutions for any Physical Trade Contracts.

" Plan " shall mean any employee benefit plan (as defined in Section 3(3) of ERISA) which is covered by ERISA and with respect to which the Borrower or any ERISA Affiliate is (or, if such plan were terminated at such time, would under Section 4069 of ERISA be deemed to be) an "employer" within the meaning of Section 3(5) of ERISA.

" Preferred Securities " shall mean, at any date, any equity interests in the Borrower, in a Special Purpose Financing Subsidiary of the Borrower or in any other Subsidiary of the Borrower (such as those known as "TECONS", "MIPS" or "RHINOS"): (a) that are not (i) required to be redeemed or redeemable at the option of the holder thereof prior to the fifth anniversary of the Commitment Termination Date or (ii) convertible into or exchangeable for (unless solely at the option of the Borrower or such Subsidiary of the Borrower) equity interests referred to in clause (i) above or indebtedness having a scheduled maturity, or requiring any repayments or prepayments of principal or any sinking fund or similar payments in respect of principal or providing for any such repayment, prepayment, sinking fund or other payment at the option of the holder thereof prior to the fifth anniversary of the Commitment Termination Date and (b) as to which, at such date, the Borrower or such Subsidiary of the Borrower has the right to defer the payment of all dividends and other distributions in respect thereof for the period of at least 19 consecutive quarters beginning at such date.

" Pro Rata Share " shall mean with respect to any Commitment of any Lender at any time, a percentage, the numerator of which shall be such Lender's Commitment (or if such Commitments have been terminated or expired or the Loans have been declared to be due and payable, such Lender's Credit Exposure), and the denominator of which shall be the sum of such Commitments of all Lenders (or if such Commitments have been terminated or expired or the Loans have been declared to be due and payable, all Credit Exposure of all Lenders).

" Rating Category " shall mean the applicable credit ratings categories given to the Borrower by Moody's, S&P and Fitch as set forth on Schedule I .

" Register " shall have the meaning set forth in Section 9.4(c) .

" Regulation D, T, U, or X " shall mean Regulation D, T, U or X, respectively, of the Board of Governors of the Federal Reserve System (or any successor body) as from time to time in effect, any amendment thereto and any successor to all or a portion thereof.

" Related Parties " shall mean, with respect to any specified Person, such Person's Affiliates and the respective directors, partners, officers, employees, agents and advisors of such Person and such Person's Affiliates.

" Release " shall mean any release, spill, emission, leaking, dumping, injection, pouring, deposit, disposal, discharge, dispersal, leaching or migration into the environment (including ambient air, surface water, groundwater, land surface or subsurface strata) or within any building, structure, facility or fixture.

" Reportable Event " shall mean a "reportable event" as defined in Section 4043 of ERISA with respect to which the notice requirements to the PBGC have not been waived.

" Required Lenders " shall mean, at any time, Lenders holding more than 50% of the aggregate outstanding Commitments of the Lenders at such time or if the Lenders have no Commitments outstanding, then Lenders holding more than 50% of the Credit Exposure of the Lenders; provided however, that to the extent that any Lender is a Defaulting Lender, such Defaulting Lender and all of its Commitments and Credit Exposure shall be excluded for purposes of determining Required Lenders.

" Requirement of Law " for any Person shall mean the articles or certificate of incorporation, bylaws, partnership certificate and agreement, or limited liability company certificate of organization and agreement, as the case may be, and other organizational and governing documents of such Person, and any law, treaty, rule or regulation, or determination of a Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

" S&P " shall mean Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., or any successor or assignee of the business of such division in the business of rating securities.

" Sanctions Lists " shall have the meaning assigned to such term in Section 4.14 .

" SEC " shall mean the Securities and Exchange Commission or any successor agency.

" Single Employer Plan " shall mean any Plan which is covered by Title IV of ERISA, but which is not a Multiemployer Plan or a Multiple Employer Plan.

" Special Purpose Financing Subsidiary " shall mean a Subsidiary of the Borrower that has no direct or indirect interest in the business of the Borrower and its other Subsidiaries and was formed solely for the purpose of issuing Preferred Securities.

" Subsidiary " shall mean, as to any Person, (a) any corporation more than 50% of whose stock of any class or classes having by the terms thereof ordinary voting power to elect a majority of the directors of such corporation (irrespective of whether or not, at the time, any class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time owned by such Person directly or indirectly through Subsidiaries and (b) any partnership, association, joint venture, limited liability company or other entity in which such Person directly or indirectly through Subsidiaries has more than 50% voting equity interest at any time.

" Syndication Agent " shall mean Mizuho Bank, Ltd.

" Taxes " shall mean any and all present or future taxes, levies, imposts, duties, deductions, charges or withholdings imposed by any Governmental Authority.

" Termination Event " shall mean (a) with respect to any Single Employer Plan, the occurrence of a Reportable Event or the substantial cessation of operations (within the meaning of Section 4062(e) of ERISA), (b) the withdrawal of the Borrower or any ERISA Affiliate from a Multiple Employer Plan during a plan year in which it was a substantial employer (as such term is defined in Section 4001(a)(2) of ERISA), or the termination of a Multiple Employer Plan, (c) the distribution of a notice of intent to terminate or the actual termination of a Plan pursuant to Section 4041(a)(2) or 4041A of ERISA, (d) the institution of proceedings to terminate or the actual termination of a Plan by the PBGC under Section 4042 of ERISA, (e) any event or condition which might reasonably constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan, or (f) the complete or partial withdrawal of the Borrower or any ERISA Affiliate from a Multiemployer Plan.

" Total Assets " shall mean all assets of the Borrower and its Subsidiaries as shown on its most recent quarterly consolidated balance sheet, as determined in accordance with GAAP.

" 2001 Indenture " shall mean, collectively, that certain Indenture, dated as of May 22, 2001, granted by the Borrower to SunTrust Bank, Atlanta, as Trustee, and all Supplemental Indentures thereto.

" 2007 Indenture " shall mean, collectively, that certain Indenture, dated as of June 14, 2007, granted by the Borrower to U.S. Bank National Association, as Trustee, and all Supplemental Indentures, if any, thereto.

" 2009 Indenture " shall mean, collectively, that certain Indenture, dated as of March 26, 2009, granted by the Borrower to U.S. Bank National Association, as Trustee, and all Supplemental Indentures, if any, thereto.

" Type ", when used in reference to a Loan or Borrowing, refers to whether the rate of interest on such Loan, or on the Loans comprising such Borrowing, is determined by reference to the Adjusted LIBO Rate or the Base Rate.

Section 1.2. Classifications of Loans and Borrowings . For purposes of this Agreement, Loans may be classified and referred to by Type (e.g. a "Eurodollar Loan", or "Base Rate Loan"). Borrowings also may be classified and referred to by Type (e.g. "Eurodollar Borrowing").

Section 1.3. Accounting Terms and Determination . Unless otherwise defined or specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared, in accordance with GAAP as in effect from time to time, applied on a basis consistent with the most recent audited consolidated financial statements of the Borrower delivered pursuant to Section 5.1(a); provided , that if the Borrower notifies the Administrative Agent that the Borrower wishes to amend the covenant in Section 5.2 to eliminate the effect of any change in GAAP on the operation of such covenant (or if the Administrative Agent notifies the Borrower that the Required Lenders wish to amend Section 5.2 for such purpose), then the Borrower's compliance with such covenant shall be determined on the basis of GAAP in effect immediately before the relevant change in GAAP became effective, until either such notice is withdrawn or such covenant is amended in a manner satisfactory to the Borrower and the Required Lenders. Notwithstanding any other provision contained herein, all terms of an accounting or financial nature used herein shall be construed, and all computations of amounts and ratios referred to herein shall be made, without giving effect to any election under Accounting Standards Codification Section 825-10 (or any other Financial Accounting Standard having a similar result or effect) to value any Consolidated Funded Indebtedness or other liabilities of the Borrower or any Subsidiary of the Borrower at "fair value", as defined therein.

Section 1.4. Terms Generally . The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to have the same meaning and effect as the word "shall". In the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including" and the word "to" means "to but excluding". Unless the context requires otherwise (i) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as it was originally executed or as it may from time to time be amended, restated, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (ii) any reference herein to any Person shall be construed to include such Person's successors and permitted assigns, (iii) the words "hereof", "herein" and "hereunder" and words of similar import shall be construed to refer to this Agreement as a whole and not to any particular provision hereof, (iv) all references to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles, Sections, Exhibits and Schedules to this Agreement and (v) all references to a specific time shall be construed to refer to the time in the city and state of the Administrative Agent's principal office, unless otherwise indicated.

ARTICLE II

AMOUNT AND TERMS OF THE COMMITMENTS

Section 2.1. General Description of Facility . Subject to and upon the terms and conditions herein set forth, the Lenders hereby establish in favor of the Borrower a revolving credit facility pursuant to which each Lender severally agrees (to the extent of such Lender's Commitment) to make Loans to the Borrower in accordance with Section 2.2 .

Section 2.2. Loans . Subject to the terms and conditions set forth herein, each Lender severally agrees to make Loans in Dollars, ratably in proportion to its Pro Rata Share, to the Borrower, from time to time during the Availability Period, in an aggregate principal amount outstanding at any time that will not result in (a) such Lender's Credit Exposure exceeding such Lender's Commitment or (b) the sum of the aggregate Credit Exposures of all Lenders exceeding the Aggregate Commitment Amount. During the Availability Period, the Borrower shall be entitled to borrow, prepay and reborrow Loans in accordance with the terms and conditions of this Agreement; provided , that the Borrower may not borrow or reborrow should there exist a Default or Event of Default.

Section 2.3. Procedure for Borrowings . The Borrower shall give the Administrative Agent written notice (or telephonic notice promptly confirmed in writing) of each Borrowing substantially in the form of Exhibit 2.3 (a " Notice of Borrowing ") (x) prior to 11:00 A.M. (New York time) on the requested date of each Base Rate Borrowing and (y) prior to 11:00 a.m. (New York time) three (3) Business Days prior to the requested date of each Eurodollar Borrowing. Each Notice of Borrowing shall be irrevocable and shall specify: (i) the aggregate principal amount of such Borrowing, (ii) the date of such Borrowing (which shall be a Business Day), (iii) the Type of such Loan comprising such Borrowing and (iv) in the case of a Eurodollar Borrowing, the duration of the initial Interest Period applicable thereto (subject to the provisions of the definition of Interest Period). Each Borrowing shall consist entirely of Base Rate Loans or Eurodollar Loans, as the Borrower may request. The aggregate principal amount of each Eurodollar Borrowing shall be not less than $5,000,000 or a larger multiple of $1,000,000, and the aggregate principal amount of each Base Rate Borrowing shall not be less than $1,000,000 or a larger multiple of $100,000; provided , that Base Rate Loans made pursuant to Section 2.4 may be made in lesser amounts as provided therein. At no time shall the total number of Eurodollar Borrowings outstanding exceed six. Promptly following the receipt of a Notice of Borrowing in accordance herewith, the Administrative Agent shall advise each Lender of the details thereof and the amount of such Lender's Loan to be made as part of the requested Borrowing.

Section 2.4. Funding of Borrowings .

(a) Each Lender will make available each Loan to be made by it hereunder on the proposed date thereof by wire transfer in immediately available funds by 12:00 noon (New York time) to the Administrative Agent at the Payment Office. The Administrative Agent will make such Loans available to the Borrower by promptly crediting the amounts that it receives, in like funds by the close of business on such proposed date, to an account maintained by the Borrower with the Administrative Agent or at the Borrower's option, by effecting a wire transfer of such amounts to an account designated by the Borrower to the Administrative Agent.

(b) Unless the Administrative Agent shall have been notified by any Lender prior to 5:00 p.m. (New York time) one (1) Business Day prior to the date of a funding of a requested Borrowing in which such Lender is to participate that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such amount available to the Administrative Agent on such date, and the Administrative Agent, in reliance on such assumption, may make available to the Borrower on such date a corresponding amount. If such corresponding amount is not in fact made available to the Administrative Agent by such Lender on the date of such Borrowing, the Administrative Agent shall be entitled to recover such corresponding amount on demand from such Lender together with interest at the Federal Funds Rate until the second Business Day after such demand and thereafter at the Base Rate. If such Lender does not pay such corresponding amount forthwith upon the Administrative Agent's demand therefor, the Administrative Agent shall promptly notify the Borrower, and the Borrower shall immediately pay such corresponding amount to the Administrative Agent together with interest at the rate specified for such Borrowing. Nothing in this subsection shall be deemed to relieve any Lender from its obligation to fund its Pro Rata Share of any Borrowing hereunder or to prejudice any rights which the Borrower may have against any Lender as a result of any default by such Lender hereunder.

(c) All Borrowings shall be funded by the Lenders severally on the basis of their respective Pro Rata Shares. No Lender shall be responsible for any default by any other Lender in its obligations hereunder, and each Lender shall be obligated to make its Loans provided to be made by it hereunder, regardless of the failure of any other Lender to make its Loans hereunder.

Section 2.5. Interest Elections .

(a) Each Borrowing initially shall be of the Type specified in the applicable Notice of Borrowing, and in the case of a Eurodollar Borrowing, shall have an initial Interest Period as specified in such Notice of Borrowing. Thereafter, the Borrower may elect to convert such Borrowing into a different Type or to continue such Borrowing, and in the case of a Eurodollar Borrowing, may elect Interest Periods therefor, all as provided in this Section 2.5 . The Borrower may elect different options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated ratably among the Lenders holding Loans comprising such Borrowing, and the Loans comprising each such portion shall be considered a separate Borrowing.

(b) To make an election pursuant to this Section 2.5 , the Borrower shall give the Administrative Agent prior written notice (or telephonic notice promptly confirmed in writing) of each Borrowing substantially in the form of Exhibit 2.5 attached hereto (a " Notice of Conversion/Continuation ") that is to be converted or continued, as the case may be, (x) prior to 11:00 a.m. (New York time) one (1) Business Day prior to the requested date of a conversion into a Base Rate Borrowing and (y) prior to 11:00 a.m. (New York time) three (3) Business Days prior to a continuation of or conversion into a Eurodollar Borrowing. Each such Notice of

Conversion/Continuation shall be irrevocable and shall specify (i) the Borrowing to which such Notice of Conversion/Continuation applies and if different options are being elected with respect to different portions thereof, the portions thereof that are to be allocated to each resulting Borrowing (in which case the information to be specified pursuant to clauses (iii) and (iv) shall be specified for each resulting Borrowing); (ii) the effective date of the election made pursuant to such Notice of Conversion/Continuation, which shall be a Business Day, (iii) whether the resulting Borrowing is to be a Base Rate Borrowing or a Eurodollar Borrowing; and (iv) if the resulting Borrowing is to be a Eurodollar Borrowing, the Interest Period applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of "Interest Period". If any such Notice of Conversion/Continuation requests a Eurodollar Borrowing but does not specify an Interest Period, the Borrower shall be deemed to have selected an Interest Period of one month. The principal amount of any resulting Borrowing shall satisfy the minimum borrowing amount for Eurodollar Borrowings and Base Rate Borrowings set forth in Section 2.3 .

(c) If, on the expiration of any Interest Period in respect of any Eurodollar Borrowing, the Borrower shall have failed to deliver a Notice of Conversion/Continuation, then, unless such Borrowing is repaid as provided herein, the Borrower shall be deemed to have elected to convert such Borrowing to a Base Rate Borrowing. No Borrowing may be converted into, or continued as, a Eurodollar Borrowing if a Default or an Event of Default exists, unless the Administrative Agent and each of the Lenders shall have otherwise consented in writing. No conversion of any Eurodollar Loans shall be permitted except on the last day of the Interest Period in respect thereof.

(d) Upon receipt of any Notice of Conversion/Continuation, the Administrative Agent shall promptly notify each Lender of the details thereof and of such Lender's portion of each resulting Borrowing.

Section 2.6. Optional Reduction and Termination of Commitments .

(a) Unless previously terminated, all Commitments shall terminate on the Commitment Termination Date.

(b) Upon at least three (3) Business Days' prior written notice (or telephonic notice promptly confirmed in writing) to the Administrative Agent (which notice shall be irrevocable), the Borrower may reduce the Aggregate Commitments in part or terminate the Aggregate Commitments in whole; provided , that (i) any partial reduction shall apply to reduce proportionately and permanently the Commitment of each Lender, (ii) any partial reduction pursuant to this Section 2.6 shall be in an amount of at least $5,000,000 and any larger multiple of $1,000,000, and (iii) no such reduction shall be permitted which would reduce the Aggregate Commitment Amount to an amount less than the outstanding Credit Exposures of all Lenders.

Section 2.7. Repayment of Loans . The outstanding principal amount of all Loans shall be due and payable (together with accrued and unpaid interest thereon) on the Commitment Termination Date.

Section 2.8. Evidence of Indebtedness .

(a) Each Lender shall maintain in accordance with its usual practice appropriate records evidencing the indebtedness of the Borrower to such Lender resulting from each Loan made by such Lender from time to time, including the amounts of principal and interest payable thereon and paid to such Lender from time to time under this Agreement. The

Administrative Agent shall maintain appropriate records in which shall be recorded (i) the Commitment of each Lender, (ii) the amount of each Loan made hereunder by each Lender, the Type thereof and the Interest Period applicable thereto, (iii) the date of each continuation thereof pursuant to Section 2.5 , (iv) the date of each conversion of all or a portion thereof to another Type pursuant to Section 2.5 , (v) the date and amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder in respect of such Loans and (vi) both the date and amount of any sum received by the Administrative Agent hereunder from the Borrower in respect of the Loans and each Lender's Pro Rata Share thereof. The entries made in such records shall be *prima facie* evidence of the existence and amounts of the obligations of the Borrower therein recorded; provided , that the failure or delay of any Lender or the Administrative Agent in maintaining or making entries into any such record or any error therein shall not in any manner affect the obligation of the Borrower to repay the Loans (both principal and unpaid accrued interest) of such Lender in accordance with the terms of this Agreement.

(b) This Agreement evidences the obligation of the Borrower to repay the Loans and is being executed as a "noteless" credit agreement. However, at the request of any Lender at any time, the Borrower agrees that it will prepare, execute and deliver to such Lender a promissory note payable to the order of such Lender (or, if requested by such Lender, to such Lender and its registered assigns) and in a form approved by the Administrative Agent. Thereafter, the Loans evidenced by such promissory note and interest thereon shall at all times (including after assignment permitted hereunder) be represented by one or more promissory notes in such form payable to the order of the payee named therein (or, if such promissory note is a registered note, to such payee and its registered assigns).

Section 2.9. Prepayments .

(a) Optional Prepayments . The Borrower shall have the right at any time and from time to time to prepay any Borrowing, in whole or in part, without premium or penalty, by giving irrevocable written notice (or telephonic notice promptly confirmed in writing) to the Administrative Agent no later than (i) in the case of prepayment of any Eurodollar Borrowing, 11:00 a.m. (New York time) not less than three (3) Business Days prior to any such prepayment, and (ii) in the case of any prepayment of any Base Rate Borrowing, not less than one Business Day prior to the date of such prepayment. Each such notice shall be irrevocable and shall specify the proposed date of such prepayment and the principal amount of each Borrowing or portion thereof to be prepaid. Upon receipt of any such notice, the Administrative Agent shall promptly notify each affected Lender of the contents thereof and of such Lender's Pro Rata Share of any such prepayment. If such notice is given, the aggregate amount specified in such notice shall be due and payable on the date designated in such notice, together with accrued interest to such date on the amount so prepaid in accordance with Section 2.10(c); provided , that if a Eurodollar Borrowing is prepaid on a date other than the last day of an Interest Period applicable thereto, the Borrower shall also pay all amounts required pursuant to Section 2.16 . Each partial prepayment of any Loan shall be in an amount that would be permitted in the case of an advance of a Borrowing of the same Type pursuant to Section 2.3 . Each prepayment of a Borrowing shall be applied ratably to the Loans comprising such Borrowing.

(b) Mandatory Repayments . No later than the earlier of (i) 364 days after the date any Loan is made and (ii) the Commitment Termination Date, the Borrower shall repay the principal amount and any interest outstanding of such Loan.

Section 2.10. **Interest on Loans .**

(a) The Borrower shall pay interest on each Base Rate Loan at the Base Rate in effect from time to time and on each Eurodollar Loan at the Adjusted LIBO Rate for the applicable Interest Period in effect for such Loan, *plus* , in each case, the Applicable Margin in effect from time to time.

(b) Upon the occurrence, and during the continuation, of an Event of Default under Section 7.1(a) or, at the option of the Required Lenders, any other Event of Default, the Borrower shall pay interest (" Default Interest ") with respect to all Eurodollar Loans at the rate otherwise applicable for the then-current Interest Period *plus* an additional 2% per annum until the last day of such Interest Period, and thereafter, and with respect to all Base Rate Loans and all other Obligations hereunder (other than Loans), at an all-in rate in effect for Base Rate Loans, *plus* an additional 2% per annum.

(c) Interest on the principal amount of all Loans shall accrue from and including the date such Loans are made to but excluding the date of any repayment thereof. Interest on all outstanding Base Rate Loans shall be payable quarterly in arrears on the last day of each March, June, September and December and on the Commitment Termination Date. Interest on all outstanding Eurodollar Loans shall be payable on the last day of each Interest Period applicable thereto, and, in the case of any Eurodollar Loans having an Interest Period in excess of three months, on each day which occurs every three months after the initial date of such Interest Period, and on the Commitment Termination Date. Interest on any Loan which is converted into a Loan of another Type or which is repaid or prepaid shall be payable on the date of such conversion or on the date of any such repayment or prepayment (on the amount repaid or prepaid) thereof. All Default Interest shall be payable on demand.

(d) The Administrative Agent shall determine each interest rate applicable to the Loans hereunder and shall promptly notify the Borrower and the Lenders of such rate in writing (or by telephone, promptly confirmed in writing). Any such determination shall be conclusive and binding for all purposes, absent manifest error.

Section 2.11. Fees .

(a) The Borrower shall pay to the Administrative Agent for its own account fees in the amounts and at the times previously agreed upon in writing by the Borrower and the Administrative Agent.

(b) The Borrower agrees to pay to the Administrative Agent for the account of each Lender a commitment fee (the " Commitment Fee "), which shall accrue at the Applicable Commitment Fee Percentage per annum (determined daily in accordance with Schedule I) on the daily amount of the unused Commitment of such Lender during the Availability Period. Notwithstanding anything set forth herein to the contrary, a Defaulting Lender shall not be entitled to receive any Commitment Fees under this Section 2.11(b) for any date in which such Lender was and/or continued to be a Defaulting Lender.

(c) The Borrower shall pay to the Administrative Agent, for the ratable benefit of each Lender, the upfront fee previously agreed upon by the Borrower and the Administrative Agent, which shall be due and payable on the Closing Date.

(d) Accrued fees under paragraph (b) and (c) above shall be payable quarterly in arrears on the last day of each March, June, September and December, commencing on December 31, 2015, and on the Commitment Termination Date.

Section 2.12. **Computation of Interest and Fees** . Interest hereunder based on the Administrative Agent's prime lending rate shall be computed on the basis of a year of 365 days (or 366 days in a leap year) and paid for the actual number of days elapsed (including the first day but excluding the last day). All other interest and all fees shall be computed on the basis of a year of 360 days and paid for the actual number of days elapsed (including the first day but excluding the last day). Each determination by the Administrative Agent of an interest amount or fee hereunder shall be made in good faith and, except for manifest error, shall be final, conclusive and binding for all purposes.

Section 2.13. **Inability to Determine Interest Rates** . If prior to the commencement of any Interest Period for any Eurodollar Borrowing,

(i) the Administrative Agent shall have determined in good faith (which determination shall be conclusive and binding upon the Borrower) that, by reason of circumstances affecting the relevant interbank market, adequate means do not exist for ascertaining LIBOR for such Interest Period, or

(ii) the Administrative Agent shall have received notice from the Required Lenders that the Adjusted LIBO Rate does not adequately and fairly reflect the cost to such Lenders of making, funding or maintaining their Eurodollar Loans for such Interest Period,

the Administrative Agent shall give written notice (or telephonic notice, promptly confirmed in writing) to the Borrower and to the Lenders as soon as practicable thereafter. Until the Administrative Agent shall notify the Borrower and the Lenders that the circumstances giving rise to such notice no longer exist, (i) the obligations of the Lenders to make Eurodollar Loans or to continue or convert outstanding Loans as or into Eurodollar Loans shall be suspended and (ii) all such affected Loans shall be converted into Base Rate Loans on the last day of the then current Interest Period applicable thereto unless the Borrower prepays such Loans in accordance with this Agreement. Unless the Borrower notifies the Administrative Agent at least one Business Day before the date of any Eurodollar Borrowing for which a Notice of Borrowing has previously been given that it elects not to borrow on such date, then such Borrowing shall be made as a Base Rate Borrowing.

Section 2.14. **Illegality** . If any Change in Law shall make it unlawful or impossible for any Lender to make, maintain or fund any Eurodollar Loan and such Lender shall so notify the Administrative Agent, the Administrative Agent shall promptly give notice thereof to the Borrower and the other Lenders, whereupon until such Lender notifies the Administrative Agent and the Borrower that the circumstances giving rise to such suspension no longer exist, the obligation of such Lender to make Eurodollar Loans, or to continue or convert outstanding Loans as or into Eurodollar Loans, shall be suspended. In the case of the making of a Eurodollar Borrowing, such Lender's Loan shall be made as a Base Rate Loan as part of the same Borrowing for the same Interest Period and if the affected Eurodollar Loan is then outstanding, such Loan shall be converted to a Base Rate Loan either (i) on the last day of the then current Interest Period applicable to such Eurodollar Loan if such Lender may lawfully continue to maintain such Loan to such date or (ii) immediately if such Lender shall determine that it may not lawfully continue to maintain such Eurodollar Loan to such date. Notwithstanding the foregoing, the affected Lender shall, prior to giving such notice to the Administrative Agent, designate a different Applicable Lending Office if such designation would avoid the need for giving such notice and if such designation would not otherwise be disadvantageous to such Lender in the good faith exercise of its discretion.

Section 2.15. Increased Costs .

(a) If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit or similar requirement that is not otherwise included in the determination of the Adjusted LIBO Rate hereunder against assets of, deposits with or for the account of, or credit extended by, any Lender (except any such reserve requirement reflected in the Adjusted LIBO Rate); or

(ii) impose on any Lender or the eurodollar interbank market any other condition affecting this Agreement or any Eurodollar Loans made by such Lender;

and the result of either of the foregoing is to increase the cost to such Lender of making, converting into, continuing or maintaining a Eurodollar Loan or to reduce the amount received or receivable by such Lender hereunder (whether of principal, interest or any other amount), then the Borrower shall promptly pay, upon written notice from and demand by such Lender on the Borrower (with a copy of such notice and demand to the Administrative Agent), to the Administrative Agent for the account of such Lender, within five Business Days after the date of such notice and demand, additional amount or amounts sufficient to compensate such Lender for such additional costs incurred or reduction suffered.

(b) If any Lender shall have determined that on or after the date of this Agreement any Change in Law regarding capital or liquidity requirements has or would have the effect of reducing the rate of return on such Lender's capital (or on the capital of the Parent Company of such Lender) as a consequence of its obligations hereunder to a level below that which such Lender or the Parent Company of such Lender could have achieved but for such Change in Law (taking into consideration such Lender's policies or the policies of the Parent Company of such Lender with respect to capital adequacy or liquidity) then, from time to time, within five (5) Business Days after receipt by the Borrower of written demand by such Lender (with a copy thereof to the Administrative Agent), the Borrower shall pay to such Lender such additional amounts as will compensate such Lender or the Parent Company of such Lender for any such reduction suffered.

(c) A certificate of a Lender setting forth the amount or amounts necessary to compensate such Lender or the Parent Company of such Lender, as the case may be, specified in paragraph (a) or (b) of this Section 2.15 shall be delivered to the Borrower (with a copy to the Administrative Agent) and shall be conclusive, absent manifest error. The Borrower shall pay any such Lender such amount or amounts within 10 days after receipt thereof.

(d) Failure or delay on the part of any Lender to demand compensation pursuant to this Section 2.15 shall not constitute a waiver of such Lender's right to demand such compensation.

Section 2.16. Funding Indemnity . In the event of (a) the payment of any principal of a Eurodollar Loan other than on the last day of the Interest Period applicable thereto (including as a result of an Event of Default), (b) the conversion or continuation of a Eurodollar Loan other than on the last day of the Interest Period applicable thereto, or (c) the failure by the Borrower to borrow, prepay, convert or continue any Eurodollar Loan on the date specified in any applicable notice (regardless of whether such notice is withdrawn or revoked), then, in any such event, the Borrower shall compensate each Lender, within five (5) Business Days after written demand from such Lender, for any loss, reasonable cost or expense directly attributable to such event. In the case of a Eurodollar Loan, such loss, cost or expense shall be deemed to include an amount determined by such Lender to be the excess, if any, of (A) the amount of interest that would have accrued on the principal amount of such Eurodollar Loan if such event had not occurred at the Adjusted LIBO Rate applicable to such Eurodollar Loan for the period from the date of such event to the last day of the then current Interest Period therefor (or in the case of a failure to borrow, convert or continue, for the period that would have been the Interest Period for such Eurodollar Loan) over (B) the amount of interest that would accrue on the principal amount of such Eurodollar Loan for the same period if the Adjusted LIBO Rate were set on the date such Eurodollar Loan was prepaid or converted or the date on which the Borrower failed to borrow, convert or continue such Eurodollar Loan. A certificate as to any additional amount payable under this Section 2.16 submitted to the Borrower by any Lender (with a copy to the Administrative Agent) shall be conclusive, absent manifest error.

Section 2.17. Taxes.

(a) Any and all payments by or on account of any obligation of the Borrower hereunder shall be made free and clear of and without deduction for any Indemnified Taxes or Other Taxes; provided, that if the Borrower shall be required to deduct any Indemnified Taxes or Other Taxes from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.17) the Administrative Agent or any Lender (as the case may be) shall receive an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) In addition, the Borrower shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) The Borrower shall indemnify the Administrative Agent and each Lender, within five (5) Business Days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes paid by the Administrative Agent or such Lender, as the case may be, on or with respect to any payment by or on account of any obligation of the Borrower hereunder (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section 2.17) and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender, or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error.

(d) As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the Borrower to a Governmental Authority, the Borrower shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(e) Any Foreign Lender that is entitled to an exemption from or reduction of withholding tax under the Code or any treaty to which the United States is a party, with respect to payments under this Agreement shall deliver to the Borrower (with a copy to the Administrative

Agent), at the time or times prescribed by applicable law, such properly completed and executed documentation prescribed by applicable law or reasonably requested by the Borrower as will permit such payments to be made without withholding or at a reduced rate. Without limiting the generality of the foregoing, each Foreign Lender agrees that it will deliver to the Administrative Agent and the Borrower (or in the case of a Participant, to the Lender from which the related participation shall have been purchased), as appropriate, two (2) duly completed copies of (i) Internal Revenue Service Form W-8 ECI, or any successor form thereto, certifying that the payments received from the Borrower hereunder are effectively connected with such Foreign Lender's conduct of a trade or business in the United States; or (ii) Internal Revenue Service Form W-8 BEN, or any successor form thereto, certifying that such Foreign Lender is entitled to benefits under an income tax treaty to which the United States is a party which reduces the rate of withholding tax on payments of interest; or (iii) Internal Revenue Service Form W-8 BEN, or any successor form prescribed by the Internal Revenue Service, together with a certificate (A) establishing that the payment to the Foreign Lender qualifies as "portfolio interest" exempt from U.S. withholding tax under Code section 871(h) or 881(c), and (B) stating that (1) the Foreign Lender is not a bank for purposes of Code section 881(c)(3)(A), or the obligation of the Borrower hereunder is not, with respect to such Foreign Lender, a loan agreement entered into in the ordinary course of its trade or business, within the meaning of that section; (2) the Foreign Lender is not a 10% shareholder of the Borrower within the meaning of Code section 871(h)(3) or 881(c)(3)(B); and (3) the Foreign Lender is not a controlled foreign corporation that is related to the Borrower within the meaning of Code section 881(c)(3)(C); or (iv) such other Internal Revenue Service forms as may be applicable to the Foreign Lender, including Forms W-8 IMY or W-8 EXP. Each such Foreign Lender shall deliver to the Borrower and the Administrative Agent such forms on or before the date that it becomes a party to this Agreement (or in the case of a Participant, on or before the date such Participant purchases the related participation). In addition, each such Foreign Lender shall deliver such forms promptly upon the obsolescence or invalidity of any form previously delivered by such Foreign Lender. Each such Foreign Lender shall promptly notify the Borrower and the Administrative Agent at any time that it determines that it is no longer in a position to provide any previously delivered certificate to the Borrower (or any other form of certification adopted by the Internal Revenue Service for such purpose).

(f) If a payment made to a Lender under this Agreement would be subject to U.S. federal withholding tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Borrower and Administrative Agent, at the time or times prescribed by law and at such time or times reasonably requested by the Borrower or Administrative Agent, such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Borrower or Administrative Agent as may be necessary for the Borrower or Administrative Agent to comply with its obligations under FATCA, to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount to deduct and withhold from such payment.

Section 2.18. Payments Generally; Pro Rata Treatment; Sharing of Set-offs .

(a) The Borrower shall make each payment required to be made by it hereunder (whether of principal, interest, fees, or amounts payable under Sections 2.15 , 2.16 or 2.17 , or otherwise) prior to 12:00 noon (New York time) on the date when due, in immediately available funds, free and clear of any defenses, rights of set-off, counterclaim, or withholding or deduction of taxes. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Administrative Agent at the Payment Office, except that payments pursuant to Sections 2.15 , 2.16 and 2.17 and 9.3 shall be made directly to the Persons entitled thereto. The Administrative Agent shall distribute any such payments received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be made payable for the period of such extension. All payments hereunder shall be made in Dollars.

(b) If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, interest and fees then due hereunder, such funds shall be applied (i) first, towards payment of interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) second, towards payment of principal then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal then due to such parties.

(c) If any Lender shall, by exercising any right of set-off or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Loans that would result in such Lender receiving payment of a greater proportion of the aggregate amount of its Loans and accrued interest thereon than the proportion received by any other Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Loans of other Lenders to the extent necessary so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Loans; provided , that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this paragraph shall not be construed to apply to any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans to any assignee or participant, other than to the Borrower or any Subsidiary or Affiliate thereof (as to which the provisions of this paragraph shall apply). The Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against the Borrower rights of set-off and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Borrower in the amount of such participation.

(d) Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders hereunder that the Borrower will not make such payment, the Administrative Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders the amount or amounts due. In such event, if the Borrower has not in fact made such payment, then each of the Lenders severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation.

Section 2.19. Mitigation of Obligations. If any Lender requests compensation under Section 2.15, Section 2.16, or Section 2.17, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.17, then such Lender shall use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the sole judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable under Section 2.15 or Section 2.17, as the case may be, in the future and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with such designation or assignment.

Section 2.20. Replacement of Lenders. If any Lender requests compensation under Section 2.15, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority of the account of any Lender pursuant to Section 2.17, or if any Lender is a Defaulting Lender, then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions set forth in Section 9.4(b)) all its interests, rights and obligations under this Agreement to an assignee that shall assume such obligations (which assignee may be another Lender); provided, that (i) the Borrower shall have received the prior written consent of the Administrative Agent, which consent shall not be unreasonably withheld, (ii) such Lender shall have received payment of an amount equal to the outstanding principal amount of all Loans owed to it, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (in the case of such outstanding principal and accrued interest) and from the Borrower (in the case of all other amounts) and (iii) in the case of a claim for compensation under Section 2.15 or payments required to be made pursuant to Section 2.17, such assignment will result in a reduction in such compensation or payments. A Lender shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

Section 2.21. Increase of Commitments; Additional Lenders.

(a) So long as no Event of Default has occurred and is continuing, from time to time after the Closing Date and provided that (a) at the time of and immediately after giving effect to any such proposed increase, no Default or Event of Default shall exist, all representations and warranties of each Borrower set forth in the Credit Documents shall be true and correct in all material respects (other than those representations and warranties that are expressly qualified by a Material Adverse Effect or other materiality, in which case such representations and warranties shall be true and correct in all respects), and, since September 30, 2014, there shall have been no change which has had or could reasonably be expected to have a Material Adverse Effect, (b) the Borrower shall be in *pro forma* compliance with Section 5.2 as of the most recently ended fiscal quarter for which financial statements have been delivered, calculated as if all such Additional Revolving Commitments had been established as of the first day of the relevant period for testing compliance and (c) the Borrower shall have received all consents, approvals, authorizations, registrations and filings and orders required or advisable to be made or obtained under any Requirement of Law, or by any Contractual Obligation of Borrower, Borrower may, upon at least 30 days' written notice to the Administrative Agent (who shall promptly provide a copy of such notice to each Lender), propose to increase the Aggregate Commitments up to an aggregate amount not to exceed $250,000,000 (the amount of any such increase, the " Additional Commitment Amount "). All Additional Commitments shall have the same terms and conditions applicable to the Commitments established on the Closing Date, including without limitation, as to yield, maturity and amortization. Each Lender shall have the right, for a period of 20 days following receipt of such notice, to elect by written notice to the Borrower and the Administrative Agent to increase its Commitment by a principal amount equal to its Pro Rata Share of the Additional Commitment Amount. No Lender (or any successor thereto) shall have any obligation to increase its Commitment or its other obligations under this Agreement and the other Credit Documents, and any decision by a Lender to increase its Commitment shall be made in its sole discretion independently from any other Lender.

(b) If any Lender shall not elect to increase its Commitment pursuant to subsection (a) of this Section 2.21 , the Borrower may designate another bank or other financial institution (which may be, but need not be, one or more of the existing Lenders) which at the time agrees to, in the case of any such Person that is an existing Lender, increase its Commitment and in the case of any other such Person (an " Additional Lender "), become a party to this Agreement; provided , however , that any new bank or financial institution must be acceptable to the Administrative Agent, which acceptance will not be unreasonably withheld or delayed. The sum of the increases in the Commitments of the existing Lenders pursuant to this subsection (b) plus the Commitments of the Additional Lenders shall not in the aggregate exceed the Additional Commitment Amount.

(c) An increase in the Aggregate Commitment Amount pursuant to this Section 2.21 shall become effective upon the receipt by the Administrative Agent of a supplement or joinder in form and substance reasonably satisfactory to the Administrative Agent executed by the Borrower and by each Additional Lender and by each existing Lender whose Commitment is to be increased, setting forth the new Commitments of such Lenders and setting forth the agreement of each Additional Lender to become a party to this Agreement and to be bound by all the terms and provisions hereof, and such evidence of appropriate corporate authorization on the part of the Borrower with respect to the increase in the Commitments and such opinions of counsel for the Borrower with respect to the increase in the Commitments as the Administrative Agent may reasonably request.

(d) Upon the acceptance of any such agreement by the Administrative Agent, the Aggregate Commitment Amount shall automatically be increased by the amount of the Commitments added or increased through such agreement and Schedule II shall automatically be deemed amended to reflect the Commitments of all Lenders after giving effect to the addition and increase of such Commitments.

(e) Upon any increase in the Aggregate Commitment Amount pursuant to this Section 2.21 that is not pro rata among all Lenders, within five Business Days, in the case of any Base Rate Loans then outstanding, and at the end of the then current Interest Period with respect thereto, in the case of any Eurodollar Loans then outstanding, the Borrower shall prepay such Loans in their entirety and, to the extent the Borrower elects to do so and subject to the conditions specified in Article III , the Borrower shall reborrow Loans from the Lenders in proportion to their respective Commitments after giving effect to such increase, until such time as all outstanding Loans are held by the Lenders in proportion to their respective Commitments after giving effect to such increase.

Section 2.22. Defaulting Lenders .

(a) Notwithstanding anything to the contrary contained in this Agreement, if any Lender becomes a Defaulting Lender, then, until such time as such Lender is no longer a Defaulting Lender, to the extent permitted by applicable Requirement of Law:

(i) Waivers and Amendments . Such Defaulting Lender's right to approve or disapprove any amendment, waiver or consent with respect to this Agreement shall be restricted as set forth in the definition of Required Lenders and in Section 9.2 .

(ii) Defaulting Lender Waterfall . Any payment of principal, interest, fees or other amounts received by the Administrative Agent for the account of such Defaulting Lender (whether voluntary or mandatory, at maturity, pursuant to Article VII or otherwise) shall be applied at such time or times as may be determined by the Administrative Agent as follows: *first* , to the payment of any amounts owing by such Defaulting Lender to the Administrative Agent hereunder; *second* , as the Borrower may request (so long as no Default or Event of Default exists), to the funding of any Loan in respect of which such Defaulting Lender has failed to fund its portion thereof as required by this Agreement, as determined by the Administrative Agent; *third* , if so determined by the Administrative Agent and the Borrower, to be held in a deposit account and released pro rata in order to satisfy such Defaulting Lender's potential future funding obligations with respect to Loans under this Agreement; *fourth* , to the payment of any amounts owing to the Lenders as a result of any then final and non-appealable judgment of a court of competent jurisdiction obtained by any Lender against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; *fifth* , so long as no Default or Event of Default exists, to the payment of any amounts owing to the Borrower as a result of any the final and non-appealable judgment of a court of competent jurisdiction obtained by the Borrower against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; and *sixth* , to such Defaulting Lender or as otherwise directed by a court of competent jurisdiction; provided that if (x) such payment is a payment of the principal amount of any Loans in respect of which such Defaulting Lender has not fully funded its appropriate share, and (y) such Loans were made at a time when the conditions set forth in Section 3.2 were satisfied or waived, such payment shall be applied solely to pay the Loans of all Non-Defaulting Lenders on a pro rata basis prior to being applied to the payment of any Loans of such Defaulting Lender until such time as all Loans are held by the Lenders pro rata in accordance with the Commitments without giving effect to Section 2.18 . Any payments, prepayments or other amounts paid or payable to a Defaulting Lender that are applied (or held) to pay amounts owed by a Defaulting Lender pursuant to this Section 2.22(ii) shall be deemed paid to and redirected by such Defaulting Lender, and each Lender irrevocably consents hereto.

(b) If the Borrower and the Administrative Agent agree in writing that a Lender is no longer a Defaulting Lender, the Administrative Agent will so notify the parties hereto, whereupon as of the effective date specified in such notice and subject to any conditions set forth therein, that Lender will, to the extent applicable, purchase at par that portion of outstanding Loans of the other Lenders or take such other actions as the Administrative Agent may determine to be necessary to cause the Loans to be held pro rata by the Lenders in accordance with the Commitments, whereupon such Lender will cease to be a Defaulting Lender; provided that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of the Borrower while that Lender was a Defaulting Lender; and provided , further, that except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Defaulting Lender to Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Lender.

Section 2.23. Extension of Termination Date.

(a) The Borrower may, by notice to the Administrative Agent (which shall promptly notify the Lenders) request that each Lender extend the Commitment Termination Date of such Lender's Commitment for an additional one year period after the Commitment Termination Date then in effect for such Lender, effective as of a date selected by the Borrowers (the " Extension Effective Date "); provided, that (i) the Borrower may make no more than two such requests during the term of this Agreement (but may make such requests concurrently), (ii) in no event shall the extended Commitment Termination Date be more than five years after the Extension Effective Date, and (iii) the Extension Effective Date shall be at least 30 days, but not more than 45 days, after the date such extension request is received by the Administrative Agent.

(b) Each Lender, acting in its sole and individual discretion, shall, by notice to the Administrative Agent given not later than the date that is 20 days prior to the Extension Effective Date (the " Lender Extension Notice Date "), advise the Administrative Agent whether or not such Lender agrees to such extension. Each Lender that notifies the Administrative Agent that it is not extending the Commitment Termination Date for its Commitment, and any Lender that does not respond to the Administrative Agent regarding an extension request on or before the Lender Extension Notice Date, shall be deemed to be a " Nonconsenting Lender ". The election of any Lender to agree to such extension shall not obligate any other Lender to so agree. The Commitment of any Nonconsenting Lender shall be terminated on the Commitment Termination Date then in effect for such Lender (without regard to any extension by other Lenders), and on such Commitment Termination Date the Borrower shall pay in full the unpaid principal amount of all Loans owing to such Nonconsenting Lender, together with all accrued and unpaid interest thereon, and all accrued and unpaid fees owing to such Nonconsenting Lender under this Agreement to the date of such payment of principal and all other amounts due to such Nonconsenting Lender under this Agreement.

(c) The Administrative Agent shall notify the Borrower of each Lender's determination under this Section no later than the date 15 days prior to the Extension Effective Date, or, if such date is not a Business Day, on the next preceding Business Day.

(d) The Borrower shall have the right on or before the date 10 days prior to the Extension Effective Date to replace each Nonconsenting Lender effective as of the applicable Extension Effective Date (i) with an existing Lender, and/or (ii) by adding as "Lenders" under this Agreement in place thereof, one or more Persons (each Lender in clauses (i) and (ii), an " Additional Commitment Lender "), in each case, with the approval of the Administrative Agent (which approval shall not be unreasonably withheld), each of which Additional Commitment Lenders shall have entered into an agreement in form and substance satisfactory to the Borrower and the Administrative Agent pursuant to which such Additional Commitment Lender shall, effective as of the applicable Extension Effective Date, undertake a Commitment (and, if any such Additional Commitment Lender is already a Lender, its Commitment shall be in addition to such Lender's Commitment hereunder on such date); *provided* that the aggregate amount of the Commitments for all Additional Commitment Lenders shall be no more than the aggregate amount of the Commitments of all Nonconsenting Lenders; *provided*, *further*, that the existing Lenders shall have the right to increase their Commitments up to the amount of the Nonconsenting Lenders' Commitments before the Borrowers shall have the right to substitute any other Person for any Nonconsenting Lender.

(e) If (and only if) the aggregate amount of the Commitments of the Lenders that have agreed to extend the Commitment Termination Date for their Commitments, together with Commitments from Additional Commitment Lenders replacing Commitments from Nonconsenting Lenders, shall be more than 50% of the aggregate amount of all Commitments, the Commitment Termination Date of the Commitments of each Lender agreeing to an extension and of each Additional Commitment Lender shall be extended to the requested date, and each Additional Commitment Lender shall thereupon become a "Lender" for all purposes of this Agreement.

(f) Notwithstanding the foregoing, the extension of the Commitment Termination Date for any Lender's Commitment pursuant to this Section shall be effective with respect to such Lender on the applicable Extension Effective Date, but only if (i) the following statements shall be true: (A) no event has occurred and is continuing, or would result from the extension of the Commitment Termination Date, that constitutes an Event of Default or a Default and (B) the representations and warranties contained in Article IV are correct in all material respects on and as of the applicable Extension Effective Date, before and after giving effect to such extension, as though made on and as of such date, except for those made specifically as of another date, in which case such representations and warranties shall be true as of such other date and (ii) on or prior to the applicable Extension Effective Date, the Administrative Agent shall have received the following, each dated the applicable Extension Effective Date and in form and substance satisfactory to the Administrative Agent: (x) a certificate of a Financial Officer of the Borrower to the effect that as of the applicable Extension Effective Date the statements set forth in clauses (A) and (B) above are true, (y) certified copies of the resolutions of the Board of Directors of the Borrower authorizing such extension and the performance of this Agreement on and after the applicable Extension Effective Date, and of all documents evidencing other necessary corporate actions or Governmental Actions with respect to this Agreement and such extension of the Commitment Termination Date and (z) an opinion of counsel to the Borrowers, as to such matters related to the foregoing as the Administrative Agent or the Lenders through the Administrative Agent may reasonably request.

ARTICLE III

CONDITIONS PRECEDENT TO LOANS

Section 3.1. Conditions To Effectiveness . The obligations of the Lenders to make Loans hereunder shall not become effective until the date on which each of the following conditions is satisfied (or waived in accordance with Section 9.2).

(a) The Administrative Agent and the Joint Lead Arrangers shall have received all fees and other amounts due and payable on or prior to the Closing Date, including reimbursement or payment of all out-of-pocket expenses (including reasonable fees, charges and disbursements of counsel to the Administrative Agent) required to be reimbursed or paid by the Borrower hereunder, under any other Credit Document and under any agreement with the Administrative Agent or the Joint Lead Arrangers.

(b) The Administrative Agent (or its counsel) shall have received the following:

(i) a counterpart of this Agreement signed by or on behalf of each party hereto or written evidence satisfactory to the Administrative Agent (which may include telecopy or .pdf transmission of an executed signature page of this Agreement) that such party has signed a counterpart of this Agreement;

(ii) evidence that (A) the Borrower has delivered notice of its termination of commitments under the Existing Revolving Credit Agreement to the Administrative Agent three Business Days prior to the Closing Date, (B) all amounts outstanding under the Existing Revolving Credit Agreement have been paid (including, without limitation, principal, interest and fees), or will be repaid substantially concurrently with the closing of this Agreement, and (C) the "commitments" of the lenders under the Existing Revolving Credit Agreement have been terminated or will be terminated substantially concurrently with the closing of this Agreement;

(iii) a certificate of the Secretary or Assistant Secretary of the Borrower in the form of Exhibit 3.1(b)(iii), attaching and certifying copies of its bylaws and of the resolutions of its boards of directors, authorizing the execution, delivery and performance of the Credit Documents and certifying the name, title and true signature of each officer of the Borrower executing the Credit Documents;

(iv) certified copies of the articles or certificate of incorporation of the Borrower, together with certificates of good standing or existence, as may be available from the Secretary of State of the jurisdictions of organization of the Borrower and each other jurisdiction in which the failure to so qualify and be in good standing would have or would reasonably be expected to have a Material Adverse Effect;

(v) a favorable written opinion of inside or outside counsel to the Borrower, addressed to the Administrative Agent and each of the Lenders, and covering such matters relating to the Borrower, the Credit Documents and the transactions contemplated therein as the Administrative Agent or the Required Lenders shall reasonably request;

(vi) a certificate in the form of Exhibit 3.1(b)(vi), dated the Closing Date and signed by a Financial Officer, certifying that (A) no Default or Event of Default exists, (B) all representations and warranties of the Borrower set forth in the Credit Documents are true and correct in all material respects, (C) since September 30, 2014, there shall have been no material adverse change in the business, condition (financial or otherwise), operations, liabilities (contingent or otherwise), properties or prospects of the Borrower and its subsidiaries taken as a whole, (D) there are no actions, suits, investigations or legal, equitable, arbitration or administrative proceedings pending or, to the knowledge of the Borrower, threatened against the Borrower, any of its Subsidiaries or any of its properties which would have or be reasonably expected to have a Material Adverse Effect and (E) except as would not result or be reasonably expected to result in a Material Adverse Effect: (a) each of the properties of the Borrower and its Subsidiaries and all operations at such properties are in compliance in all material respects with all applicable Environmental Laws, (b) there is no violation of any Environmental Law with respect to the properties or the businesses operated by the Borrower or its Subsidiaries, and (c) there are no conditions relating to the businesses or properties that would reasonably be expected to give rise to a material liability under any applicable Environmental Laws;

(vii) if a Borrowing will be made on the Closing Date, a duly executed Notice of Borrowing and a duly executed funds disbursement agreement, together with a report setting forth the sources and uses of the proceeds hereof;

(viii) certified copies of all consents, approvals, authorizations, registrations and filings and orders required or advisable to be made or obtained under any Requirement of Law, or by any Contractual Obligation of Borrower, in connection with the execution, delivery, performance, validity and enforceability of the Credit Documents or any of the transactions contemplated thereby, and such consents, approvals, authorizations, registrations, filings and orders shall be in full force and effect and all applicable waiting periods shall have expired, and no investigation or inquiry by any governmental authority regarding the Commitments or any transaction being financed with the proceeds thereof shall be ongoing;

(ix) copies of (A) the internally prepared quarterly financial statements of the Borrower and its Subsidiaries on a consolidated basis for the fiscal quarter ending on June 30, 2015 and (B) the audited consolidated financial statements for the Borrower and its Subsidiaries for the fiscal year ending September 30, 2014; and

(x) such other documents, certificates or information as the Joint Lead Arrangers may reasonably request, all in form and substance reasonably satisfactory to the Joint Lead Arrangers.

(c) To the extent requested by the Administrative Agent in writing not less than five (5) Business Days prior to the Closing Date, the Administrative Agent shall have received, not later than two (2) calendar days prior to the Closing Date, all documentation and other information with respect to the Borrower that the Administrative Agent reasonably believes is required by regulatory authorities under applicable "know-your-customer" and anti-money laundering rules and regulations, including without limitation the Patriot Act (as defined below).

Section 3.2. Each Credit Event . The obligation of each Lender to make a Loan on the occasion of any Borrowing is subject to the satisfaction of the following conditions:

(a) at the time of and immediately after giving effect to such Borrowing, no Default or Event of Default shall exist;

(b) at the time of and immediately after giving effect to such Borrowing, all representations and warranties of the Borrower set forth in the Credit Documents shall be true and correct in all material respects (or, if already qualified by "materiality," "Material Adverse Effect" or similar phrases, in all respects (after giving effect to such qualification)) on and as of the date of such Borrowing before and after giving effect thereto;

(c) the Borrower shall have delivered the required Notice of Borrowing; and

(d) the Administrative Agent shall have received such other documents, certificates, information or legal opinions as the Administrative Agent or the Required Lenders may reasonably request, all in form and substance reasonably satisfactory to the Administrative Agent or the Required Lenders.

Each Borrowing shall be deemed to constitute a representation and warranty by the Borrower on the date thereof as to the matters specified in paragraphs (a) and (b) of this Section 3.2 .

Section 3.3. Delivery of Documents . All of the Credit Documents, certificates, legal opinions and other documents and papers referred to in this Article III , unless otherwise specified, shall be delivered to the Administrative Agent for the account of each of the Lenders and, except for any promissory notes, in sufficient counterparts or copies for each of the Lenders and shall be in form and substance reasonably satisfactory to the Administrative Agent.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to the Administrative Agent and each Lender as follows:

Section 4.1. Organization and Good Standing . The Borrower (a) is a corporation duly organized, validly existing and in good standing under the laws of the jurisdictions of its incorporation, (b) is duly qualified and in good standing as a foreign corporation authorized to do business in every jurisdiction where the failure to so qualify would have or would reasonably be expected to have a Material Adverse Effect and (c) has the requisite corporate power and authority to own its properties and to carry on its business as now conducted and as proposed to be conducted.

Section 4.2. Due Authorization . The Borrower (a) has the requisite corporate power and authority to execute, deliver and perform this Agreement and the other Credit Documents and to incur the obligations herein and therein provided for and (b) has been authorized by all necessary corporate action, to execute, deliver and perform this Agreement and the other Credit Documents.

Section 4.3. No Conflicts . Neither the execution and delivery of the Credit Documents, nor the consummation of the transactions contemplated therein, nor performance of and compliance with the terms and provisions thereof by the Borrower will (a) violate or conflict with, in any material respect, any provision of its articles of incorporation or bylaws, (b) violate, contravene or conflict with, in any material respect, any law, regulation (including without limitation, Regulation U, Regulation X or any regulation promulgated by the Federal Energy Regulatory Commission), order, writ, judgment, injunction, decree or permit applicable to it, (c) except as would not reasonably be expected to result in a Material Adverse Effect, violate, contravene or conflict with contractual provisions of, or cause an event of default under, any indenture, loan agreement, mortgage, deed of trust, contract or other agreement or instrument to which it is a party or by which it or its properties may be bound, or (d) in any material respect, result in or require the creation of any Lien upon or with respect to its properties, other than a Permitted Lien.

Section 4.4. Consents . No consent, approval, authorization or order of, or filing, registration or qualification with, any court or Governmental Authority or third party is required in connection with the execution, delivery or performance of this Agreement or any of the other Credit Documents, except any such consent, approval, authorization, order, filing, registration or qualification as would not reasonably be expected to have a Material Adverse Effect.

Section 4.5. Enforceable Obligations . This Agreement and the other Credit Documents have been duly executed and delivered and constitute legal, valid and binding obligations of the Borrower enforceable against the Borrower in accordance with their respective terms, except as may be limited by bankruptcy or insolvency laws or similar laws affecting creditors' rights generally or by general equitable principles.

Section 4.6. Financial Condition .

(a) The consolidated financial statements delivered to the Lenders pursuant to Section 3.1(b)(ix) and pursuant to Section 5.1(a) and (b) : (i) have been prepared in accordance with GAAP (subject to the provisions of Section 1.3) and (ii) present fairly in all material respects the financial condition, results of operations, and cash flows of the Borrower and its Subsidiaries as of such date and for such periods.

(b) Since September 30, 2014, there has been no sale, transfer or other disposition by the Borrower of any material part of the business or property of the Borrower, and no purchase or other acquisition by the Borrower of any business or property (including any Capital Stock of any other Person) material in relation to the financial condition of the Borrower, in each case which is not (i) reflected in the most recent financial statements delivered to the Lenders pursuant to Section 3.1(b)(ix) and pursuant to Section 5.1 or in the notes thereto or (ii) otherwise permitted by the terms of this Agreement and communicated to the Administrative Agent.

Section 4.7. Intentionally Omitted .

Section 4.8. No Default . No Default or Event of Default presently exists and is continuing.

Section 4.9. Intentionally Omitted .

Section 4.10. Taxes . The Borrower and its Subsidiaries have filed, or caused to be filed, all material tax returns (federal, state, local and foreign) required to be filed and paid all amounts of taxes shown thereon to be due (including interest and penalties) and has paid all other material taxes, fees, assessments and other governmental charges (including mortgage recording taxes, documentary stamp taxes and intangibles taxes) owing by it, except for such taxes which are not yet delinquent or that are being contested in good faith and by proper proceedings, and against which adequate reserves are being maintained in accordance with GAAP.

Section 4.11. Compliance with Law . The Borrower and each of its Subsidiaries is in compliance with all laws, rules, regulations, orders and decrees applicable to it or to its properties, except where the failure to be in compliance would not have or would not reasonably be expected to have a Material Adverse Effect.

Section 4.12. Material Agreements . Neither the Borrower nor any of its Subsidiaries is in default in any respect under any contract, lease, loan agreement, indenture, mortgage, security agreement or other agreement or obligation to which it is a party or by which any of its properties is bound which default has had or would be reasonably expected to have a Material Adverse Effect.

Section 4.13. ERISA. Except as would not result or be reasonably expected to result in a Material Adverse Effect:

(a) During the five-year period prior to the date on which this representation is made or deemed made: (i) no Termination Event has occurred, and, to the best knowledge of the Borrower, no event or condition has occurred or exists as a result of which any Termination Event is reasonably expected to occur, with respect to any Plan; (ii) no "accumulated funding deficiency," as such term is defined in Section 302 of ERISA and Section 412 of the Code, whether or not waived, has occurred with respect to any Plan; (iii) each Plan has been maintained, operated, and funded in material compliance with its own terms and in material compliance with the provisions of ERISA, the Code, and any other applicable federal or state laws; and (iv) no Lien in favor or the PBGC or a Plan has arisen or is reasonably expected to arise on account of any Plan.

(b) No liability has been or is reasonably expected by the Borrower to be incurred under Sections 4062, 4063 or 4064 of ERISA with respect to any Single Employer Plan by the Borrower or any of its Subsidiaries which has or would reasonably be expected to have a Material Adverse Effect.

(c) The actuarial present value of all "benefit liabilities" under each Single Employer Plan (determined within the meaning of Section 401(a)(2) of the Code, utilizing the actuarial assumptions used to fund such Plans), whether or not vested, did not, as of the last annual valuation date prior to the date on which this representation is made or deemed made, exceed the current value of the assets of such Plan allocable to such accrued liabilities, except as disclosed in the Borrower's financial statements.

(d) Neither the Borrower nor any ERISA Affiliate has incurred, or, to the best knowledge of the Borrower, is reasonably expected to incur, any withdrawal liability under ERISA to any Multiemployer Plan or Multiple Employer Plan. Neither the Borrower nor any ERISA Affiliate has received any notification that any Multiemployer Plan is in reorganization (within the meaning of Section 4241 of ERISA), is insolvent (within the meaning of Section 4245 of ERISA), or has been terminated (within the meaning of Title IV of ERISA), and no Multiemployer Plan is, to the best knowledge of the Borrower, reasonably expected to be in reorganization, insolvent, or terminated.

(e) No prohibited transaction (within the meaning of Section 406 of ERISA or Section 4975 of the Code) or breach of fiduciary responsibility has occurred with respect to a Plan which has subjected or is reasonably likely to subject the Borrower or any ERISA Affiliate to any liability under Sections 406, 407, 409, 502(i), or 502(l) of ERISA or Section 4975 of the Code, or under any agreement or other instrument pursuant to which the Borrower or any ERISA Affiliate has agreed or is required to indemnify any person against any such liability.

(f) The present value (determined using actuarial and other assumptions which are reasonable with respect to the benefits provided and the employees participating) of the liability of the Borrower and each ERISA Affiliate for post-retirement welfare benefits to be provided to their current and former employees under Plans which are welfare benefit plans (as defined in Section 3(1) of ERISA), net of all assets under all such Plans allocable to such benefits, are reflected on the financial statements referenced in Section 5.1 in accordance with FASB 106.

(g) Each Plan which is a welfare plan (as defined in Section 3(1) of ERISA) to which Sections 601-609 of ERISA and Section 4980B of the Code apply has been administered in compliance in all material respects with such sections.

Section 4.14. **Use of Proceeds** . The proceeds of the Loans hereunder will be used solely for the purposes specified in Section 5.8 . None of such proceeds will be used for the acquisition of another Person unless the board of directors (or other comparable governing body) or stockholders, as appropriate, of such Person has approved such acquisition. The proceeds of the Loans hereunder shall not be used, wholly, partially, directly or indirectly to finance any transaction relating to a client, customer, importer, exporter or any other Person who appears on any list of OFAC, the Financial Action Task Force on Money Laundering or on any control list of a similar nature of any governmental authority (collectively, the " Sanctions Lists ") or in violation of any Anti-Terrorism and Anti-Corruption Law.

Section 4.15. **Government Regulation** .

(a) No proceeds of the Loans will be used, directly or indirectly, for the purpose of purchasing or carrying any "margin stock" within the meaning of Regulation U, or for the purpose of purchasing or carrying or trading in any securities. If requested by any Lender or the Administrative Agent, the Borrower will furnish to the Administrative Agent and each Lender a statement to the foregoing effect in conformity with the requirements of FR Form U-1 referred to in Regulation U. No indebtedness being reduced or retired out of the proceeds of the Loans was or will be incurred for the purpose of purchasing or carrying any margin stock within the meaning of Regulation U or any "margin security" within the meaning of Regulation T. "Margin stock" within the meaning of Regulation U does not constitute more than 25% of the value of the consolidated assets of the Borrower and its Subsidiaries.

(b) Neither the Borrower nor any of its Subsidiaries is an "investment company" registered or required to be registered under the Investment Company Act of 1940, as amended, and is not controlled by an "investment company".

Section 4.16. **Disclosure** . Neither this Agreement nor the Information Memorandum nor any financial statements delivered to the Lenders nor any other document, certificate or statement furnished to the Lenders by or on behalf of the Borrower in connection with the transactions contemplated hereby (in each case, as modified or supplemented by other information so furnished) contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained therein or herein, taken as a whole, not misleading; provided that, with respect to projected financial information, the Borrower represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time (it being understood that the projected financial information is subject to significant uncertainties and contingencies, many of which are beyond the Borrower's control, and that no assurance can be given that any projections will be realized).

Section 4.17. **OFAC; Anti-Corruption Laws; Anti-Money Laundering Laws** .

(a) Neither the Borrower nor any of its Subsidiaries or Affiliates, nor to its knowledge any of its or their respective directors, officers, or employees, agents or representatives, has taken or will take any action in furtherance of an offer, payment, promise to pay, or authorization or approval of the payment or giving of money, property, gifts or anything else of value, directly or indirectly, to any "government official" (including any officer or employee of a government or government-owned or controlled entity or of a public international organization, or any person acting in an official capacity for or on behalf of any of the foregoing, or any political party or party official or candidate for political office) to improperly influence official action or secure an improper advantage for the Borrower or any of its Subsidiaries or Affiliates where such actions would constitute a material breach of Anti-Corruption Laws; and the Borrower and its Subsidiaries and Affiliates have conducted their businesses in material compliance with applicable Anti-Terrorism and Anti-Corruption Laws and have instituted and maintain and will continue to maintain policies and procedures designed to promote and achieve compliance with such laws and with the representation and warranty contained herein.

(b) Neither the Borrower nor any of its Subsidiaries or Affiliates, nor to its knowledge any of its or their respective directors, officers, or employees, agents or representatives, is (i) named on any Sanctions List, (ii)(A) an agency of the government of a country, or (B) an organization controlled by a country, (iii) a Person resident in a country that is subject to a sanctions program identified on any Sanctions List (each a " Listed Country "), or, if a resident in a Listed Country, that residency and the operations of that Person relating to that Listed Country are in compliance with all Anti-Terrorism Laws and Anti-Corruption Laws in all material respects or (iv) directly conducting business or engaged in any transaction with any Persons named on any Sanctions List or resident in a Listed Country.

Section 4.18. Insurance . The Borrower and its Subsidiaries maintain insurance with financially sound and reputable insurance companies or associations in such amounts and covering such risks as is usually carried by companies engaged in similar business and owning similar properties in the same general areas in which the Borrower and its Subsidiaries operate and/or maintain a system or systems of self-insurance or assumption of risk which accords with the practices of similar businesses.

Section 4.19. Franchises, Licenses, Etc . The Borrower and its Subsidiaries possess (a) good title to, or the legal right to use, all properties and assets and (b) all franchises, certificates, licenses, permits and other authorizations, in each case as are necessary for the operation of their respective businesses, except to the extent the failure to possess any of the foregoing would not and would not reasonably be expected to have a Material Adverse Effect.

Section 4.20. Secured Indebtedness . All of the secured indebtedness of the Borrower is set forth on Schedule 4.20 or permitted by Section 6.6 .

Section 4.21. Subsidiaries . All Subsidiaries of the Borrower and the designation as to which such Subsidiaries are Material Subsidiaries are set forth on Schedule 4.21 . Schedule 4.21 may be updated from time to time by the Borrower.

ARTICLE V

AFFIRMATIVE COVENANTS

The Borrower covenants and agrees that so long as any Lender has a Commitment hereunder or any Obligation remains unpaid or outstanding:

Section 5.1. Information Covenants . The Borrower will furnish, or cause to be furnished, to the Administrative Agent (who shall forward copies thereof to each Lender):

(a) Annual Financial Statements . As soon as available, and in any event within 120 days after the close of each fiscal year of the Borrower, a consolidated balance sheet and income statement of the Borrower and its Subsidiaries, as of the end of such fiscal year, together with retained earnings and a consolidated statement of cash flows for such fiscal year setting forth in comparative form figures for the preceding fiscal year, all such financial information described above to be in reasonable form and detail and audited by independent certified public accountants of recognized national standing and whose opinion shall be furnished to the Administrative Agent, shall be to the effect that such financial statements have been prepared in accordance with GAAP (except for changes with which such accountants concur) and shall not be limited as to the scope of the audit or qualified by a going concern or similar qualification.

(b) Quarterly Financial Statements . As soon as available, and in any event within 65 days after the close of each fiscal quarter of the Borrower (other than the fourth fiscal quarter) a consolidated balance sheet and income statement of the Borrower and its Subsidiaries, as of the end of such fiscal quarter, together with a related consolidated statement of cash flows for such fiscal quarter in each case setting forth in comparative form figures for the corresponding period of the preceding fiscal year, all such financial information described above to be in reasonable form and detail and reasonably acceptable to the Administrative Agent, and accompanied by a certificate of a Financial Officer of the Borrower to the effect that such quarterly financial statements fairly present in all material respects the financial condition of the Borrower and have been prepared in accordance with GAAP, subject to changes resulting from audit and normal year-end audit adjustments and absence of notes.

(c) Officer's Certificate . At the time of delivery of the financial statements provided for in Sections 5.1(a) and 5.1(b) above, a certificate of a Financial Officer of the Borrower, substantially in the form of Exhibit 5.1(c) , (i) demonstrating compliance with Section 5.2 by calculation thereof as of the end of each such fiscal period and (ii) stating that no Default or Event of Default exists, or if any Default or Event of Default does exist, specifying the nature and extent thereof and what action the Borrower proposes to take with respect thereto.

(d) Reports . Promptly after the same are available, copies of all annual, regular, periodic and special reports and registration statements which the Borrower may file or be required to file with the SEC under Section 13 or 15(d) of the Exchange Act, and not otherwise required to be delivered to the Administrative Agent pursuant hereto.

(e) Notices . Upon the Borrower obtaining knowledge thereof, the Borrower will give written notice to the Administrative Agent promptly of (i) the occurrence of a Default or Event of Default, specifying the nature and existence thereof and what action the Borrower proposes to take with respect thereto, (ii) any change in any rating from S&P, Moody's, Fitch and any loss of rating and (iii) the occurrence of any of the following with respect to the Borrower or any Subsidiary: (A) the pendency or commencement of any litigation, arbitration or governmental proceeding against the Borrower or such Subsidiary which, if adversely determined, would have or would be reasonably expected to have a Material Adverse Effect or (B) the institution of any proceedings against the Borrower or such Subsidiary with respect to, or the receipt of notice by such Person of potential liability or responsibility for violation or alleged violation of, any federal, state or local law, rule or regulation (including, without limitation, any Environmental Law), the violation of which would have or would be reasonably expected to have a Material Adverse Effect.

(f) ERISA . Upon the Borrower or any ERISA Affiliate obtaining knowledge thereof, the Borrower will give written notice to the Administrative Agent and each of the Lenders promptly (and in any event within five Business Days) of: (i) any event or condition, including, but not limited to, any Reportable Event, that constitutes, or would be reasonably expected to lead to, a Termination Event; (ii) any communication from the PBGC stating its intention to terminate any Plan or to have a trustee appointed to administer any Plan together with a statement of the amount of liability, if any, incurred or expected to be incurred by the Borrower or any Subsidiary in connection therewith; (iii) with respect to any Multiemployer Plan, the receipt of notice as prescribed in ERISA or otherwise of any withdrawal liability assessed against the Borrower or any ERISA Affiliate, or of a determination that any Multiemployer Plan is in reorganization or insolvent (both within the meaning of Title IV of ERISA); (iv) the failure to make full payment on or before the due date (including extensions) thereof of all amounts which the Borrower or any of its Subsidiaries or ERISA Affiliates is required to contribute to each Plan which is subject to Title IV of ERISA pursuant to its terms and as required to meet the minimum funding standard set forth in ERISA and the Code with respect thereto; or (v) any change in the funding status of any Plan that would have or would be reasonably expected to have a Material Adverse Effect; together, with a description of any such event or condition or a copy of any such notice and a statement by an officer of the Borrower briefly setting forth the details regarding such event, condition, or notice, and the action, if any, which has been or is being taken or is proposed to be taken by the Borrower with respect thereto. Promptly upon request, the Borrower shall furnish the Administrative Agent with such additional information concerning any Plan as may be reasonably requested by the Administrative Agent or any Lender, including, but not limited to, copies of each annual report/return (Form 5500 series), as well as all schedules and attachments thereto required to be filed with the Department of Labor and/or the Internal Revenue Service pursuant to ERISA and the Code, respectively, for each "plan year" (within the meaning of Section 3(39) of ERISA).

(g) Other Information . With reasonable promptness upon any such request, such other information regarding the business, properties or financial condition of the Borrower as the Administrative Agent or the Required Lenders may reasonably request.

(h) Delivery of Information . Documents required to be delivered pursuant to this Section (to the extent any such documents are included in materials otherwise filed with the SEC) may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date (i) on which the Borrower posts such documents, or provides a link thereto on the Borrower's website on the Internet at the website address www.atmosenergy.com ; or (ii) on which such documents are posted on the Borrower's behalf on an Internet or intranet website, if any, to which each Lender and the Administrative Agent have access (whether a commercial, third party website or sponsored by the Administrative Agent); provided that the Borrower shall notify the Administrative Agent (by telecopier or electronic mail) of the posting of any such documents (which notice the Administrative Agent shall promptly forward to the Lenders). Notwithstanding anything contained herein, in every instance the Borrower shall be required to provide paper or facsimile copies of the officer's certificates required by Section 5.1(c) to the Administrative Agent. Except for such officer's certificates, the Administrative Agent shall have no obligation to request the delivery or to maintain copies of the documents referred to above, and in any event shall have no responsibility to monitor compliance by the Borrower with any such request for delivery, and each Lender shall be solely responsible for maintaining its copies of such documents.

Section 5.2. Debt to Capitalization Ratio . As of the last day of each fiscal quarter of the Borrower, the Debt to Capitalization Ratio shall be less than or equal to 0.70 to 1.0.

Section 5.3. Preservation of Existence, Franchises and Assets . The Borrower will, and will cause its Subsidiaries to, do all things necessary to preserve and keep in full force and effect its existence, rights, franchises and authority, except where failure to do so would not or would not reasonably be expected to have a Material Adverse Effect. The Borrower will, and will cause its Subsidiaries to, generally maintain its properties, real and personal, in good condition, and the Borrower and its Subsidiaries shall not waste or otherwise permit such properties to deteriorate, reasonable wear and tear excepted, except, in each case, where failure to do so would not or would not reasonably be expected to have a Material Adverse Effect.

Section 5.4. Books and Records . The Borrower will, and will cause its Subsidiaries to, keep complete and accurate books and records of its transactions in accordance with good accounting practices on the basis of GAAP (including the establishment and maintenance of appropriate reserves).

Section 5.5. Compliance with Law . The Borrower will, and will cause its Subsidiaries to, comply with, and obtain all permits and licenses required by, all laws (including, without limitation, all Environmental Laws and ERISA laws), rules, regulations and orders, and all applicable restrictions imposed by all Governmental Authorities, applicable to it and its property, if the failure to comply would have or would be reasonably expected to have a Material Adverse Effect. The Borrower will, and will cause each of its Subsidiaries and Affiliates to, comply with, and not act in any manner that would result in a violation by any Person (including Lender) of, Anti-Terrorism and Anti-Corruption Laws.

Section 5.6. Payment of Taxes and Other Claims . The Borrower will, and will cause its Subsidiaries to, pay, settle or discharge (a) all material taxes, assessments and governmental charges or levies imposed upon it, or upon its income or profits, or upon any of its properties, before they shall become delinquent and (b) all lawful claims (including claims for labor, materials and supplies) which, if unpaid, might give rise to a Lien upon any of its properties; provided , however , that the Borrower shall not be required to pay any such tax, assessment, charge, levy, claim or indebtedness which is being contested in good faith by appropriate action and as to which adequate reserves therefor, if required, have been established in accordance with GAAP, unless the failure to make any such payment (i) would give rise to an immediate right to foreclose or collect on a Lien securing such amounts or (ii) would have or would reasonably be expected to have a Material Adverse Effect.

Section 5.7. Insurance . The Borrower will, and will cause its Subsidiaries to, at all times maintain in full force and effect insurance (including worker's compensation insurance, liability insurance and casualty insurance) with financially sound and reputable insurance companies or associations in such amounts and covering such risks as is usually carried by companies engaged in similar business and owning similar properties in the same general areas in which the Borrower and its Subsidiaries operate and/or maintain a system or systems of self-insurance or assumption of risk which accords with the practices of similar businesses.

Section 5.8. Use of Proceeds . The proceeds of the Loans may be used solely (a) to refinance the indebtedness under each of the Existing Revolving Credit Agreement on the Closing Date and to pay related fees and expenses, (b) to fund future acquisitions permitted by Section 4.14 and (c) for working capital, capital expenditures and other lawful corporate purposes of the Borrower.

Section 5.9. Audits/Inspections . Upon reasonable prior notice and during normal business hours and no more frequently than once during any fiscal year upon reasonable advance notice through the Administrative Agent to the Borrower, the Borrower will permit representatives appointed by the Administrative Agent, including, without limitation, independent accountants, agents, attorneys, and appraisers to visit and inspect the Borrower's and its Subsidiaries' property, including their books and records, their accounts receivable and inventory, the Borrower's and its Subsidiaries' facilities and their other business assets, and to make photocopies or photographs thereof and to write down and record any information such representative obtains and shall permit the Administrative Agent or its representatives to discuss all such matters with the officers, employees and representatives of the Borrower and its Subsidiaries; provided, however, that when an Event of Default exists the Administrative Agent or any Lender (or any of their respective representatives) may do any of the foregoing at the expense of the Borrower at any time during normal business hours.

ARTICLE VI

NEGATIVE COVENANTS

The Borrower covenants and agrees that so long as any Lender has a Commitment hereunder or any Obligation remains outstanding:

Section 6.1. Nature of Business . The Borrower will not materially alter the character of its business from that conducted as of the Closing Date.

Section 6.2. Consolidation and Merger . The Borrower will not (a) enter into any transaction of merger, or (b) consolidate, liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution); provided that, so long as no Default or Event of Default shall exist or be caused thereby, a Person may be merged or consolidated with or into the Borrower so long as the Borrower shall be the continuing or surviving corporation.

Section 6.3. Sale or Lease of Assets . Within any period of four consecutive fiscal quarters, the Borrower will not, nor will it permit any Subsidiary to, convey, sell, lease, transfer or otherwise dispose of assets, business or operations with a net book value in excess of 25% of Total Assets as calculated as of the end of the most recent such fiscal quarter.

Section 6.4. Arm's-Length Transactions . The Borrower will not, nor will it permit its Subsidiaries to, enter into any transaction or series of transactions, whether or not in the ordinary course of business, with any Affiliate other than on terms and conditions substantially as favorable as would be obtainable in a comparable arm's-length transaction with a Person other than an Affiliate; provided that the foregoing restriction shall not apply to the payment or grant of reasonable compensation, benefits and indemnities to any director, officer, employee or agent of the Borrower or any Subsidiary.

Section 6.5. Fiscal Year; Organizational Documents . The Borrower will not (a) change its fiscal year or (b) in any manner that would reasonably be expected to materially adversely affect the rights of the Lenders, change its organizational documents or its bylaws; it being understood that the Borrower's shareholders may approve an amendment to the Borrower's Articles of Incorporation to permit the issuance of Preferred Securities.

Section 6.6. Liens . The Borrower will not, nor will it permit any of its Material Subsidiaries to, contract, create, incur, assume or permit to exist any Lien with respect to any of its property or assets of any kind (whether real or personal, tangible or intangible), whether now owned or after acquired, except for the following: (a) Liens securing Obligations, (b) Liens for taxes not yet due or Liens for taxes being contested in good faith by appropriate action and for which adequate reserves, if required, determined in accordance with GAAP have been established (and as to which the property subject to any such Lien is not yet subject to foreclosure, sale or loss on account thereof), (c) Liens in respect of property imposed by law arising in the ordinary course of business such as materialmen's, mechanics', warehousemen's, carrier's, landlords' and other nonconsensual statutory Liens which are not yet due and payable, which have been in existence less than 90 days or which are being contested in good faith by appropriate action and for which adequate reserves, if required, determined in accordance with GAAP have been established (and as to which the property subject to any such Lien is not yet subject to foreclosure, sale or loss on account thereof), (d) pledges or deposits made in the ordinary course of business to secure payment of worker's compensation insurance, unemployment insurance, pensions or social security programs, (e) Liens arising from good faith deposits in connection with or to secure performance of tenders, bids, leases, government contracts, performance and return-of-money bonds and other similar obligations incurred in the ordinary course of business (other than obligations in respect of the payment of borrowed money), (f) Liens arising from good faith deposits in connection with or to secure performance of statutory obligations and surety and appeal bonds, (g) easements, rights-of-way, restrictions (including zoning restrictions), minor defects or irregularities in title and other similar charges or encumbrances not, in any material respect, impairing the use of the encumbered property for its intended purposes, (h) judgment Liens that would not constitute an Event of Default or securing appeal or other surety bonds related to such judgments, (i) Liens arising by virtue of any statutory or common law provision relating to banker's liens, rights of setoff or similar rights as to deposit accounts or other funds maintained with a creditor depository institution, (j) any Lien on any assets securing indebtedness incurred or assumed for the purpose of financing all or any part of the cost of acquiring, developing, operating, constructing, altering, repairing or improving all or part of such assets; provided that such Lien attaches to such asset concurrently with or within 90 days after the acquisition thereof, completion of construction, improvement or repair, or commencement of commercial operation of such assets, (k) any Lien on any asset of any Person existing at the time such Person is merged or consolidated with or into the Borrower or one of its Subsidiaries and not created in contemplation of such event, (l) any Lien existing on any asset prior to the acquisition thereof by the Borrower or one of its Subsidiaries and not created in contemplation of such acquisition, (m) any Lien on the assets of the Borrower or any Material Subsidiary pursuant to Section 803 of the 1998 Indenture, Section 803 of the 2001 Indenture, Section 803 of the 2007 Indenture, or Section 803 of the 2009 Indenture if placed on the property of the Borrower or such Material Subsidiary on an equal and ratable basis with Liens securing Obligations and other Liens that may be placed on the properties of the Borrower or such Material Subsidiary in the future, (n) any Lien created in connection with a project financed with, or created to secure, Non-Recourse Indebtedness, (o) Liens on goods (and the proceeds thereof) and documents of title and the property covered thereby securing indebtedness in respect of commercial letters of credit, (p) Liens that have been placed by any developer, landlord or other third party on property over which the Borrower or any Material Subsidiary has easement rights or on any real property leased by the Borrower or any Material Subsidiary and subordination or similar agreements relating thereto, (q) any condemnation or eminent domain proceedings affecting any real property, (r) any provision for the retention of title to an asset by vendor or transferor of such asset which asset is acquired by the Borrower or a Material Subsidiary in a transaction entered into in the ordinary course of business, (s) Liens on the proceeds of assets that were subject to Liens permitted hereunder or on assets acquired with such proceeds as a replacement of such former assets, (t) Liens not otherwise permitted by this Agreement securing indebtedness in the aggregate (at the time such Liens are created) not in excess of ten percent (10%) of Consolidated Net Property, (u) Liens constituted by a right of set off, or rights over a margin call account, or any form of cash collateral, or any similar arrangement, securing Hedging Obligations and/or Physical Trade

Obligations, in each case so long as the aggregate principal amount of cash securing such Hedging Obligations and Physical Trade Obligations, do not exceed ten percent (10%) of Consolidated Net Worth, (v) Liens on accounts and related assets arising under an areawide utility contract or similar contract with the federal government related to energy management, conservation, or similar services, securing indebtedness of the Persons to whom Borrower has subcontracted to provide such services to the federal government and (w) any extension, renewal or replacement (or successive extensions, renewals or replacements), as a whole or in part, of any Liens referred to in the foregoing clauses (a) through (v) for amounts not exceeding the principal amount of the indebtedness (including undrawn commitments) secured by the Lien so extended, renewed or replaced (except for accrued interest and a reasonable premium or other reasonable amount paid, and fees and expenses reasonably incurred in connection with such extension, renewal or replacement); provided that such extension, renewal or replacement Lien is limited to all or a part of the same property or assets that were covered by the Lien extended, renewed or replaced (plus improvements on such property or assets).

Section 6.7. Required Clear Period . The Borrower shall cause there to be no Loans outstanding hereunder for a period of at least thirty (30) consecutive days during each fiscal year of the Borrower.

ARTICLE VII

EVENTS OF DEFAULT

Section 7.1. Events of Default . An Event of Default shall exist upon the occurrence of any of the following specified events (each an " Event of Default "):

(a) Payment . The Borrower shall default in the payment (i) when due of any principal of any of the Loans or (ii) within three Business Days of when due of any interest on the Loans or of any fees owing hereunder or any of the other Credit Documents or (iii) within ten days of when due of any other amounts owing hereunder, under any of the other Credit Documents or in connection herewith.

(b) Representations . Any representation, warranty or statement made or deemed to be made by the Borrower herein, in any of the other Credit Documents, or in any statement or certificate delivered or required to be delivered pursuant hereto or thereto (including without limitation the certificate delivered pursuant to Section 3.1(b)(vi)) shall prove untrue in any material respect on the date as of which it was deemed to have been made.

(c) Covenants . The Borrower shall:

(i) default in the due performance or observance of any term, covenant or agreement contained in Sections 5.2 , 5.3 (as to maintenance of existence of the Borrower only) or 6.1 through 6.6 inclusive; or

(ii) default in the due performance or observance by it of any term, covenant or agreement contained in Section 5.1 and such default shall continue unremedied for a period of five Business Days after the earlier of the Borrower becoming aware of such default or notice thereof given by the Administrative Agent; or

(iii) default in the due performance or observance by it of any term, covenant or agreement (other than those referred to in subsections (a), (b), (c)(i), or (c)(ii) of this Section 7.1) contained in this Agreement or any other Credit Document and such default shall continue unremedied for a period of at least 30 days after the earlier of the Borrower becoming aware of such default or notice thereof given by the Administrative Agent.

(d) Credit Documents . The Borrower shall default in the due performance or observance of any term, covenant or agreement in any of the other Credit Documents and such default shall continue unremedied for a period of at least 30 days after the earlier of (i) the Borrower becoming aware of such default or notice thereof given by the Administrative Agent or (ii) any Credit Document shall fail to be in full force and effect or the Borrower shall so assert.

(e) Bankruptcy, etc . The occurrence of any of the following with respect to the Borrower or any of its Material Subsidiaries: (i) a court or governmental agency having jurisdiction in the premises shall enter a decree or order for relief in respect of the Borrower or any of its Material Subsidiaries in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appoint a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Borrower or any of its Material Subsidiaries or for any substantial part of its property or order the winding up or liquidation of its affairs; or (ii) an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect is commenced against the Borrower or any of its Material Subsidiaries and such petition remains unstayed and in effect for a period of 60 consecutive days; or (iii) the Borrower or any of its Material Subsidiaries shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consent to the entry of an order for relief in an involuntary case under any such law, or consent to the appointment or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of such Person or any substantial part of its property or make any general assignment for the benefit of creditors; or (iv) the Borrower or any of its Material Subsidiaries shall admit in writing its inability to pay its debts generally as they become due or any action shall be taken by such Person in furtherance of any of the aforesaid purposes.

(f) Defaults under Other Agreements . With respect to any indebtedness of the Borrower in excess of $100,000,000 (other than indebtedness outstanding under this Agreement or Non-Recourse Indebtedness) (A) the Borrower shall (1) default in any payment (beyond the applicable grace period with respect thereto, if any) with respect to any such indebtedness, or (2) default (after giving effect to any applicable grace period) in the observance or performance of any covenant or agreement relating to such indebtedness or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event or condition shall occur or condition exist, the effect of which default or other event or condition is to cause, or permit, the holder of the holders of such indebtedness (or trustee or agent on behalf of such holders) to cause (determined without regard to whether any notice or lapse of time is required) any such indebtedness to become due prior to its stated maturity; or (B) any such indebtedness shall be declared due and payable, or required to be prepaid other than by a regularly scheduled required prepayment, or by a mandatory prepayment upon specified events or conditions, in each case, prior to the stated maturity thereof; or (C) any such indebtedness shall mature and remain unpaid.

(g) Judgments . One or more final judgments, orders, or decrees shall be entered against the Borrower involving a liability of $100,000,000 or more, in the aggregate (to the extent not paid or covered by insurance provided by a carrier who has acknowledged coverage) and such judgments, orders or decrees shall continue unsatisfied, undischarged and unstayed for a period of 90 days; provided that if such judgment, order or decree provides for periodic payments over time then the Borrower shall have a grace period of 30 days with respect to each such periodic payment.

(h) ERISA . The occurrence of any of the following events or conditions if any of the same would be reasonably expected to result in a liability of an amount greater than or equal to $20,000,000: (A) any "accumulated funding deficiency," as such term is defined in Section 302 of ERISA and Section 412 of the Code, whether or not waived, shall exist with respect to any Plan, or any lien shall arise on the assets of the Borrower or any ERISA Affiliate in favor of the PBGC or a Plan; (B) a Termination Event shall occur with respect to a Single Employer Plan, which is, in the reasonable opinion of the Administrative Agent, likely to result in the termination of such Plan for purposes of Title IV of ERISA; (C) a Termination Event shall occur with respect to a Multiemployer Plan or Multiple Employer Plan, which is, in the reasonable opinion of the Administrative Agent, likely to result in (i) the termination of such Plan for purposes of Title IV of ERISA, or (ii) the Borrower or any ERISA Affiliate incurring any liability in connection with a withdrawal from, reorganization of (within the meaning of Section 4241 of ERISA), or insolvency (within the meaning of Section 4245 of ERISA) of such Plan; or (D) any prohibited transaction (within the meaning of Section 406 of ERISA or Section 4975 of the Code) or breach of fiduciary responsibility shall occur which would be reasonably expected to subject the Borrower or any ERISA Affiliate to any liability under Sections 406, 409, 502(i), or 502(l) of ERISA or Section 4975 of the Code, or under any agreement or other instrument pursuant to which the Borrower or any ERISA Affiliate has agreed or is required to indemnify any person against any such liability.

(i) Change of Control . The occurrence of any Change of Control.

Section 7.2. Acceleration; Remedies . Upon the occurrence and during the continuation of an Event of Default, the Administrative Agent may, with the consent of the Required Lenders, and shall, upon the request and direction of the Required Lenders, by written notice to the Borrower take any of the following actions without prejudice to the rights of the Administrative Agent or any Lender to enforce its claims against the Borrower, except as otherwise specifically provided for herein:

(a) Termination of Commitments . Declare the Commitments terminated whereupon the Commitments shall be immediately terminated.

(b) Acceleration of Loans . Declare the unpaid amount of all Obligations to be due whereupon the same shall be immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower.

(c) Enforcement of Rights . Enforce any and all rights and interests created and existing under the Credit Documents or otherwise available at law or in equity, including, without limitation, all rights of set-off.

Notwithstanding the foregoing, if an Event of Default specified in Section 7.1(e) shall occur, then the Commitments shall automatically terminate and all Loans, all accrued interest in respect thereof, all accrued and unpaid fees and other indebtedness or obligations owing to the Lenders and the Administrative Agent hereunder shall immediately become due and payable without the giving of any notice or other action by the Administrative Agent or the Lenders.

Notwithstanding the fact that enforcement powers reside primarily with the Administrative Agent, each Lender has, to the extent permitted by law, a separate right of payment and shall be considered a separate "creditor" holding a separate "claim" within the meaning of Section 101(5) of the Bankruptcy Code or any other insolvency statute.

Section 7.3. **Allocation of Payments After Event of Default**.

Notwithstanding any other provisions of this Agreement, but subject in all respects to Section 2.22, after the occurrence of an Event of Default, all amounts collected or received by the Administrative Agent or any Lender on account of amounts outstanding under any of the Credit Documents shall be paid over or delivered as follows:

FIRST, to the payment of all reasonable out-of-pocket costs and expenses (including without limitation reasonable attorneys' fees) of the Administrative Agent or any of the Lenders in connection with enforcing the rights of the Lenders under the Credit Documents, pro rata as set forth below;

SECOND, to payment of any fees owed to the Administrative Agent or any Lender, pro rata as set forth below;

THIRD, to the payment of all accrued interest payable to the Lenders hereunder, pro rata as set forth below;

FOURTH, to the payment of the outstanding principal amount of the Loans, pro rata as set forth below;

FIFTH, to all other obligations which shall have become due and payable under the Credit Documents and not repaid pursuant to clauses "FIRST" through "FOURTH" above; and

SIXTH, to the payment of the surplus, if any, to whoever may be lawfully entitled to receive such surplus.

In carrying out the foregoing, (a) amounts received shall be applied in the numerical order provided until exhausted prior to application to the next succeeding category and (b) each of the Lenders shall receive an amount equal to its pro rata share (based on the proportion that the then outstanding Loans held by such Lender bears to the aggregate then outstanding Loans) of amounts available to be applied.

ARTICLE VIII

THE ADMINISTRATIVE AGENT

Section 8.1. **Appointment of Administrative Agent**. Each Lender irrevocably appoints Crédit Agricole Corporate and Investment Bank as the Administrative Agent and authorizes it to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent under this Agreement and the other Credit Documents, together with all such actions and powers that are reasonably incidental thereto. The Administrative Agent may perform any of its duties hereunder or under the other Credit Documents by or through any one or more sub-agents or attorneys-in-fact appointed by the Administrative Agent. The Administrative Agent and any such sub-agent or attorney-in-fact may perform any and all of its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions set forth in this Article shall apply to any such sub-agent or attorney-in-fact and the Related Parties of the Administrative Agent, any such sub-agent and any such attorney-in-fact and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

Section 8.2. **Nature of Duties of Administrative Agent**. The Administrative Agent shall not have any duties or obligations except those expressly set forth in this Agreement and the other Credit Documents. Without limiting the generality of the foregoing, (a) the Administrative Agent shall not be subject to any fiduciary or other implied duties, regardless of whether a Default or an Event of Default has occurred and is continuing, (b) the Administrative Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except those discretionary rights and powers expressly contemplated by the Credit Documents that the Administrative Agent is required to exercise in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 9.2), and (c) except as expressly set forth in the Credit Documents, the Administrative Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any of its Subsidiaries that is communicated to or obtained by the Administrative Agent or any of its Affiliates in any capacity. The Administrative Agent shall not be liable for any action taken or not taken by it, its sub-agents or attorneys-in-fact with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 9.2) or in the absence of its own gross negligence or willful misconduct as determined by a court of competent jurisdiction by final and nonappealable judgment. The Administrative Agent shall not be responsible for the negligence or misconduct of any sub-agents or attorneys-in-fact selected by it with reasonable care. The Administrative Agent shall not be deemed to have knowledge of any Default or Event of Default unless and until written notice thereof (which notice shall include an express reference to such event being a "Default" or "Event of Default" hereunder) is given to the Administrative Agent by the Borrower or any Lender, and the Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with any Credit Document, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements, or other terms and conditions set forth in any Credit Document, (iv) the validity, enforceability, effectiveness or genuineness of any Credit Document or any other agreement, instrument or document, or (v) the satisfaction of any condition set forth in Article III or elsewhere in any Credit Document, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent. The Administrative Agent may consult with legal counsel (including counsel for the Borrower) concerning all matters pertaining to such duties.

Section 8.3. **Lack of Reliance on the Administrative Agent**. Each of the Lenders acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each of the Lenders also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, continue to make its own decisions in taking or not taking of any action under or based on this Agreement, any related agreement or any document furnished hereunder or thereunder.

Section 8.4. **Certain Rights of the Administrative Agent**. If the Administrative Agent shall request instructions from the Required Lenders with respect to any action or actions (including the failure to act) in connection with this Agreement, the Administrative Agent shall be entitled to refrain from such act or taking such act, unless and until it shall have received instructions from such Lenders; and the Administrative Agent shall not incur liability to any Person by reason of so refraining. Without limiting the foregoing, no Lender shall have any right of action whatsoever against the Administrative Agent as a result of the Administrative Agent acting or refraining from acting hereunder in accordance with the instructions of the Required Lenders where required by the terms of this Agreement.

Section 8.5. **Reliance by Administrative Agent**. The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed, sent or made by the proper Person. The Administrative Agent may also rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person and shall not incur any liability for relying thereon. The Administrative Agent may consult with legal counsel (including counsel for the Borrower), independent public accountants and other experts selected by it and shall not be liable for any action taken or not taken by it in accordance with the advice of such counsel, accountants or experts.

Section 8.6. **The Administrative Agent in its Individual Capacity**. The bank serving as the Administrative Agent shall have the same rights and powers under this Agreement and any other Credit Document in its capacity as a Lender as any other Lender and may exercise or refrain from exercising the same as though it were not the Administrative Agent; and the terms "Lenders", "Required Lenders" or any similar terms shall, unless the context clearly otherwise indicates, include the Administrative Agent in its individual capacity. The bank acting as the Administrative Agent and its Affiliates may accept deposits from, lend money to, and generally engage in any kind of business with the Borrower or any Subsidiary or Affiliate of the Borrower as if it were not the Administrative Agent hereunder.

Section 8.7. **Successor Administrative Agent**.

(a) The Administrative Agent may resign at any time by giving written notice thereof to the Lenders and the Borrower. Upon any such resignation, the Required Lenders shall have the right to appoint a successor Administrative Agent, subject to the approval by the Borrower provided that no Default or Event of Default shall exist at such time. If no successor Administrative Agent shall have been so appointed, and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of resignation, then the retiring Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent, which shall be a commercial bank organized under the laws of the United States of America or any state thereof or a bank which maintains an office in the United States, having a combined capital and surplus of at least $500,000,000.

(b) Upon the acceptance of its appointment as the Administrative Agent hereunder by a successor, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations under this Agreement and the other Credit Documents. If within 45 days after written notice is given of the retiring Administrative Agent's resignation under this Section 8.7 no successor Administrative Agent shall have been appointed and shall have accepted such appointment, then on such 45 th day (i) the retiring Administrative Agent's resignation shall become effective, (ii) the retiring Administrative Agent shall thereupon be discharged from its duties and obligations under the Credit Documents and (iii) the Required Lenders shall thereafter perform all duties of the retiring Administrative Agent under the Credit Documents until such time as the Required Lenders appoint a successor Administrative Agent as provided above. After any retiring Administrative Agent's resignation hereunder, the provisions of this Article shall continue in effect for the benefit of such retiring Administrative Agent and its representatives and agents in respect of any actions taken or not taken by any of them while it was serving as the Administrative Agent.

Section 8.8. Co-Documentation Agents; Syndication Agent . Each of the Lenders and the Borrower hereby acknowledges and agrees that the Co-Documentation Agents and the Syndication Agent shall have no duties or obligations under any Credit Documents to any Lender or the Borrower.

ARTICLE IX
MISCELLANEOUS

Section 9.1. Notices .

(a) Except in the case of notices and other communications expressly permitted to be given by telephone, all notices and other communications to any party herein to be effective shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail, sent by telecopy or to the extent permitted below, by email as follows:

To the Borrower:	Atmos Energy Corporation Three Lincoln Centre, Suite 1800 5430 LBJ Freeway Dallas, Texas 75240 Attention: Bret J. Eckert Telecopy Number: (214) 550-5711 Email Address: Bret.Eckert@atmosenergy.com
With a copy to:	Atmos Energy Corporation 700 Three Lincoln Centre 5430 LBJ Freeway Dallas, Texas 75240 Attention: Treasurer Telecopy Number: (214) 550-9326 Email Address: dan.meziere@atmosenergy.com
and	Atmos Energy Corporation Three Lincoln Centre, Suite 1800 5430 LBJ Freeway Dallas, Texas 75240 Attention: General Counsel Telecopy Number: (214) 550-9216 Email Address: louis.gregory@atmosenergy.com

To the Administrative Agent:

For operations topics:	Crédit Agricole Corporate and Investment Bank 1301 Avenue of the Americas, 17th Floor New York, NY 10019 Attention: Agnes Castillo Email Address: agnes.castillo@ca-cib.com Fax: 732-744-8568
With a copy to:	Crédit Agricole Corporate and Investment Bank 1301 Avenue of the Americas, 17th Floor New York, NY 10019 Attention: Marisol Ortiz & Linda Boardman Email Address: marisol.ortiz@ca-cib.com linda.boardman@ca-cib.com
	and
	King & Spalding LLP 1180 Peachtree Street, N.E. Atlanta, Georgia 30309 Attention: Carolyn Z. Alford Telecopy Number: (404) 572-5100 Email Address: czalford@kslaw.com
For all other topics:	Crédit Agricole Corporate and Investment Bank 1301 Avenue of the Americas, 17th Floor New York, NY 10019 Attention: Marisol Ortiz & Linda Boardman Email Address: marisol.ortiz@ca-cib.com linda.boardman@ca-cib.com
	and
With a copy to:	Crédit Agricole Corporate and Investment Bank 1301 Avenue of the Americas, 17th Floor New York, NY 10019 Attention: Lucie Campos Caresmel Email Address: lucie.campos-caresmel@ca-cib.com
	and
	Crédit Agricole Corporate and Investment Bank 1100 Louisiana Street Houston, TX 77002 Attention: Dixon Schultz Email address: Dixon.schultz@ca-cib.com
	and

King & Spalding LLP
1180 Peachtree Street, N.E.
Atlanta, Georgia 30309
Attention: Carolyn Z. Alford
Telecopy Number: (404) 572-5100
Email Address: czalford@kslaw.com

To any other Lender: the address set forth in the Administrative Questionnaire or the Assignment and Acceptance executed by such Lender

Notices and other communications hereunder may be delivered or furnished by electronic communication (including e-mail and Internet or intranet websites) pursuant to procedures approved by the Administrative Agent, provided that the foregoing shall not apply to notices to any Lender pursuant to Article II if such Lender has notified the Administrative Agent that it is incapable of receiving notices under such Article by electronic communication. The Administrative Agent or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it, provided that approval of such procedures may be limited to particular notices or communications. Unless the Administrative Agent otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), provided that if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next business day for the recipient, and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor.

Any party hereto may change its address or telecopy number for notices and other communications hereunder by notice to the other parties hereto. All such notices and other communications shall, when transmitted by overnight delivery, or faxed, be effective when delivered for overnight (next-day) delivery, or transmitted in legible form by facsimile machine, respectively, or if mailed, upon the third Business Day after the date deposited into the mail or if delivered, upon delivery; provided, that notices delivered to the Administrative Agent shall not be effective until actually received by such Person at its address specified in this Section 9.1 during normal business hours for such Person, or if received after normal business hours for such Person, such notice shall be effective on the next Business Day.

(b) Any agreement of the Administrative Agent and the Lenders herein to receive certain notices by telephone or facsimile is solely for the convenience and at the request of the Borrower. The Administrative Agent and the Lenders shall be entitled to rely on the authority of any Person purporting to be a Person authorized by the Borrower to give such notice and the Administrative Agent and Lenders shall not have any liability to the Borrower or other Person on account of any action taken or not taken by the Administrative Agent or the Lenders in reliance upon such telephonic or facsimile notice. The obligation of the Borrower to repay the Loans and all other Obligations hereunder shall not be affected in any way or to any extent by any failure of the Administrative Agent and the Lenders to receive written confirmation of any telephonic or facsimile notice or the receipt by the Administrative Agent and the Lenders of a confirmation which is at variance with the terms understood by the Administrative Agent and the Lenders to be contained in any such telephonic or facsimile notice.

(c) The Borrower agrees that the Administrative Agent may, but shall not be obligated to, make the Communications (as defined below) available to the other Lenders by posting the Communications on Debt Domain, Intralinks, Syndtrak or a substantially similar electronic transmission system (the " Platform "). The Platform is provided "as is" and "as available". The Agent Parties (as defined below) do not warrant the adequacy of the Platform and expressly disclaim liability for errors or omissions in the Communications. No warranty of any kind, express, implied or statutory, including, without limitation, any warranty of merchantability, fitness for a particular purpose, non-infringement of third-party rights or freedom from viruses or other code defects, is made by any Agent Party in connection with the Communications of the Platform. In no event shall the Administrative Agent or any of its Related Parties (collectively, the " Agent Parties ") have any liability to the Borrower, any Lender or any other Person or entity for damages of any kind, including, without limitation, direct or indirect, special, incidental or consequential damages, losses or expenses (whether in tort, contract or otherwise) arising out of Borrower's or the Administrative Agent's transmission of Communications through the Platform. " Communications " means, collectively, any notice, demand, communication, information, document or other material that the Borrower provides to the Administrative Agent pursuant to any Credit Document or the transactions contemplated therein which is distributed to the Administrative Agent or any Lender by means of electronic communications pursuant to this Section, including through the Platform.

Section 9.2. Waiver; Amendments .

(a) No failure or delay by the Administrative Agent or any Lender in exercising any right or power hereunder or any other Credit Document, and no course of dealing between the Borrower and the Administrative Agent or any Lender , shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power or any abandonment or discontinuance of steps to enforce such right or power, preclude any other or further exercise thereof or the exercise of any other right or power hereunder or thereunder. The rights and remedies of the Administrative Agent and the Lenders hereunder and under the other Credit Documents are cumulative and are not exclusive of any rights or remedies provided by law. No waiver of any provision of this Agreement or any other Credit Document or consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section 9.2 , and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan shall not be construed as a waiver of any Default or Event of Default, regardless of whether the Administrative Agent or any Lender may have had notice or knowledge of such Default or Event of Default at the time.

(b) No amendment or waiver of any provision of this Agreement or the other Credit Documents, nor consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Borrower and the Required Lenders or the Borrower and the Administrative Agent with the consent of the Required Lenders and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided , that no amendment or waiver shall: (i) increase the Commitment of any Lender without the written consent of such Lender, (ii) reduce the principal amount of any Loan or reduce the rate of interest thereon, or reduce any fees payable hereunder, without the written consent of each Lender affected thereby, (iii) postpone the date fixed for any payment of any principal of, or interest on, any Loan or interest thereon or any fees hereunder or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date for the termination or reduction of any Commitment, without the written consent of each Lender affected thereby, (iv) change the definition of "Pro Rata Share" or Section 2.18(b) or (c) in a manner that would alter the pro rata sharing of payments required thereby, without the written consent of each Lender, (v) change any of the provisions of this Section 9.2 or the definition of "Required Lenders" or any other provision hereof specifying the number or percentage of Lenders which are required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder, without the consent of each Lender; (vi) release any guarantor or limit the liability of any such guarantor under any guaranty agreement, without the written consent of each Lender other than Defaulting Lenders; (vii) release all or substantially all collateral (if any) securing any of the Obligations, without the written consent of each Lender other than Defaulting Lenders; provided further , that no such agreement shall amend, modify or otherwise affect the rights, duties or obligations of the Administrative Agent without the prior written consent of such Person. Notwithstanding anything contained herein to the contrary, this Agreement may be amended and restated without the consent of any Lender (but with the consent of the Borrower and the Administrative Agent) if, upon giving effect to such amendment and restatement, such Lender shall no longer be a party to this Agreement (as so amended and restated), the Commitments of such Lender shall have terminated (but such Lender shall continue to be entitled to the benefits of Sections 2.15 , 2.16 , 2.17 and 9.3), such Lender shall have no other commitment or other obligation hereunder and shall have been paid in full all principal, interest and other amounts owing to it or accrued for its account under this Agreement.

Section 9.3. Expenses; Indemnification .

(a) The Borrower shall pay (i) all reasonable, out-of-pocket costs and expenses of the Administrative Agent and its Affiliates , including the reasonable fees, charges and disbursements of counsel for the Administrative Agent and its Affiliates, in connection with the syndication of the credit facilities provided for herein, the preparation and administration of the Credit Documents and any amendments, modifications or waivers thereof (whether or not the transactions contemplated in this Agreement or any other Credit Document shall be consummated), and (ii) all reasonable out-of-pocket costs and expenses (including, without limitation, the reasonable fees, charges and disbursements of outside counsel and the allocated cost of inside counsel) incurred by the Administrative Agent or any Lender in connection with the enforcement or protection of its rights in connection with this Agreement, including its rights under this Section 9.3 , or in connection with the Loans made hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans.

(b) The Borrower shall indemnify the Administrative Agent (and any sub-agent thereof), the Joint Lead Arrangers, each Lender and each Related Party of any of the foregoing Persons (each such Person being called an " Indemnitee ") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses (including the reasonable fees, charges and disbursements of any counsel for any Indemnitee), and shall indemnify and hold harmless each Indemnitee from all fees and time charges and disbursements for attorneys who may be employees of any Indemnitee, incurred by any Indemnitee or asserted against any Indemnitee by any third party or by the Borrower arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement, any other Credit Document or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto of their respective obligations hereunder or thereunder or the consummation of the transactions contemplated hereby or thereby, (ii) any Loan or the use or proposed use of the proceeds therefrom, (iii) any actual or alleged presence or Release of

Hazardous Materials on or from any property owned or operated by the Borrower or any of its Subsidiaries, or any liability arising under the Environmental Laws related in any way to the Borrower or any of its Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by the Borrower, and regardless of whether any Indemnitee is a party thereto, provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses (x) are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee or (y) result from a claim brought by the Borrower against an Indemnitee for breach in bad faith of such Indemnitee's obligations hereunder or under any other Credit Document, if the Borrower has obtained a final and nonappealable judgment in its favor on such claim as determined by a court of competent jurisdiction.

(c) The Borrower shall pay, and hold the Administrative Agent and each of the Lenders harmless from and against, any and all present and future stamp, documentary, and other similar taxes with respect to this Agreement and any other Credit Documents, any collateral described therein, or any payments due thereunder, and save the Administrative Agent and each Lender harmless from and against any and all liabilities with respect to or resulting from any delay or omission to pay such taxes.

(d) To the extent that the Borrower fails to pay any amount required to be paid to the Administrative Agent under clauses (a), (b) or (c) hereof, each Lender severally agrees to pay to the Administrative Agent such Lender's Pro Rata Share (determined as of the time that the unreimbursed expense or indemnity payment is sought) of such unpaid amount; provided , that the unreimbursed expense or indemnified payment, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent in its capacity as such.

(e) To the extent permitted by applicable law, the Borrower shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to actual or direct damages) arising out of, in connection with or as a result of, this Agreement or any agreement or instrument contemplated hereby, the transactions contemplated therein, any Loan or the use of proceeds thereof.

(f) All amounts due under this Section 9.3 shall be payable promptly after written demand therefor.

Section 9.4. Successors and Assigns .

(a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Administrative Agent and each Lender, and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an assignee in accordance with the provisions of paragraph (b) of this Section, (ii) by way of participation in accordance with the provisions of paragraph (d) of this Section or (iii) by way of pledge or assignment of a security interest subject to the restrictions of paragraph (f) of this Section (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any

Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in paragraph (d) of this Section and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Any Lender may at any time assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it); provided that any such assignment shall be subject to the following conditions:

(i) Minimum Amounts .

(A) in the case of an assignment of the entire remaining amount of the assigning Lender's Commitment and the Loans at the time owing to it or in the case of an assignment to a Lender, an Affiliate of a Lender or an Approved Fund, no minimum amount need be assigned; and

(B) in any case not described in paragraph (b)(i)(A) of this Section, the aggregate amount of the Commitment (which for this purpose includes Loans and Credit Exposure outstanding thereunder) or, if the applicable Commitment is not then in effect, the principal outstanding balance of the Loans and Credit Exposure of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Administrative Agent or, if "Trade Date" is specified in the Assignment and Acceptance, as of the "Trade Date") shall not be less than $5,000,000, unless each of the Administrative Agent and, so long as no Event of Default has occurred and is continuing, the Borrower otherwise consents (each such consent not to be unreasonably withheld or delayed).

(ii) Proportionate Amounts . Each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Loans, Credit Exposure or the Commitment assigned.

(iii) Required Consents . No consent shall be required for any assignment except to the extent required by paragraph (b)(i)(B) of this Section and, in addition:

(A) the consent of the Borrower (such consent not to be unreasonably withheld or delayed) shall be required unless (x) an Event of Default has occurred and is continuing at the time of such assignment or (y) such assignment is to a Lender, an Affiliate of a Lender or an Approved Fund; provided that, the Borrower will be deemed to have provided consent if it fails to approve or disapprove of such assignment within ten (10) Business Days after the date on which it receives notice thereof.

(B) the consent of the Administrative Agent (such consent not to be unreasonably withheld or delayed) shall be required for assignments to a Person that is not a Lender, an Affiliate of a Lender or an Approved Fund.

(iv) Assignment and Acceptance . The parties to each assignment shall deliver to the Administrative Agent (A) a duly executed Assignment and Acceptance, (B) a processing and recordation fee of $3,500, (C) an Administrative Questionnaire unless the assignee is already a Lender and (D) the documents required under Section 2.17(e) if such assignee is a Foreign Lender.

(v) No Assignment to Borrower . No such assignment shall be made to the Borrower or any of the Borrower's Affiliates or Subsidiaries.

(vi) No Assignment to Natural Persons or Defaulting Lender . No such assignment shall be made to a natural person (or an investment vehicle or trust for the primary benefit of a natural person or relatives of a natural person) or a Defaulting Lender or an Affiliate thereof.

(vii) Certain Additional Payments . In connection with any assignment of rights and obligations of any Defaulting Lender hereunder, no such assignment shall be effective unless and until, in addition to the other conditions thereto set forth herein, the parties to the assignment shall make such additional payments to the Administrative Agent in an aggregate amount sufficient, upon distribution thereof as appropriate (which may be outright payment, purchases by the assignee of participations or subparticipations, or other compensating actions, including funding, with the consent of the Borrower and the Administrative Agent, the applicable pro rata share of Loans previously requested but not funded by the Defaulting Lender, to each of which the applicable assignee and assignor hereby irrevocably consent), to (x) pay and satisfy in full all payment liabilities then owed by such Defaulting Lender to the Administrative Agent and each other Lender hereunder (and interest accrued thereon), and (y) acquire (and fund as appropriate) its full pro rata share of all Loans. Notwithstanding the foregoing, in the event that any assignment of rights and obligations of any Defaulting Lender hereunder shall become effective under applicable law without compliance with the provisions of this paragraph, then the assignee of such interest shall be deemed to be a Defaulting Lender for all purposes of this Agreement until such compliance occurs.

Subject to acceptance and recording thereof by the Administrative Agent pursuant to paragraph (c) of this Section 9.4 , from and after the effective date specified in each Assignment and Acceptance, the assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits of Sections 2.15 , 2.16 , 2.17 and 9.3 with respect to facts and circumstances occurring prior to the effective date of such assignment. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this paragraph shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (d) of this Section 9.4 . If the consent of the Borrower to an assignment is required hereunder (including a consent to an assignment which does not meet the minimum assignment thresholds specified above), the Borrower shall be deemed to have given its consent five Business Days after the date notice thereof has actually been delivered by the assigning Lender (through the Administrative Agent) to the Borrower, unless such consent is expressly refused by the Borrower prior to such fifth Business Day.

(c) The Administrative Agent shall maintain at one of its offices a copy of each Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amount of the Loans and Credit Exposure owing to, each Lender pursuant to the terms hereof from time to time (the " Register "). The entries in the Register shall be conclusive absent manifest error, and the Borrower, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower and any Lender (as to its commitment only), at any reasonable time and from time to time upon reasonable prior notice.

(d) Any Lender may at any time, without the consent of, or notice to, the Borrower or the Administrative Agent, sell participations to any Person (other than a natural person (or an investment vehicle or trust for the primary benefit of a natural person or relatives of a natural person), the Borrower or any of the Borrower's Affiliates or Subsidiaries) (each, a " Participant ") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or the Loans owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower, the Administrative Agent and the Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement.

(e) Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver with respect to the following to the extent affecting such Participant: (i) increase the Commitment of any Lender without the written consent of such Lender, (ii) reduce the principal amount of any Loan or reduce the rate of interest thereon, or reduce any fees payable hereunder, without the written consent of each Lender affected thereby, (iii) postpone the date fixed for any payment of any principal of, or interest on, any Loan or interest thereon or any fees hereunder or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date for the termination or reduction of any Commitment, without the written consent of each Lender affected thereby, (iv) change Section 2.18(b) or (c) in a manner that would alter the pro rata sharing of payments required thereby, without the written consent of each Lender, (v) change any of the provisions of this Section 9.4 or the definition of "Required Lenders" or any other provision hereof specifying the number or percentage of Lenders which are required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder, without the consent of each Lender; (vi) release any guarantor or limit the liability of any such guarantor under any guaranty agreement without the written consent of each Lender except to the extent such release is expressly provided under the terms of this Agreement or such guaranty agreement; or (vii) release all or substantially all collateral (if any) securing any of the Obligations. Subject to paragraph (e) of this Section 9.4 , the Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.15 , 2.16 , and 2.17 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section 9.4 , provided , that such Participant agrees to be subject to the provisions of Sections 2.19 and 2.20 as if it were an assignee hereunder, further, to the extent permitted by law, each Participant also shall be entitled to the benefits of Section 9.7 as though it were a Lender, provided such Participant agrees to be subject to Section 2.15 as though it were a Lender.

(f) A Participant shall not be entitled to receive any greater payment under Section 2.15 and Section 2.17 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 2.17 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section 2.17(e) as though it were a Lender.

(g) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including without limitation any pledge or assignment to secure obligations to a Federal Reserve Bank or any other central bank or a Governmental Authority having jurisdiction over any Lender or its parent; provided that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

Section 9.5. Governing Law; Jurisdiction; Consent to Service of Process .

(a) This Agreement and the other Credit Documents shall be construed in accordance with and be governed by the law (without giving effect to the conflict of law principles thereof, except for Sections 5-1401 and 5-1402 of the New York General Obligations Law) of the State of New York .

(b) The Borrower hereby irrevocably and unconditionally submits, for itself and its property, to the exclusive jurisdiction of the United States District Court of the Southern District of New York, and of any state court of the State of New York sitting in New York County and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or any other Credit Document or the transactions contemplated hereby or thereby, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York state court or, to the extent permitted by applicable law, such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement or any other Credit Document shall affect any right that the Administrative Agent or any Lender may otherwise have to bring any action or proceeding relating to this Agreement or any other Credit Document against the Borrower or its properties in the courts of any jurisdiction.

(c) The Borrower irrevocably and unconditionally waives any objection which it may now or hereafter have to the laying of venue of any such suit, action or proceeding described in paragraph (b) of this Section 9.5 and brought in any court referred to in paragraph (b) of this Section 9.5 . Each of the parties hereto irrevocably waives, to the fullest extent permitted by applicable law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Each party to this Agreement irrevocably consents to the service of process in the manner provided for notices in Section 9.1 , provided that such service of process is delivered only by overnight courier, signature required. Nothing in this Agreement or in any other Credit Document will affect the right of any party hereto to serve process in any other manner permitted by law.

Section 9.6. **WAIVER OF JURY TRIAL** . EACH PARTY HERETO IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF THIS AGREEMENT OR ANY OTHER CREDIT DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER CREDIT DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

Section 9.7. **Right of Setoff** . In addition to any rights now or hereafter granted under applicable law and not by way of limitation of any such rights, each Lender shall have the right, at any time or from time to time upon the occurrence and during the continuance of an Event of Default, without prior notice to the Borrower, any such notice being expressly waived by the Borrower to the extent permitted by applicable law, to set off and apply against all deposits (general or special, time or demand, provisional or final) of the Borrower at any time held or other obligations at any time owing by such Lender to or for the credit or the account of the Borrower against any and all Obligations held by such Lender irrespective of whether such Lender shall have made demand hereunder and although such Obligations may be unmatured. Each Lender agrees promptly to notify the Administrative Agent and the Borrower after any such set-off and any application made by such Lender; provided , that the failure to give such notice shall not affect the validity of such set-off and application. Each Lender agrees to apply all amounts collected from any such set-off to the Obligations before applying such amounts to any other indebtedness or other obligations owed by the Borrower and any of its Subsidiaries to such Lender.

Section 9.8. **Counterparts; Integration** . This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts (including by telecopy), and all of said counterparts taken together shall be deemed to constitute one and the same instrument. This Agreement, the Fee Letter, the other Credit Documents, and any separate letter agreement(s) relating to any fees payable to the Administrative Agent constitute the entire agreement among the parties hereto and thereto regarding the subject matters hereof and thereof and supersede all prior agreements and understandings, oral or written, regarding such subject matters. Delivery of an executed counterpart to this Agreement or any other Loan Document by facsimile transmission or by electronic mail in pdf format shall be as effective as delivery of a manually executed counterpart hereof.

Section 9.9. **Survival** . All covenants, agreements, representations and warranties made by the Borrower herein and in the certificates or other instruments delivered in connection with or pursuant to this Agreement shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of this Agreement and the making of any Loans, regardless of any investigation made by any such other party or on its behalf and notwithstanding that the Administrative Agent or any Lender may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any fee or any other amount payable under this Agreement is outstanding and unpaid and so long as the Commitments have not expired or terminated. The provisions of Sections 2.15 , 2.16 , 2.17 , and 9.3 and Article VIII shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans, the expiration or termination of the Commitments or the termination of this Agreement or any provision hereof. All representations and warranties made herein, in the certificates, reports, notices, and other documents delivered pursuant to this Agreement shall survive the execution and delivery of this Agreement and the other Credit Documents, and the making of the Loans.

Section 9.10. Severability . Any provision of this Agreement or any other Credit Document held to be illegal, invalid or unenforceable in any jurisdiction, shall, as to such jurisdiction, be ineffective to the extent of such illegality, invalidity or unenforceability without affecting the legality, validity or enforceability of the remaining provisions hereof or thereof; and the illegality, invalidity or unenforceability of a particular provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 9.11. Confidentiality . Each of the Administrative Agent and each Lender agrees to take normal and reasonable precautions to maintain the confidentiality of any Information, except that such Information may be disclosed (i) to any Related Party of the Administrative Agent or any such Lender, including without limitation accountants, legal counsel and other advisors, (ii) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (iii) to the extent requested by any regulatory agency or authority or self-regulatory organization, (iv) to the extent that such information becomes publicly available other than as a result of a breach of this Section 9.11 , or which becomes available to the Administrative Agent, any Lender or any Related Party of any of the foregoing on a non-confidential basis from a source other than the Borrower, (v) in connection with the exercise of any remedy hereunder or any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder, (vi) subject to provisions substantially similar to this Section 9.11 , to any actual or prospective assignee or Participant, or to any direct or indirect contractual counterparties (or the professional advisors thereto) to any swap or derivative transaction or any credit insurance provider, in each case, relating to Borrower and its obligations, (vii) on a confidential basis to (a) any rating agency in connection with rating the Borrower, its Subsidiaries or the facilities or (b) the CUSIP Service Bureau or any similar agency in connection with the issuance and monitoring of CUSIP numbers with respect to the facilities, or (viii) with the consent of the Borrower. Any Person required to maintain the confidentiality of any information as provided for in this Section 9.11 shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such information as such Person would accord its own confidential information. For the purposes of this Section, " Information " means all information received from the Borrower relating to the Borrower or its business, other than any such information that is available to the Administrative Agent or any Lender on a nonconfidential basis prior to disclosure by the Borrower; provided that, in the case of information received from the Borrower after the date hereof, such information is clearly identified at the time of delivery as confidential.

Section 9.12. Interest Rate Limitation . Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan, together with all fees, charges and other amounts which may be treated as interest on such Loan under applicable law (collectively, the " Charges "), shall exceed the maximum lawful rate of interest (the " Maximum Rate") which may be contracted for, charged, taken, received or reserved by a Lender holding such Loan in accordance with applicable law, the rate of interest payable in respect of such Loan hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum

Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Loan but were not payable as a result of the operation of this Section 9.12 shall be cumulated and the interest and Charges payable to such Lender in respect of other Loans or periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount, together with interest thereon at the Federal Funds Rate to the date of repayment, shall have been received by such Lender.

Section 9.13. Waiver of Effect of Corporate Seal. The Borrower represents and warrants that it is not required to affix its corporate seal to this Agreement or any other Credit Document pursuant to any requirement of law or regulation, agrees that this Agreement is delivered by Borrower under seal and waives any shortening of the statute of limitations that may result from not affixing the corporate seal to this Agreement or such other Credit Documents.

Section 9.14. Patriot Act. The Administrative Agent and each Lender hereby notifies the Borrower that pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the " Patriot Act "), it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Lender or the Administrative Agent, as applicable, to identify the Borrower in accordance with the Patriot Act. The Borrower shall, and shall cause each of its Subsidiaries to, provide to the extent commercially reasonable, such information and take such other actions as are reasonably requested by the Administrative Agent or any Lender in order to assist the Administrative Agent and the Lenders in maintaining compliance with the Patriot Act.

Section 9.15. No Fiduciary Duty. The Administrative Agent, the Syndication Agent, the Co-Documentation Agents, each Lender and their Affiliates (collectively, solely for purposes of this paragraph, the " Lenders "), may have economic interests that conflict with those of Borrower. Borrower agrees that nothing in the Credit Documents or otherwise will be deemed to create an advisory, fiduciary or agency relationship or fiduciary or other implied duty between the Lenders and Borrower, its stockholders or its affiliates. The Borrower acknowledges and agrees that (i) the transactions contemplated by the Credit Documents are arm's-length commercial transactions between the Lenders, on the one hand, and Borrower, on the other, (ii) in connection therewith and with the process leading to such transaction each of the Lenders is acting solely as a principal and not the agent or fiduciary of Borrower, its management, stockholders, creditors or any other person, (iii) no Lender has assumed an advisory or fiduciary responsibility in favor of Borrower with respect to the transactions contemplated hereby or the process leading thereto (irrespective of whether any Lender or any of its affiliates has advised or is currently advising Borrower on other matters) or any other obligation to Borrower except the obligations expressly set forth in the Credit Documents and (iv) Borrower has consulted its own legal and financial advisors to the extent it deemed appropriate. Borrower further acknowledges and agrees that it is responsible for making its own independent judgment with respect to such transactions and the process leading thereto. Borrower agrees that it will not claim that any Lender has rendered advisory services of any nature or respect, or owes a fiduciary or similar duty to Borrower, in connection with such transaction or the process leading thereto.

(remainder of page left intentionally blank)

IN WITNESS WHEREOF , the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

ATMOS ENERGY CORPORATION ,
as Borrower

By: /s/ BRET J. ECKERT
Name: Bret J. Eckert
Title: Senior Vice President and CFO

[Signature Page to Revolving Credit Agreement]

CRÉDIT AGRICOLE CORPORATE AND INVESTMENT BANK ,
as Administrative Agent and as a Lender

By: /s/ LUCIE CAMPOS CARESMEL
Name: Lucie Campos Caresmel
Title: Director

By: /s/ JEFF FERRELL
Name: Jeff Ferrell
Title: Managing Director

[Signature Page to Revolving Credit Agreement]

MIZUHO BANK, LTD. ,
as Syndication Agent and as a Lender

By: /s/ DONNA DEMAGISTRIS
Name: Donna DeMagistris
Title: Authorized Signatory

[Signature Page to Revolving Credit Agreement]

BANK OF AMERICA, N.A. ,
as a Co-Documentation Agent and as a Lender

By: /s/ WILLIAM MERRITT
Name: William Merritt
Title: Vice President

[Signature Page to Revolving Credit Agreement]

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION, as a Co-Documentation Agent and as a Lender

By: /s/ JUSTIN MARTIN
Name: Justin Martin
Title: Authorized Officer

[Signature Page to Revolving Credit Agreement]

U.S. BANK NATIONAL ASSOCIATION , as
a Co-Documentation Agent and as a Lender

By: /s/ JOHN M. EYERMAN
Name: John M. Eyerman
Title: Vice President

[Signature Page to Revolving Credit Agreement]

WELLS FARGO BANK, NATIONAL ASSOCIATION , as a Co-Documentation Agent and as a Lender

By: /s/ JESSE TANNUZZO
Name: Jesse Tannuzzo
Title: Assistant Vice President

[Signature Page to Revolving Credit Agreement]

CASE NO. 2017-00349
FR 16(7)(p)
ATTACHMENT 2

THE BANK OF TOKYO-MITSUBISHI UFJ, LTD. , as a Lender

By: /s/ PAUL FARRELL
Name: Paul Farrell
Title: Managing Director

[Signature Page to Revolving Credit Agreement]

BRANCH BANKING AND TRUST COMPANY , as a Lender

By: /s/ ALLEN K. KING
Name: Allen K. King
Title: Senior Vice President

[Signature Page to Revolving Credit Agreement]

BNP PARIBAS , as a Lender

By: /s/ DENIS O'MEARA
Name: Denis O'Meara
Title: Managing Director

By: /s/ THEODORE SHEEN
Name: Theodore Sheen
Title: Vice President

[Signature Page to Revolving Credit Agreement]

CANADIAN IMPERIAL BANK OF COMMERCE, NEW YORK BRANCH , as a Lender

By: /s/ ANJU ABRAHAM
Name: Anju Abraham
Title: Authorized Signatory

By: /s/ ANDREW R. CAMPBELL
Name: Andrew R. Campbell
Title: Authorized Signatory

[Signature Page to Revolving Credit Agreement]

GOLDMAN SACHS BANK USA , as a Lender

By: /s/ REBECCA KRATZ
Name: Rebecca Kratz
Title: Authorized Signatory

[Signature Page to Revolving Credit Agreement]

MORGAN STANLEY BANK, N.A. , as a Lender

By: /s/ MICHAEL KING
Name: Michael King
Title: Authorized Signatory

[Signature Page to Revolving Credit Agreement]

COBANK, ACB , as a Lender

By: /s/ DUSTIN ZUBKE
Name: Dustin Zubke
Title: Vice President

[Signature Page to Revolving Credit Agreement]

THE NORTHERN TRUST COMPANY , as a Lender

By: /s/ JOHN CANTY
Name: John Canty
Title: Senior Vice President

[Signature Page to Revolving Credit Agreement]

BOKF, N.A. DBA BANK OF TEXAS , as a Lender

By: /s/ AMANDA J. AUSTIN
Name: Amanda J. Austin
Title: Senior Vice President

[Signature Page to Revolving Credit Agreement]

Schedule I

APPLICABLE MARGINS AND APPLICABLE PERCENTAGES

Level	Rating Category: Moody's/S&P/Fitch	Applicable Margin for Eurodollar Advances	Applicable Margin for Base Rate Advances	Applicable Commitment Fee Percentage
I	AA-/Aa3/AA- or higher	0.750%	0.000%	0.060%
II	A1/A+/A+	0.875%	0.000%	0.080%
III	A2/A/A	1.000%	0.000%	0.100%
IV	A3/A-/A-	1.125%	0.125%	0.125%
V	Baa1/ BBB+/ BBB+ or lower	1.250%	0.250%	0.175%

The credit ratings to be utilized for purposes of this Schedule are those assigned to the senior, unsecured long-term debt securities of the Borrower without third-party credit enhancement, whether or not any such debt securities are actually outstanding, and any rating assigned to any other debt security of the Borrower shall be disregarded. The rating in effect on any date is that in effect at the close of business on such date. If the ratings established or deemed to have been established by Moody's, S&P and Fitch for the Borrower fall within different Levels, the highest rating (or numerically lower Level) shall apply, unless the ratings differ by more than one Level, in which case, if the rating is the same by two rating agencies, and the third agency rating is lower, then the higher rating shall govern and otherwise, the governing rating shall be the rating next below the highest of the three. If the Borrower is not rated by Moody's, S&P or Fitch, then the rate shall be established by reference to Level V.

If the rating system of Moody's, S&P or Fitch shall change, or if any of these rating agencies shall cease to be in the business of rating corporate debt obligations, the Borrower, the Lenders and the Administrative Agent shall negotiate in good faith to amend this Schedule to reflect such changed rating system or the unavailability of ratings from such rating agency and, pending the effectiveness of any such amendment, the Applicable Margin and the Applicable Percentage shall be determined by reference to the rating most recently in effect prior to any such change or cessation. If after a reasonable time (not to exceed 90 days) the parties cannot agree to a mutually acceptable amendment, the Applicable Margin and the Applicable Percentage shall be determined by reference to Level V.

[SCHEDULE I]

Schedule II

COMMITMENT AMOUNTS

Lender	Commitment Amount
Crédit Agricole Corporate and Investment Bank	$ 110,000,000.00
Mizuho Bank, Ltd.	$ 110,000,000.00
Bank of America, N.A.	$ 110,000,000.00
JPMorgan Chase Bank, National Association	$ 110,000,000.00
U.S. Bank National Association	$ 110,000,000.00
Wells Fargo Bank, National Association	$ 110,000,000.00
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	$ 90,000,000.00
Branch Banking and Trust Company	$ 90,000,000.00
BNP Paribas	$ 90,000,000.00
Canadian Imperial Bank of Commerce, New York Branch	$ 75,000,000.00
Goldman Sachs Bank USA	$ 75,000,000.00
Morgan Stanley Bank, N.A.	$ 60,000,000.00
CoBank, ACB	$ 50,000,000.00
The Northern Trust Company	$ 40,000,000.00
BOKF, N.A. dba Bank of Texas	$ 20,000,000.00
TOTAL	**$ 1,250,000,000**

[SCHEDULE II]

SCHEDULE 4.20
Secured Indebtedness as of June 30, 2015

NONE.

[SCHEDULE 4.20]

SCHEDULE 4.21

SUBSIDIARIES [1]

Name	State or Country of Formation
BLUE FLAME INSURANCE SERVICES, LTD (wholly-owned subsidiary of Atmos Energy Corporation)	Bermuda
ATMOS ENERGY HOLDINGS, INC. (wholly-owned subsidiary of Atmos Energy Corporation)	Delaware
ATMOS ENERGY SERVICES, LLC (a limited liability company, wholly-owned by Atmos Energy Holdings, Inc.)	Delaware
EGASCO, LLC (a limited liability company, wholly-owned by Atmos Energy Holdings, Inc.)	Texas
ATMOS ENERGY MARKETING, LLC (a limited liability company, wholly-owned by Atmos Energy Holdings, Inc.)	Delaware
ATMOS POWER SYSTEMS, INC. (a wholly-owned subsidiary of Atmos Energy Holdings, Inc.)	Georgia
ATMOS PIPELINE AND STORAGE, LLC (a limited liability company, wholly-owned by Atmos Energy Holdings, Inc.)	Delaware
UCG STORAGE, INC. (wholly-owned by Atmos Pipeline and Storage, LLC)	Delaware
WKG STORAGE, INC. (wholly-owned by Atmos Pipeline and Storage, LLC)	Delaware
ATMOS EXPLORATION AND PRODUCTION, INC. (wholly-owned by Atmos Pipeline and Storage, LLC)	Delaware
TRANS LOUISIANA GAS PIPELINE, INC. (wholly-owned by Atmos Pipeline and Storage, LLC)	Louisiana

[SCHEDULE 4.21]

TRANS LOUISIANA GAS STORAGE, INC. (wholly-owned by Atmos Pipeline and Storage, LLC)	Delaware
FORT NECESSITY GAS STORAGE, LLC (a limited liability company, wholly-owned by Atmos Pipeline and Storage, LLC)	Delaware
ATMOS GATHERING COMPANY, LLC (a limited liability company, wholly-owned by Atmos Pipeline and Storage, LLC)	Delaware
PHOENIX GAS GATHERING COMPANY (wholly-owned by Atmos Gathering Company, LLC)	Delaware

(1) No Subsidiary of the Borrower currently qualifies as a Material Subsidiary as that term is defined in the Agreement.

[SCHEDULE 4.21]

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 8-K

Current Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

November 4, 2015
Date of Report (Date of earliest event reported)

ATMOS ENERGY CORPORATION
(Exact Name of Registrant as Specified in its Charter)

TEXAS AND VIRGINIA	1-10042	75-1743247
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

1800 THREE LINCOLN CENTRE, 5430 LBJ FREEWAY, DALLAS, TEXAS	75240
(Address of Principal Executive Offices)	(Zip Code)

(972) 934-9227
(Registrant's Telephone Number, Including Area Code)

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

□ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
□ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
□ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

□ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition.

On Wednesday, November 4, 2015, Atmos Energy Corporation (the "Company") issued a news release in which it reported the Company's financial results for the fourth quarter and full 2015 fiscal year, which ended September 30, 2015, and that certain of its officers would discuss such financial results in a conference call on Thursday, November 5, 2015 at 10:00 a.m. Eastern Time. In the release, the Company also announced that the call would be webcast live and that slides for the webcast would be available on its website for all interested parties.

A copy of the news release is furnished as Exhibit 99.1. The information furnished in this Item 2.02 and in Exhibit 99.1 shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section, nor shall such information be deemed to be incorporated by reference into any of the Company's filings under the Securities Act of 1933 or the Securities Exchange Act of 1934.

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

(d) On November 4, 2015, Michael E. Haefner, President and Chief Operating Officer of Atmos Energy Corporation, was elected to the Board of Directors of the Company, effective November 4, 2015, with his term expiring at the 2016 annual meeting of shareholders on February 3, 2016. The Board did not appoint Mr. Haefner to serve on any Board committees. Mr. Haefner has not received any grant or award under any company plan, contract or arrangement in connection with his election.

Item 9.01.Financial Statements and Exhibits.

(d) Exhibits

Exhibit Number	Description
99.1	News Release dated November 4, 2015 (furnished under Item 2.02)

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ATMOS ENERGY CORPORATION
(Registrant)

DATE: November 4, 2015

By: /s/ LOUIS P. GREGORY
Louis P. Gregory
Senior Vice President, General Counsel
and Corporate Secretary

INDEX TO EXHIBITS

Exhibit Number	Description
99.1	News Release dated November 4, 2015 (furnished under Item 2.02)

Exhibit 99.1

News Release

Analysts and Media Contact:
Susan Giles (972) 855-3729

Atmos Energy Corporation Reports Earnings for Fiscal 2015 and Initiates Fiscal 2016 Guidance; Raises Dividend 7.7 Percent

DALLAS (November 4, 2015) - Atmos Energy Corporation (NYSE: ATO) today reported consolidated results for its 2015 fiscal year and fourth quarter ended September 30, 2015 .

- Fiscal 2015 consolidated net income, excluding net unrealized margins, was $316.5 million , or $3.10 per diluted share, compared with consolidated net income of $284.0 million , or $2.90 per diluted share in the prior year, excluding net unrealized margins.
- Fiscal 2015 net income was $315.1 million , or $3.09 per diluted share, after including noncash, unrealized net losses of $1.5 million , or $(0.01) per diluted share. Net income was

$289.8 million , or $2.96 per diluted share in the prior year, after including unrealized net gains of $5.8 million or $0.06 per diluted share.

- Natural gas distribution customers benefited from weather-normalized rates, which returned approximately $19.5 million in savings on customer bills, as a result of weather that was eight percent colder than normal in fiscal 2015.
- Capital expenditures were $975.1 million for the year ended September 30, 2015 , with over 80 percent of that spending related to system safety and reliability investments.
- Atmos Energy expects fiscal 2016 earnings to be in the range of $3.20 to $3.40 per diluted share, excluding net unrealized margins. Capital expenditures are expected to be in the range of $1.0 billion to $1.1 billion in fiscal 2016 .
- The company's Board of Directors has declared a quarterly dividend of $0.42 per common share. The indicated annual dividend for fiscal 2016 is $1.68, which represents a 7.7 percent increase.

For the quarter ended September 30, 2015 , consolidated net income, excluding unrealized margins was $30.1 million , or $0.29 per diluted share, compared with net income of $24.9 million , or $0.24 per diluted share for the same quarter last year. Noncash, unrealized net losses from nonregulated operations were $6.6 million , or $(0.06) per diluted share for the three months ended September 30, 2015 , and $1.2 million , or $(0.01) per diluted share for the prior-year quarter.

"Our business strategy continues to yield solid results," said Kim Cocklin, chief executive officer of Atmos Energy Corporation. "Our 2015 financial performance reflects the continued capital investments we have made in our infrastructure to provide safe and reliable gas service to our customers. These investments, along with timely recovery, will position us well for fiscal 2016 and beyond. We remain confident in the fundamental strength of our business to continue delivering annual earnings per share growth in the six to eight percent range," Cocklin concluded.

Results for the Fiscal Year Ended September 30, 2015

Regulated distribution gross profit increased $61.1 million to $1,237.6 million for the year ended September 30, 2015 , compared with $1,176.5 million in the prior-year period. Gross profit reflects a net $70.6 million increase in rates, primarily in the Mid-Tex, West Texas and Kentucky/Mid-States Divisions. Additionally, gross profit increased $4.5 million from higher transportation revenue, while it decreased $10.5 million due to warmer weather. Although weather was eight percent colder than normal during fiscal 2015, it was 10 percent warmer than the prior year, before adjusting for weather normalization mechanisms.

Regulated pipeline gross profit increased $51.6 million to $370.1 million for the year ended September 30, 2015 , compared with $318.5 million in the prior fiscal year. This increase primarily reflects a $47.0 million increase in revenue from the Gas Reliability Infrastructure Program (GRIP) filings approved in fiscal 2014 and 2015.

Nonregulated gross profit decreased $15.1 million to $72.9 million for the year ended September 30, 2015 , compared with $88.0 million for the prior-year period. Realized margins for gas delivery, storage and transportation services increased $8.3 million year over year, primarily due to a $0.03 /Mcf increase in per-unit margins, partially offset by a seven percent decrease in consolidated sales volumes. This increase was more than offset by an $11.4 million decrease in other realized margins primarily related to lower natural gas price volatility in the current year. Finally, unrealized margins decreased $12.0 million .

Consolidated operation and maintenance expense for the year ended September 30, 2015 was $541.9 million , compared with $505.2 million for the prior year. The $36.7 million increase resulted primarily from increased pipeline maintenance spending and higher employee-related expenses.

Depreciation and amortization increased $20.8 million to $274.8 million during the year ended September 30, 2015 , compared with $254.0 million for the prior year primarily due to incremental capital investments made in fiscal 2014.

Capital expenditures increased to $975.1 million for the year ended September 30, 2015 , compared with $835.3 million in the prior year. The $139.8 million increase is largely due to a $96.9 million increase in spending in the regulated distribution segment, primarily due to a planned increase in safety and reliability investment in fiscal 2015. Additionally, capital spending in the regulated pipeline segment increased $43.4 million in the current year to further ensure the reliability of gas service to the Mid-Tex Division and other regulated distribution customers.

For the year ended September 30, 2015 , the company generated operating cash flow of $836.5 million , a $96.5 million increase compared with the year ended September 30, 2014 . The year-over-year increase primarily reflects constructive rate adjustments achieved in the prior and current years and lower gas prices during the current-year storage injection season.

The debt capitalization ratio at September 30, 2015 was 47.7 percent , compared with 46.2 percent at September 30, 2014 . At September 30, 2015 , there was $457.9 million of short-term debt outstanding, compared with $196.7 million at September 30, 2014 . Short-term debt levels in the prior year were lower as a result of higher cash balances following the completion of the February 2014 equity offering.

Results for the 2015 Fiscal Fourth Quarter Ended September 30, 2015

Regulated distribution gross profit increased $6.0 million to $240.5 million for the fiscal 2015 fourth quarter, compared with $234.5 million in the prior-year quarter. Gross profit reflects a net $9.1 million increase in rates, primarily in the Mid-Tex and West Texas Divisions.

Regulated pipeline gross profit increased $11.5 million to $97.8 million for the quarter ended September 30, 2015 , compared with $86.3 million for the same quarter last year. This increase is primarily the result of a $9.5 million increase to rates under the GRIP filing that became effective in fiscal 2015.

Nonregulated gross profit decreased $0.9 million to $16.1 million for the fourth quarter of fiscal 2015 , compared with $17.0 million for the prior-year quarter. Realized margins for gas delivery, storage and transportation services increased $2.3 million quarter over quarter, primarily due to a $0.04 /Mcf increase in per-unit margins, partially offset by a four percent decrease in consolidated sales volumes. Additionally, other realized margins increased $5.7 million , primarily related to more favorable financial settlements in the current-year quarter compared to the prior-year quarter. Unrealized margins were $8.9 million lower than the prior-year quarter.

Consolidated operation and maintenance expense for the three months ended September 30, 2015 was $157.4 million , compared with $139.2 million for the prior-year quarter. The $18.2 million quarter-over-quarter increase resulted primarily from increased pipeline maintenance spending and higher employee-related expenses.

Outlook

The leadership of Atmos Energy remains focused on enhancing system safety and reliability through infrastructure investment while delivering shareholder value and consistent earnings growth. Atmos Energy expects fiscal 2016 earnings to be in the range of $3.20 to $3.40 per diluted share, excluding unrealized margins. Net income from regulated operations is expected to be in the range of $315 million to $335 million, while net income from nonregulated operations is expected to be in the range of $14 million to $19 million. Capital expenditures for fiscal 2016 are expected to range between $1.0 billion and $1.1 billion.

Conference Call to be Webcast November 5, 2015

Atmos Energy will host a conference call with financial analysts to discuss the fiscal 2015 financial results and outline the assumptions supporting the fiscal 2016 guidance on Thursday, November 5, 2015, at 10 a.m. Eastern Time. The domestic telephone number is 877-485-3107 and the international telephone number is 201-689-8427. Kim Cocklin, chief executive officer and Bret Eckert, senior vice president and chief financial officer will participate in the conference call. The conference call will be webcast live on the Atmos Energy website at www.atmosenergy.com . A playback of the call will be available on the website later that day.

Highlights and Recent Developments

Election of Director
Effective November 4, 2015, Michael E. Haefner, president and chief operating officer, was elected to the board of directors of the company, with his term expiring at the 2016 annual meeting of shareholders on February 3, 2016.

Senior Management Promotions
On September 28, 2015, Atmos Energy announced the promotion of Michael E. Haefner, from executive vice president to president and chief operating officer, effective October 1, 2015. Additionally, Marvin L. Sweetin, senior vice president of utility operations, was promoted to the newly-created position of senior vice president of safety and enterprise services, effective October 1, 2015.

Credit Facility Replaced
On September 25, 2015, Atmos Energy replaced its existing $1.25 billion revolving credit agreement, which was set to expire on August 22, 2019, with a new $1.25 billion revolving credit agreement (Credit Facility) with substantially the same terms. The Credit Facility also retains a $250 million accordion feature that would allow an increase in commitments up to $1.5 billion. The Credit Facility has an expiration date of September 25, 2020, with the company having the option to twice extend the five-year term for one additional year.

This news release should be read in conjunction with the attached unaudited financial information.

Forward-Looking Statements

The matters discussed in this news release may contain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical fact included in this news release are forward-looking statements made in good faith by the company and are intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. When used in this news release or in any of the company's other documents or oral presentations, the words "anticipate," "believe," "estimate," "expect," "forecast," "goal," "intend," "objective," "plan," "projection," "seek," "strategy" or similar words are intended to identify forward-looking statements. Such forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those discussed in this news release, including the risks and uncertainties relating to regulatory trends and decisions, the company's ability to continue to access the capital markets and the other factors discussed in the company's reports filed with the Securities and Exchange Commission. These factors include the risks and uncertainties discussed in the company's Annual Report on Form 10-K for the fiscal year ended September 30, 2014 and in the company's Quarterly Report on Form 10-Q for the three and nine months ended June 30, 2015 . Although the company believes these forward-looking statements to be reasonable, there can be no assurance that they will approximate actual experience or that the expectations derived from them will be realized. The company undertakes no obligation to update or revise forward-looking statements, whether as a result of new information, future events or otherwise.

About Atmos Energy

Atmos Energy Corporation, headquartered in Dallas, is one of the country's largest natural-gas-only distributors, serving over three million natural gas distribution customers in over 1,400 communities in eight states from the Blue Ridge Mountains in the East to the Rocky Mountains in the West. Atmos Energy also manages company-owned natural gas pipeline and storage assets, including one of the largest intrastate natural gas pipeline systems in Texas and provides natural gas marketing and procurement services to industrial, commercial and municipal customers primarily in the Midwest and Southeast. For more information, visit www.atmosenergy.com .

CASE NO. 2017-00349
FR 16(7)(p)
ATTACHMENT 2

Atmos Energy Corporation
Financial Highlights (Unaudited)

Statements of Income (000s except per share)	Year Ended September 30 2015	2014
Gross Profit:		
Regulated distribution segment	$ 1,237,577	$ 1,176,515
Regulated pipeline segment	370,112	318,459
Nonregulated segment	72,860	87,955
Intersegment eliminations	(532)	(503)
Gross profit	1,680,017	1,582,426
Operation and maintenance expense	541,868	505,154
Depreciation and amortization	274,796	253,987
Taxes, other than income	231,958	211,936
Total operating expenses	1,048,622	971,077
Operating income	631,395	611,349
Miscellaneous expense	(4,389)	(5,235)
Interest charges	116,241	129,295
Income before income taxes	510,765	476,819
Income tax expense	195,690	187,002
Net income	$ 315,075	$ 289,817
Basic earnings per share	$ 3.09	$ 2.96
Diluted earnings per share	$ 3.09	$ 2.96
Cash dividends per share	$ 1.56	$ 1.48
Weighted average shares outstanding:		
Basic	101,892	97,606
Diluted	101,892	97,608

Summary Net Income (Loss) by Segment (000s)	Year Ended September 30 2015	2014
Regulated distribution	$ 204,813	$ 171,585
Regulated pipeline	94,662	86,191
Nonregulated	17,064	26,209
Unrealized margins, net of tax	(1,464)	5,832
Consolidated net income	$ 315,075	$ 289,817

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)

Statements of Income (000s except per share)	Three Months Ended September 30 2015	2014
Gross Profit:		
Regulated distribution segment	$ 240,511	$ 234,491
Regulated pipeline segment	97,807	86,314
Nonregulated segment	16,136	16,987
Intersegment eliminations	(133)	(133)
Gross profit	354,321	337,659
Operation and maintenance expense	157,379	139,163
Depreciation and amortization	70,737	68,256
Taxes, other than income	50,352	46,296
Total operating expenses	278,468	253,715
Operating income	75,853	83,944
Miscellaneous expense	(1,755)	(1,213)
Interest charges	31,075	33,739
Income before income taxes	43,023	48,992
Income tax expense	19,508	25,279
Net income	$ 23,515	$ 23,713
Basic earnings per share	$ 0.23	$ 0.23
Diluted earnings per share	$ 0.23	$ 0.23
Cash dividends per share	$ 0.390	$ 0.370
Weighted average shares outstanding:		
Basic	102,234	101,247
Diluted	102,234	101,247

Summary Net Income (Loss) by Segment (000s)	Three Months Ended September 30 2015	2014
Regulated distribution	$ 9,109	$ 1,556
Regulated pipeline	16,377	17,698
Nonregulated	4,674	5,666
Unrealized margins, net of tax	(6,645)	(1,207)
Consolidated net income	$ 23,515	$ 23,713

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)

Condensed Balance Sheets (000s)	September 30, 2015	September 30, 2014
Net property, plant and equipment	$ 7,430,580	$ 6,725,906
Cash and cash equivalents	28,653	42,258
Accounts receivable, net	295,160	343,400
Gas stored underground	236,603	278,917
Other current assets	70,569	111,265
Total current assets	630,985	775,840
Goodwill	742,702	742,029
Deferred charges and other assets	288,678	350,929
	$ 9,092,945	$ 8,594,704
Shareholders' equity	$ 3,194,797	$ 3,086,232
Long-term debt	2,455,388	2,455,986
Total capitalization	5,650,185	5,542,218
Accounts payable and accrued liabilities	238,942	308,086
Other current liabilities	457,954	405,869
Short-term debt	457,927	196,695
Current maturities of long-term debt	—	—
Total current liabilities	1,154,823	910,650
Deferred income taxes	1,411,315	1,286,616
Deferred credits and other liabilities	876,622	855,220
	$ 9,092,945	$ 8,594,704

Atmos Energy Corporation
Financial Highlights, continued (Unaudited)

Condensed Statements of Cash Flows (000s)	Year Ended September 30 2015	2014
Cash flows from operating activities		
Net income	$ 315,075	$ 289,817
Depreciation and amortization	274,796	253,987
Deferred income taxes	192,886	189,952
Other	33,772	35,481
Changes in assets and liabilities	19,990	(29,251)
Net cash provided by operating activities	836,519	739,986
Cash flows from investing activities		
Capital expenditures	(975,132)	(835,251)
Other, net	377	(2,325)
Net cash used in investing activities	(974,755)	(837,576)
Cash flows from financing activities		
Net increase (decrease) in short-term debt	254,780	(165,865)
Net proceeds from issuance of long-term debt	493,538	—
Net proceeds from equity offering	—	390,205
Settlement of Treasury lock agreements	13,364	—
Repayment of long-term debt	(500,000)	—
Cash dividends paid	(160,018)	(146,248)
Repurchase of equity awards	(7,985)	(8,717)
Issuance of common stock	30,952	4,274
Net cash provided by financing activities	124,631	73,649
Net decrease in cash and cash equivalents	(13,605)	(23,941)
Cash and cash equivalents at beginning of period	42,258	66,199
Cash and cash equivalents at end of period	$ 28,653	$ 42,258

Statistics	Three Months Ended September 30 2015	2014	Year Ended September 30 2015	2014
Consolidated distribution throughput (MMcf as metered)	56,614	57,493	429,322	451,803
Consolidated pipeline transportation volumes (MMcf)	146,240	130,777	528,068	493,360
Consolidated nonregulated delivered gas sales volumes (MMcf)	79,167	82,763	351,427	377,441
Regulated distribution meters in service	3,151,312	3,115,069	3,151,312	3,115,069
Regulated distribution average cost of gas	$ 4.64	$ 6.10	$ 5.20	$ 5.94
Nonregulated net physical position (Bcf)	14.6	9.3	14.6	9.3

###